SASOL LTD
Form 20-F
October 26, 2005
As filed with the Securities and Exchange Commission on 26 October 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the year ended 30 June 2005

OR

o TRANSITION 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 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:

616,765,648 ordinary shares of no par value

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 x No o

Indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 o Item 18 x

TABLE OF CONTENTS

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 25 June 2001, 30 June 2002, 30 June 2003, 30 June 2004 and 30 June 2005.

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 25 June 2001, 30 June 2002, 30 June 2003, 30 June 2004 and 30 June 2005 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 means the common currency of the member states of the European Monetary Union;
- GBP means Great Britain Pound, 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 actually represent such 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 R6.35 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 30 September 2005.

All references in this Form 20-F to years refer to the financial years ended on 30 June with respect to the financial year 2002 and to subsequent financial years and on 25 June with respect to the financial year 2001 and to previous financial years, unless otherwise stated.

Besides applying barrels (b) and cubic feet (cf) 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 , 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.

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.

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 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 product and oil prices or fluctuations in exchange and interest rates;

- statements regarding our plans to enter the South African retail and commercial markets for liquid fuels;

- 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 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 identify forward-looking statements, but are not the exclusive means of identifying such statements.

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 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 competitiveness;
- the continuation of substantial growth in significant developing markets, such as China;
- the ability to benefit from our capital spending policies;
- 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 currency rates;
- our success in continuing technological innovation;
- 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.

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.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable

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 2005, 30 June 2004 and 30 June 2003 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 2002 and 25 June 2001 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 2005, 30 June 2004, 30 June 2003, 30 June 2002 and 25 June 2001 has been derived from audited consolidated financial statements prepared in accordance with IFRS.

	25 June 2001	30 June 2002	30 June 2003	30 June 2004	30 June 2005	30 June(1) 2005 (US$ in millions)
	(Rand in millions) (except per share information and weighted average shares in issue)					
Income Statement Data:						
IFRS						
Turnover	40,768	59,590	64,555	60,151	69,239	10,904
Operating profit	10,619	14,783	11,911	9,314	14,506	2,284
Income before tax	10,664	14,760	11,913	9,182	14,252	2,244
Earnings attributable to shareholders	7,125	9,817	7,817	5,940	9,573	1,508
US GAAP						
Turnover	37,636	55,667	63,769	58,808	67,427	10,618
Operating profit	10,230	14,224	11,011	8,739	14,933	2,351
Income before tax	10,274	14,178	10,947	8,676	14,740	2,321
Earnings attributable to shareholders	6,952	9,434	7,344	5,358	9,787	1,541
Per share information (South African and US cents):						
IFRS						
Basic earnings per share	1,136	1,603	1,283	974	1,560	246
Diluted earnings per share	1,123	1,571	1,262	964	1,533	241
Dividends per share(2)	320	450	450	450	540	85
US GAAP						
Basic earnings per share	1,108	1,540	1,206	878	1,594	251
Diluted earnings per share	1,095	1,509	1,185	870	1,567	247
Weighted average shares in issue (in millions):						
Average shares outstanding basic	627.3	612.5	609.3	610.0	613.8	613.8
Average shares outstanding diluted	634.7	625.0	619.6	616.2	624.4	624.4
Balance Sheet data:						
IFRS						
Total assets	51,443	65,730	69,619	73,486	87,989	13,857
Total shareholders equity	23,137	31,315	33,518	35,027	43,530	6,855
Share capital	2,630	2,706	2,783	2,892	3,203	504
US GAAP						
Total assets	51,158	62,493	67,905	68,765	80,428	12,665
Total shareholders equity	23,658	30,944	32,793	33,669	40,945	6,449
Share capital	2,648	2,772	2,842	2,976	3,356	529

(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 30 September 2005 of R6.35 per US dollar. You should not view such translations as a representation that such amounts represent actual US dollar amounts.

(2) 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.

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**
2001(2)	7.64	8.16	6.79
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(3)	6.50	6.90	6.26
April 2005	6.15	6.28	6.03
May 2005	6.33	6.75	5.96
June 2005	6.74	6.92	6.63
July 2005	6.70	6.90	6.53
August 2005	6.46	6.55	6.34
September 2005	6.36	6.45	6.26

(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) Year ended 25 June 2001.

(3) Through 30 September 2005.

The rate on 30 September 2005 was R6.35 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 (approximately 90%) is denominated in US dollars or influenced by the underlying global commodity and benchmark prices which are quoted in US dollars, while about one third of our costs are rand denominated. Furthermore, a significant part of our capital expenditure is also US dollar-denominated, as it is directed to investments outside South Africa. In our European operations a large part of our costs are euro based and a significant part of our turnover is US dollar 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.

The PPI has for many years been above the rate of inflation in the United States. This, among other factors, resulted in a concomitant decline in the value of the rand against the US dollar up until 2002, during which year the average exchange rate was R10.20 against the US dollar. However, since early 2002, due to a variety of reasons, the rand has strengthened against the US dollar, reaching R6.35 at 30 September 2005, which has had a negative impact on our results. Whilst the exchange rate during the current year has been relatively less volatile than in certain previous years we are unable to forecast whether this will continue in the foreseeable future.

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 the underlying value of the rand, 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 .

Fluctuations in refining margins and crude oil, natural gas and petroleum products 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. In recent months the price of crude oil has been at very high levels. 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 synfuels 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 Liquid Fuels Business as well as the impact on oil derived feedstock. Furthermore, prices of petrochemical products and natural gas are also affected by fluctuation in crude oil prices. Fluctuations and, in particular, decreases 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 hedging instruments to protect us against day to day US dollar price fluctuations affecting the acquisition cost of our crude oil needs, including rand to US dollar exchange rate fluctuations. During the course of the 2005 year, we have again hedged a portion of our synthetic fuel production in respect of the 2006 year. See Item 8.B Significant Changes and 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.

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 and polymers are 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 synthetic fuels (synfuels) and petrochemical products, are highly dependent on the use of advanced technologies. The commercialization and use 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.

We believe 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 meet the competition 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 basis, 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 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:

- 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 the facilities;
- 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 skills to construct and operate the plants;
- the extent of available gas reserves; and
- timely completion of projects.

Significant variations in any one or more of the above factors 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, while 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 the sustainability of wholesale petroleum products supply agreements and to the establishment of our retail service station network.

Following the termination of the Main Supply and Blue Pump agreements in December 2003, [See Item 4.B Business Overview Sasol Liquid Fuels Business] we have sold or removed the Blue Pumps and associated infrastructure from service stations owned by other oil companies, and have concluded new short-term arrangements with the oil companies to supply their petroleum products requirements in certain geographic areas. We have sold a substantial portion of our aggregate petroleum production to the oil companies under these arrangements. These agreements tend to be short term of between one and two

years in duration. Further negotiations with these oil companies are ongoing. Furthermore, as a result of the termination of the agreements, the restrictions on our ability to market our petroleum products directly to the South African retail and commercial markets expired. During 2003 we commenced with the development of a service station network with a view to accessing the retail market in South Africa with our own Sasol and Exel brands, and, in order to enhance the profitability of this network, we are concentrating on developing high volume stations in growth areas. See Item 4.B Business Overview Sasol Liquid Fuel Business . The guidelines developed by the Gauteng Department of Agriculture Conservation and Environment relating to the development and upgrading of service stations within the Gauteng region in South Africa may place constraints on our plans to grow our retail service station network especially if the proposed joint venture with Petroliam Nasional Berhad (Petronas) referred to below does not materialise. See Item 4.B Business Overview Legal Proceedings . We are awaiting a decision by the South African competition authorities to combine our liquid fuels business with that of Engen Limited (Engen), a South African subsidiary of Petronas, in a joint venture which will provide us with further access to the South African retail market. See Item 8.B Significant Changes .

Nonetheless, we cannot assure you that our ongoing negotiations with other oil companies will result in beneficial arrangements on a sustainable basis. We cannot assure you that we will be successful in competing with the oil companies established service station networks, or in optimizing the configuration of our network, or that the South African competition authorities will approve the proposed joint venture with Petronas, or that we will be successful in selling the balance of our non-committed petroleum product directly to the commercial or retail markets. Failure to meet any of these objectives may have a material adverse effect on our business, operating results, cash flows and financial condition.

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 and 51% of our turnover is generated in South Africa.

Specific aspects of country risks that may have a material impact on our business, operating results, cash flows and financial condition include:

(a) Political, social and economic issues

Sasol has or is in the process of investing in significant operations in African, South-east Asian and Middle Eastern regions that have in the past to a greater or lesser extent experienced social, economic and political uncertainty. More recently certain countries in which Sasol operates have achieved greater social, political and economic stability. Since 1994 South Africa, in particular, has experienced significantly improved social, economic and political conditions.

(b) 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.

(c) 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.

(d) Unionized Labor

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

(e) 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 conditions in South Africa.

(f) 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 SARB 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 .

(g) HIV/AIDS in sub-Saharan Africa

HIV/AIDS and tuberculosis, which is exacerbated in the presence of HIV/AIDS, are the major healthcare challenges faced by our South African and other sub-Saharan operations. HIV infection among women in antenatal clinics around South Africa rose from 1% in 1990 to nearly 25% in 2000. Under South African law, we may not run tests to accurately establish the number of our employees who are infected with, or die from, AIDS related illnesses without the express consent of the people to be tested. However, based on the final 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 the 2004 year. 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 sum of approximately R20 million to June 2005. 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.

(h) 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. In this regard, the following South African-specific initiatives apply which are intended to redress historical social and economic inequalities and ensure long-term socio-economic stability.

As a leading and patriotic South African-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.

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 Liquid Fuel Business and Empowerment of Historically Disadvantaged South Africans .

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. If the proposed joint venture with Engen is approved by the South African competition authorities then we will comply with the 25% equity ownership requirement of the Liquid Fuels Charter through the shareholdings of Tshwarisano LFB Investment (Pty) Limited (Tshwarisano), Sasol s Broad-based Black Economic Empowerment partner, and Afric Energy Resources, Engen s Broad-based Black Economic Empowerment partner, in the joint venture company. If the joint venture is not approved then Tshwarisano will become a 25% equity owner in our liquid fuels business, which will comply with the Liquid Fuels Charter. See 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, or the crushing and separation of ore into valuable substances or waste within South Africa.

The 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 and 26% ownership within 10 calendar years from the effective date of the new 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. These regulations came into effect on 1 May 2004. 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 intend to undertake appropriate action required to ensure conversion of our existing mining rights under the Mineral and Petroleum Resources Development Act.

The financing arrangements for the Tshwarisano transaction are set out in Item 8.B Significant Changes . It is not currently known what financing arrangements may ultimately be put in place to support any further transactions required in order to comply with the above-mentioned Charters and we cannot assure you that we will not participate in these arrangements.

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 business with guidance on implementing the requirements of the Act. It is uncertain when these Codes will be published in the South African Government Gazette.

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.

(i) 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 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.

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 persons 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 may become payable to the state under provisions contained in the Mineral and Petroleum Royalty Bill . This bill was published in March 2003. The bill provides for a royalty rate of 2% on anthracite and bituminous coal (low ash and steam) and 1% on bituminous coal for South African energy consumption. The royalty is payable quarterly in arrears to the state. The Minister of Finance in his budget speech to Parliament in February 2004 confirmed that these royalties will be revenue based and will take effect in 2009. There is uncertainty as to whether or not further amendments will be made to the bill and when the bill will become law. Due to this uncertainty we are unable to assess the potential impact on our future business, operating results, cash flows and financial condition.

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 was assented to by the President of South Africa on 26 April 2004. We are uncertain when the Act will take effect. The Act, and the subsequent Amendment Bill, will amend 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 will regulate matters pertaining to wholesale and retail sales of petroleum products, including their retail prices, its provisions may impact the conditions and cost of our entry into the retail fuel market in South Africa. See Item 4.B Business Overview Sasol Liquid Fuels Business and Regulation of Petroleum-Related Activities in South Africa .

The Petroleum Pipelines Act was signed by the President of South Africa on 31 May 2004. We are uncertain when the Act will take effect. The Act will regulate petroleum pipelines and storage facility activities, including the construction and operation of petroleum pipelines and the delivery of certain commercial services in connection with these pipelines and storage facilities. The 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. 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 Liquid Fuels Business and Regulation of Petroleum-Related Activities in South Africa . We cannot assure you that the enactment of new legislation or the amendment of existing laws and regulations will not have a material adverse effect on our business, operating results, cash flows and financial condition.

The Gas Act, which is expected to take effect on a date to be determined by the President, will regulate matters relating to gas transmission, storage, distribution, liquefaction and re-gasification activities. Although Sasol has negotiated a ten calendar year regulatory dispensation 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 new Gas Act and the appointment of a new National Energy Regulator (appointed in terms of the National Energy Regulator Act which was signed by the

president in March, 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 are intended to come into effect in January 2006 and other times in the calendar years up to 2010. 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. There is uncertainty as to what additives we will be allowed to use in the manufacture of these petroleum products. To meet these new specifications we are making significant capital investments at our manufacturing sites to modify our current petroleum production processes. It is as yet uncertain what the 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.

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 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 and success in attracting and retaining such employees is not guaranteed. The risk exists that our scientific and engineering 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.

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 competition 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.

A significant part of our chemical production facilities is 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 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.

Our exploration, mining and production operations are required to conform with 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 was published on 24 February 2005 and certain portions of it came into effect on 9 September 2005. This will enable the Department of Environmental Affairs and Tourism to set ambient air quality and emission standards, declare Priority Areas for the purpose of implementation of Air Quality Management Plans, and prepare for the review of atmospheric emission licenses. 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 damages, 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 accidents.

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 South-east 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 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.

Failure to comply timely 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 and authorizations from the appropriate regulatory authorities. Compliance with these laws, regulations, permits 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 timely 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 laws and regulations we may have to incur costs which we could finance from our available cash flows or from alternative sources of financing. 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 as part of our routine maintenance program there are currently certain asbestos-containing materials at our facilities. In addition, we produce carcinogenic materials at some of our facilities. 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 and customs and excise duty and 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.

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 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 proven 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 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, 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 affiliation 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 the aforementioned 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.

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 are 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 with The Bank of New York, as the 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 the 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 nothing you can do 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.

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, 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, in the Free State province, about 80 kilometers (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 as a joint venture company 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. Subsequently, the interest in our share capital held by the South African government through the Industrial Development Corporation of South Africa Limited was further reduced to its current 7.9%. 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 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.

In the years 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 an R820 million renovation, during which we discontinued the production of synfuels and increased the production of higher-value chemicals, including ammonia, solvents, phenolics, paraffins and waxes.

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, and delisted Polifin. Following this, Polifin became part of our chemicals portfolio and was renamed Sasol Polymers.

In mid 1994 Sasol Fibres, our 50:50 partnership with the Industrial Development Corporation of South Africa Limited commissioned an acrylic fibers manufacturing plant at Durban in the KwaZulu-Natal province. A strategic decision was taken to wind down and close the Sasol Fibres partnership in year 2002 because it was underperforming and unlikely to meet our targeted rates of return in the long-term.

In June 1994, the first alpha olefins plant at Secunda was commissioned to produce 1-hexene and 1-pentene for the international copolymers market. This was followed in November 1994 by the opening of the African Amines alkylamines plant at Newcastle in KwaZulu-Natal province in a 50:50 joint venture with Sentrachem Limited (Sentrachem). Dow Chemical Company became our joint venture partner in African Amines in 1997 following its acquisition of Sentrachem. Air Products became our joint venture partner in 2002 following Dow Chemical Company s disposal of its interest in African Amines.

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.

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 with operations in various countries. Effective 1 July 2002, we acquired from Vara Holdings GmbH and Co KG the outstanding one-third of the share capital of Schümann Sasol, for approximately 51.1 million euro (approximately R521 million at actual rates), and this subsidiary, now 100% owned, has been renamed Sasol Wax.

Merisol, formerly known as Merichem-Sasol, was formed in October 1997 as a 50:50 joint venture with Merichem Company of Houston. Merisol produces and supplies natural phenolics and cresylics.

By early 1999, Sasol Synfuels, our synfuels segment, 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 and Chevron are currently involved in the development of a GTL project in collaboration with the Nigerian National Petroleum Corporation (NNPC) 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. We are currently evaluating other GTL ventures in Australia, Latin America, North America, the Middle East, South-east Asia and Africa.

Since May 2000 the group has 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 2005. At 30 June 2005, a total of 60,111,447 shares (2004 : 60,111,447), representing 8.9% of the issued share capital of the company, had been repurchased since 9 May 2000 at an average price of R60.67 per share.

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 US$952 million, excluding finance charges, (R7.8 billion, converted at forward covered rates) GTL plant based at Ras Laffan Industrial City to produce high quality synfuels from Qatar s natural gas resources. The plant is scheduled to commence operations during the first half of 2006 calendar year.

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.

Effective 1 March 2001, we acquired Condea, the whole of RWE-DEA s chemical business which we renamed Sasol Chemie, for approximately 1.3 billion euro (approximately R8.3 billion at actual rates). This was our largest and most significant acquisition to date, in line with our strategy of achieving international growth in the alpha olefins, surfactants and solvents businesses. Sasol announced in August 2005 that it is considering the disposal of its Olefins and Surfactants business excluding its co-monomers activities in South Africa. In 2003, Sasol determined that it would continue to grow its chemical businesses conditional upon projects leveraging its technology or securing integrated and highly cost-competitive feedstock positions. Sasol announced in August 2005 that it is considering the divestment from its Olefins and Surfactants business including its Safol plant but excluding its comonomers activities in South Africa. The Olefins and Surfactants business is only partially integrated upstream into feedstock and has not adequately provided the integration benefits which Sasol requires. Deutsche Bank has been appointed to assist Sasol in procuring offers, assessing the feasibility and attractiveness thereof and executing any potential transaction.

In 2004 we commenced with Project Turbo our fuel enhancement investment, which will liberate further chemical feedstock and enable concomitant investments by Sasol Polymers to expand its South African polymer production capacity by more than 80%.

Effective 1 January 2004, Sasol Oil, now comprising all of Sasol Liquid Fuels Business (Sasol LFB), 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 LFB. We now have 345 Sasol- and Exel- branded retail convenience centers.

On November 2004, Sasol and Petronas finalized an agreement to combine their respective interests in Sasol LFB and Engen to form a joint venture to be called Uhambo Oil Limited (Uhambo Oil). The South African Competition Commission granted conditional approval to the proposed joint venture in May 2005, with hearings by the Competition Tribunal commenced in October 2005. Sasol announced on

22 September 2005 that Tshwarisano, its Broad-based Black Economic Empowerment partner, would acquire a 12.5% interest in Uhambo Oil for an amount of R1.45 billion. As noted above the Uhambo Oil transaction is subject to Competition Tribunal approval.

As of 30 September 2005, we were the largest listed domiciled South African company by market capitalization (R166.7 billion), with total consolidated turnover in terms of IFRS of approximately R69.2 billion in 2005. We employ approximately 30,000 people.

Capital Expenditure

In 2005 we invested approximately R12 billion (2004 : R11 billion and 2003 : R10 billion) 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. Key capital expenditure incurred on projects to expand our operations includes:

Projects and Investments	Business Categories	30 June 2005	30 June 2004	30 June 2003
		(Rand in millions)		
Project Turbo(1)	Sasol Polymers	3,321	936	185
Oryx GTL (Nigeria)	Sasol Synfuels International	847	1,113	559
Escravos GTL (Qatar)	Sasol Synfuels International	868	122	59
Arya Sasol Polymer (Iran)	Sasol Polymers	823	295	206
Sasol LFB distribution network	Sasol LFB	294	114	
2nd and 3rd Octene trains	Sasol Olefins and Surfactants	288	519	
Mozambique Natural Gas	Sasol Gas and Sasol Petroleum International	239	1,811	3,164
Clean Fuels Project	Sasol LFB	215		
Tar Naphta Phenolic Extraction	Other	105		
Acrylic acid and acrylates	Sasol Solvents		740	892
15th Oxygen train	Sasol Synfuels		104	319
n-Butanol	Sasol Solvents			349
Other smaller projects	Various	350	1,771	1,603

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

(1) During the current year, increases in the capital costs as well as an overrun on the project schedule have resulted in the estimated costs of completion of Project Turbo (Synfuels and Polymers) increasing from R12 billion to R13 billion and a resultant decrease in the expected return on this project.

Key projects to address environmental matters and enhance existing assets during the 2005 year include:

Projects and Investments	Business Categories	30 June 2005 (Rand in millions)
Mining renewal	Sasol Mining	466
Project Turbo(1)	Sasol Synfuels	2,520
Waste recycling facility	Sasol Synfuels	263
Reconstruction of the ethylene plant (Unit 24) and the revamp of the furnaces	Sasol Polymers	185
Other (individually less than R100 million)	Various	1,728

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

(1) During the current year, increases in the capital costs as well as an overrun on the project schedule have resulted in the estimated costs of completion of Project Turbo (Synfuels and Polymers) increasing from R12 billion to R13 billion and a resultant decrease in the expected return on this project.

In addition, we invested approximately R112 million in intangible assets (including investments made by equity accounted investees), mainly in respect of exploration expenditure, software and 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 2005, we had authorized approximately R34 billion of group capital expenditure, of which we had spent R15 billion at 30 June 2005. Of the unspent capital commitments of R19 billion, R11 billion has been contracted for. Of the unspent capital commitments of R19 billion, we expect to spend R15 billion in 2006, R3 billion in 2007 and the remainder in 2008 and thereafter. For more information regarding our capital commitments see Item 5.B Liquidity and Capital Resources and Item 5.F Capital and Contractual Commitments .

We expect to spend approximately R9 billion of our R19 billion unspent capital commitments in projects in South Africa, R6 billion in other African countries and the R4 billion in the Middle East and the remainder on projects in other regions.

The following table reflects key projects approved and contracted which were not completed at 30 June 2005:

Project	Business Categories	Total Project Cost (rand in millions)	Scheduled Operation Date
Syferfontein Kriel South Phase(2)	Sasol Mining	R299	October 2005
Mooikraal underground coal mine	Sasol Mining	R229	November 2005
Project Turbo unleaded fuel	Sasol Synfuels	R5,722	March 2006
Waste recycling facility	Sasol Synfuels	R520	October 2005
Project Landlord	Sasol Synfuels	R429	December 2005
Black product site remediation	Sasol Synfuels	R150	February 2015
Natref clean fuels project	Sasol LFB	R520	October 2005
Escravos GTL (Nigeria)	Sasol Synfuels International	R6,000 (1)	March 2009
Oryx GTL (Qatar)	Sasol Synfuels International	R2,959 (2)	May 2006
3rd Octene train	Sasol Olefins and Surfactants	R2,055 (3)	June 2007
Project Turbo polymers projects low-density polyethylene and polypropylene	Sasol Polymers	R7,618	March 2006 and August 2006
Arya Sasol Polymer (Iran)	Sasol Polymers	R3,277 (4)	May 2006

The amounts include business development costs and our group s share of capital expenditure of equity accounted investees.

(1) The contract has been concluded in US dollars for a total of US$945 million and has been translated at rate of R6.35 per US$1.00 solely for the reader s convenience.

(2) The contract has been concluded in US dollars for a total of US$466 million and has been translated at rate of R6.35 per US$1.00 solely for the reader s convenience.

(3) At the meeting held on 9 September 2005 the Board approved the revised project cost of R2,055 million, increased from R1,265 million, subject to the renegotiations for the selling price of the product which were successful.

(4) Sasol Polymers share of the estimated cost to establish the Arya Sasol Polymer production facilities in US dollars is US$516 million and has been translated at rate of R6.35 per US$1.00 solely for the reader s convenience.

4.B Business Overview

Sasol is an integrated oil and gas company with substantial chemical interests. In South Africa, we support these operations by mining coal and converting it into synthetic fuels and chemicals through proprietary Fischer-Tropsch technology. We also have chemical manufacturing and marketing operations in Europe, Asia and the Americas. Our larger chemical portfolios include polymers, solvents, surfactants and their intermediates, waxes, phenolics and nitrogenous products.

The group explores for, and produces, crude oil offshore of Gabon, refines crude oil into liquid fuels in South Africa and retails liquid fuels and lubricants through a growing network of retail service centers. During the first quarter of 2004, we started extracting Mozambican natural gas, some of which we have been using as feedstock for fuel and chemical production in South Africa since mid 2004.

We are also developing in Qatar and Nigeria two joint-venture GTL plants based on our proprietary Sasol SPD process.

The financial information presented to our Group Executive Committee (GEC), including the financial information in the reportable segments, is presented based on IFRS. Since the 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 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):

- *Sasol Mining*. Our mining operations in South Africa, which accounted for 2% of our total external segmental turnover in 2005, supply coal mainly to our synfuels and chemicals plants. We also export coal to international customers.

- *Sasol Synfuels.* We operate the world s only large commercial-scale coal-based synfuels manufacturing operation, which accounted for 1% of our total external segmental turnover in 2005. We manufacture syngas from natural gas, low-grade coal and use our technology to convert syngas into a range of products, including synfuels, chemical feedstock and industrial pipeline gas.

- *Sasol Liquid Fuels Business*. We operate South Africa s only inland crude oil refinery. We market liquid and gaseous fuels and lubricants. Liquid fuels include gasoline, diesel, jet fuel, fuel alcohol, illuminating paraffin and fuel oils. Gaseous fuels include liquefied petroleum gas. This segment accounted for 34% of our total external segmental turnover in 2005.

- *Sasol Gas*. We source natural gas obtained from fields operated by fellow subsidiaries in Mozambique and methane rich gas from our operations at Secunda. We supply these to Synfuels in Secunda and Infrachem in Sasolburg as well as pipeline gas to the South African market. For the next few years we will also continue to supply synthetic pipeline gas to customers in the South African market. We completed the construction of a pipeline to transport and supply natural gas from Mozambique to the South African market during 2004. This segment accounted for 2% of our total external segmental turnover in 2005.

- *Sasol Synfuels International*. We are involved in the development of GTL fuels and production of other chemical products from GTL derived feedstock. We are currently involved in the establishment of two GTL production facilities in Qatar and Nigeria and are conducting feasibility studies at various other locations around the world. Potential CTL opportunities in China, United States and other coal-rich countries are being considered. These activities did not contribute to our total external segmental turnover in 2005.

- *Sasol Olefins and Surfactants.* We manufacture a wide range of surfactants, surfactant intermediates (including alcohols and alkylates), monomers and inorganic specialty chemicals derived mostly from petrochemical feedstock (crude oil, natural gas and coal). We market these products in the global chemical markets. This segment accounted for 26% of our total external segmental turnover in 2005.

- *Sasol Polymers.* We focus on the production and marketing of ethylene and propylene monomers, polypropylene, polyethylene and polyvinyl chloride polymers and other chemical products through our respective businesses with operations located in South Africa, Malaysia and China. This segment accounted for 10% of our total external segmental turnover in 2005.

- *Sasol Solvents.* We manufacture and market a range of oxygenated solvents derived mostly from coal and chemical feedstock, in the global chemicals markets. This segment accounted for 12% of our total external segmental turnover in 2005.

- *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 13% of our total external segmental turnover in 2005.

The following tables present our total external turnover after the elimination of inter-segment turnover by business operation and geographic market (under IFRS, except where otherwise indicated):

2005	**Sasol Mining**	**Sasol Synfuels**	**Sasol LFB**	**Sasol Gas**	**Sasol Synfuels International**	**Sasol Olefins and Surfactants**	**Sasol Polymers**	**Sasol Solvents**	**Other**	**Total**
	(Rand in millions)									
South Africa	42	642	22,902	1,408		180	5,651	1,206	3,364	35,395
Rest of Africa		6	620			115	752	151	909	2,553
Europe	1,429	107	3			9,152	86	3,528	2,840	17,145
Middle East and India		16				313	28	803	173	1,333
Far East						1,027	358	1,006	116	2,507
North America		20				6,647		639	843	8,149
South America		11				462	7	144	136	760
South East Asia and Australasia		18				144	317	586	332	1,397
Total segment	**1,471**	**820**	**23,525**	**1,408**		**18,040**	**7,199**	**8,063**	**8,713**	**69,239**
Adjustments to US GAAP										
Equity accounting and reversal of proportionate consolidation(2)										(1,812)
Turnover per consolidated income statement under US GAAP(1)										**67,427**

2004	**Sasol Mining**	**Sasol Synfuels**	**Sasol LFB**	**Sasol Gas**	**Sasol Synfuls International**	**Sasol Olefins and Surfactants**	**Sasol Polymers**	**Sasol Solvents**	**Other**	**Total**
	(Rand in millions)									
South Africa	45	1,077	17,237	1,389		142	5,063	799	3,202	28,954
Rest of Africa	6	26	1,305		7	133	815	95	675	3,062
Europe	1,032	153				9,304	26	2,543	2,574	15,632
Middle East and India		21				431	48	731	216	1,447
Far East		6				911	178	843	124	2,062
North America		21				5,618		518	903	7,060
South America		7				457	14	113	132	723
South East Asia and Australasia		18	12			137	432	314	298	1,211
Total segment	**1,083**	**1,329**	**18,554**	**1,389**	**7**	**17,133**	**6,576**	**5,956**	**8,124**	**60,151**
Adjustments to US GAAP										
Equity accounting and reversal of proportionate consolidation(2)										(1,609)
Entities previously not consolidated(3)										266
Turnover per consolidated income statement under US GAAP(1)										**58,808**

2003	Sasol Mining	Sasol Synfuels	Sasol LFB	Sasol Gas	Sasol Synfuels International	Sasol Olefins and Surfactants	Sasol Polymers	Sasol Solvents	Other	Total
	(Rand in millions)									
South Africa	3	1,122	18,857	1,480		161	5,162	881	3,470	31,136
Rest of Africa		43	409		7	37	694	106	663	1,959
Europe	998	45	117			10,534	6	2,614	2,835	17,149
Middle East and India			14			1,005	1	692	364	2,076
Far East			18			573	176	721	146	1,634
North America	12		18			6,688		515	1,576	8,809
South America			4			373	3	87	230	697
South East Asia and Australasia			23			172	203	334	363	1,095
Total segment	**1,013**	**1,210**	**19,460**	**1,480**	**7**	**19,543**	**6,245**	**5,950**	**9,647**	**64,555**
Adjustments to US GAAP										
Equity accounting and reversal of proportionate consolidation(2)										(1,539)
Entities previously not consolidated(3)										650
Other										103
Turnover per consolidated income statement under US GAAP(1)										**63,769**

(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 2005, 30 June 2004 and 30 June 2003, 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 LFB segment) which is equity accounted for management reporting purposes until 31 December 2003 and consolidated as a subsidiary with effect from 1 January 2004. However, it is consolidated as a subsidiary, for all reporting years, under US GAAP.

Our Strategy

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

We are committed to grow our shareholders value through the following primary growth drivers:

- grow a global GTL and CTL business;
- grow an integrated chemicals portfolio; and
- exploit integrated upstream hydrocarbon opportunities.

Grow a global GTL and CTL business Sasol has made further progress towards the drive to commercialize its GTL technology based on the Sasol SPD process in natural gas-rich regions. The Sasol SPD process would allow 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 are advancing their 49:51 joint venture in respect of the Oryx GTL plant in Ras Laffan, Qatar. Construction largely remains on schedule and the plant with its capacity of 34,000 barrels per day (bpd) is expected to be operational by the first of the 2006 calendar year.

- Work on the Escravos GTL plant in Nigeria, a joint venture (called Escravos GTL) between NNPC and Chevron Nigeria Limited (CNL) is also progressing according to plan. After intensive evaluation, NNPC and CNLdecided to award the engineering, procurement and construction contract of the Escravos GTL plant to Team JKS. It is envisaged that the plant will be operational in 2009. With its capacity of 34,000 bpd, Escravos GTL will produce GTL diesel, GTL naphtha and liquefied petroleum gas.

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

SSI is conducting a pre-feasibility study with a consortium of Chinese companies for the potential development of two CTL plants in the People s Republic of 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 Sasol to commercialise our CTL technology. Potential CTL opportunities in the United States and other coal-rich regions may be considered.

Sasol 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 environmental friendly biomass.

Grow an integrated chemicals portfolio Sasol will focus on organically growing its chemicals portfolio either by:

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

- securing integrated positions with highly cost-competitive feedstock.

Sasol Polymers remains an outstanding performer in our chemicals portfolio by focussing on continued business optimisation 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 2006. Outside South Africa, our polymer business continues to gain momentum. In Iran, Sasol is investing US$462 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 would comprise of one ethane cracker for producing polymer-grade ethylene and two polyethylene plants. The cracker start-up is currently targeted for May 2006, followed by the two polyethylene plants soon thereafter.

Sasol Solvents continues to benefit from its status as a diversified producer and marketer of industrial solvents. The Dia Acrylates joint venture with Mitsubishi Chemical Corporation of Japan at Sasolburg, continues to perform well, and is benefiting from a strong demand for acrylic acid and acrylates.

Sasol Olefins and Surfactants completed a R870 million project to develop and construct its second train for the recovery and production of additional volumes of 1-octene comonomer at Secunda. The majority of the additional 1-octene volume is being sold under a long-term sales agreement to one of the major polyethylene producers. Beneficial operation was achieved on schedule in November 2004. The second 1-octene train has enabled the monomers business unit to double its octene production to 96 kilo tons per annum. As for our operations outside South Africa, Sasol Olefins and Surfactants has managed to maintain high production levels, despite high feedstock prices and tight margins. Strong demand and good customer relationships have necessitated the restarting of our Porto Torres LAB plant in Italy. In addition, more than 50 million euro will be spent on an ethylene pipeline and related projects to increase the alcohol and alumina capacity of units in Brunsbüttel, Germany. Sasol announced in August 2005 that it is considering the disposal of its Olefins and Surfactants business excluding its co-monomers activities in South Africa subject to an acceptable price being obtained. In 2003, Sasol determined that it would continue to grow its chemical businesses conditional upon projects leveraging its technology or securing integrated and highly cost-competitive feedstock positions. The Olefins and Surfactants business is only partially integrated upstream into feedstock and has not adequately provided the integration benefits which Sasol requires.

Sasol Nitro remains on course for improved performance on previous years following an operational restructuring, streamlining and consolidation program which started in 2003. Our ammonia plant in Sasolburg achieved record production following the introduction of natural gas as a feedstock.

Exploit integrated upstream hydrocarbon opportunities SPI has become a steady producer of natural gas in the Temane and Pande fields in Mozambique. Sasol will continue to explore for additional gas fields in and around these onshore fields as well as two offshore fields. Moreover, SPI remains a 27.75% partner in Gabon s offshore Etame oilfield, where crude oil production is being sustained at about 19,000 bpd.

Sasol Gas continues to focus on growing the South African gas market following the successful introduction of natural gas from Mozambique in the first quarter of 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, a 25% interest in Rompco was sold to iGas (Pty) Limited (owned by the South African Government) for R609 million realizing a profit of R189 million.

Sasol Synfuels remains very important in respect of our South African synthetic fuel and chemical operations, since the strength of our business in South Africa is our ability to efficiently back-integrate into cost-competitive hydrocarbon feedstock. The combination of factors such as rising oil prices, ongoing human development and productivity improvement will continue to strengthen our group results. Our multi billion rand Project Turbo is advancing, and although the entire project will only be ready for operation in March 2006, it will enable our liquid fuel business to comply with South Africa s new fuel specifications set for January 2006.

Our Activities

Sasol Mining

Sasol Mining extracts and supplies coal mainly to our synfuels and chemical plants under terms and conditions which are determined on an arm s length basis, while about 28% of its output is sold to external customers, primarily international. In 2005 its external turnover amounted to R1.5 billion, while its aggregate inter-segment and external turnover was R5.2 billion.

Sasol Mining has three South African operations:

- Secunda Mining Complex, consisting of four underground mines (Bosjesspruit, Brandspruit, Middelbult and Syferfontein) at Secunda supplying coal to Sasol Synfuels, its primary customer. As mentioned later in this section, supply of coal has commenced in May 2005 to Eskom Holdings Limited (Eskom), South Africa s state-owned power company.

- Export Complex (situated in the Secunda Mining Complex), supplied by Twistdraai mine at Secunda, producing coal for the international market as well as a secondary product, supplied to Sasol Synfuels.

- Sigma Mining Complex. In recent years, Sasol Mining has been supplying approximately 6 million tons (Mt) of coal a year to the Sasolburg petrochemical complex. From February 2005, following the introduction of natural gas as a feed stream to the Sasolburg operations, this complex s annual coal demand has dropped to about 2 Mt. This coal is only needed to operate the steam and electricity plants. The development of the R229 million Sigma-Mooikraal mine near Sasolburg will supply coal to the utility plants in Sasolburg when it is brought into operation in November 2005.

During 2005 total production was 47.7 Mt of coal, compared to 52.4 Mt in the previous year. Saleable production volumes vary each year according to inter-segment demand and export capacity. For more information regarding our mining properties and operations and our mining reserves see Item 4.D Property, Plant and Equipment Mining Properties and Operations .

In 2005, total turnover to Sasol Synfuels, Sasol Infrachem and external customers in the international market was 46.5 Mt of coal, compared to 51.1 Mt in 2004. In particular, in 2005, Sasol Mining supplied 39.4 Mt to Sasol Synfuels at Secunda and 3.0 Mt to Sasol Infrachem at Sasolburg. In 2004, it supplied 40.2 Mt to Sasol Synfuels and 6.8 Mt to Sasol Infrachem.

Sasol Mining exports approximately 8% of the Secunda Mining Complex s production. In 2005 external turnover, primarily exports, amounted to 4.1 Mt, compared to 4.1 Mt in 2004. While a buoyant market allowed US dollar export prices to increase by 62%, continued rand strength limited the increase in the rand export coal price to 47%. Marketing opportunities for coal in both the international and domestic utility market are being explored. It is the 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. However, once completed, this may provide the company with a further 0.5 Mtpa of export capacity.

The previously reported new methodology towards optimizing the layout and planning of the present and future mines is being used extensively and will result in more optimized mine layouts and planning.

Sasol Mining
Coal Production and Sales Data

	2005	2004	2003
	(Mt, unless otherwise stated)		
Sigma Mine, including Wonderwater	2.6	6.2	5.9
Secunda Mines	45.1	46.2	45.4
Total production	**47.7**	**52.4**	**51.3**
Saleable production from all mines(1)	45.5	50.4	49.6
External coal purchases from other mines			0.4
Sales to Sasol Infrachem, Sasolburg	3.0	6.8	6.4
Sales to Sasol Synfuels, Secunda	39.4	40.2	39.4
Additional domestic markets sales	0.5	0.5	
International sales	3.6	3.6	3.6
Total sales including exports	**46.5**	**51.1**	**49.4**
Production per shift of continuous miner (mining production machine) (tons)	1,606	1,707	1,644

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

Project 2010. An analysis of the future challenges facing Sasol Mining and a review of our strategy culminated in the definition of Project 2010. This project commenced over a year ago and its objective is to ensure that Sasol Mining meets the challenges going forward. These challenges are encapsulated in six main strategic themes, namely:

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

Mining Charter compliance

Mining rights ownership. In terms of the transitional arrangements of the Mineral and Petroleum Resources Development Act (Act No. 28 of 2002), the mining authorizations in terms of Section 9 of the repealed Minerals Act, remains in force for 5 calendar years from date of implementation of the Act. During this 5 calendar year period, applications will have to be submitted to the State for the conversion of the present mining authorizations to mining rights. These new rights are granted for a maximum period of 30 calendar years. All applications due to date have been submitted to the Department of Minerals & Energy, and we are awaiting approval in this regard. For a further discussion of the Mineral and Petroleum Resources Development Act see 3.D Risk Factors New mining legislation may have an adverse effect on our mineral rights and below Regulation of Mining Activities in South Africa The Mineral and Petroleum Resources Development Act .

Economic empowerment of historically disadvantaged South Africans. The Mineral and Petroleum Resources Development Act, (with its adjuncts to the Mining Charter and scorecard) came into effect on 1 May 2004. The Act is aimed at fostering and encouraging black economic empowerment (BEE) and transformation within the mining industry at the tiers of ownership, management, skills development, employment equity, procurement and rural development. The Mining Charter provides for 15% of equity in South Africa s mining assets to be owned by historically disadvantaged South Africans (HDSA) within 5 calendar years of the Act coming into effect, and 26% within 10 calendar years. For further discussion on the Mining Charter see 3.D Risk Factors There are risks relating to the countries in which we operate that could adversely affect our business, operating results, cash flows and financial condition . The Mining Charter scorecard will be used as a measuring tool by the government (Department of Mineral and Energy Affairs) to measure conformance to the Mining Charter in forming its decisions of the conversion of mining rights.

Compliance with the Mining Charter is a prerequisite for the conversion of prospecting and mining rights. Prospecting and mining rights, under the new legislation, must be converted from old order rights to new order rights. Failure to comply will result in a company losing its right to mine. To date we have submitted 33 applications to convert our mining rights to the Department of Minerals and Energy. These applications cover all the prospecting rights in the Free State and Waterberg as well as some prospecting and mining rights in Secunda.

In order to make these changes in ownership as seamless as possible, Sasol Mining has pursued a rigorous black economic empowerment strategy formulation process, followed by a partner selection process, the result of which has been the selection of Eyesizwe Coal (Pty) Limited (Eyesizwe) as the preferred lead strategic black economic empowerment partner. Sasol Mining engaged in negotiations with Eyesizwe which resulted in a Memorandum of Understanding (MOU) being signed. Potential opportunities will be considered in the areas of coal export, Eskom market (power generation) and the Sasolburg mining operations. The Export business (Twistdraai mine and plant) is the first focus area for inclusion in a future deal with Eyesizwe. We believe Sasol Mining will comply with the 15% ownership requirement of the Act and Mining Charter within the prescribed 5 calendar year period. Negotiations in this regard have progressed and it is envisaged that finalization with regards to the export business, will be achieved by 2006.

Safety, health and environmental

The recordable injuries case rate for 2005 was 1.51 compared to 1.11 for 2004, and the lost work day case rate for 2005 was 0.24 compared to 0.23 for 2004. Safety is of critical importance to Sasol Mining. To address this negative trend in accidents, interventions have been implemented to improve our safety performance. One of these interventions was a comprehensive review of Sasol Mining s safety strategy and current approach towards safety management by the global chemical company DuPont Safety Resources (DuPont) that is well known for its excellent safety record. Several recommendations were made by DuPont each of which is currently being addressed. Safety training and contractor management are the main themes of the DuPont recommendations. A program to assist all employees in hazard identification and risk assessment has been implemented at all our operations, and the majority of our employees have been trained in this regard. A process to improve safety-related behavior has also started with the pilot phase almost complete. The roll-out to other operations will take place over the next 36 months.

Underground dust levels on mechanical miners have increased to 3.63mg/m³ (3.05mg/m³ in 2004). This value is still well below the legal limit of 5mg/m³.

Continuous improvement

We continue to improve the design, operability and performance of the continuous miner fleet at our Secunda underground mining operations. Through significant improvements in productivity since 1998, we have managed to reduce the number of production sections from 74 to 52. However, due to the underground development from the highwall at Syferfontein colliery and adverse geological conditions at Middelbult colliery, the following results were achieved during the 2005 year:

- Section productivity decreased from 1,707 tons per shift per continuous miner to 1,606 tons per shift per continuous miner;
- The percentage of coal fines (less than 6.35 mm) has increased from 31.20% to 31.68%.
- The non-coal contaminants such as stone were reduced from 2.16% to 2.14%.

As a result of this decrease in productivity during the 2005 year, a consultant was appointed to do a diagnostic evaluation of our total productivity improvement initiative. The recommendations of this diagnostic evaluation will be implemented during the 2006 year. During the past year a process was also implemented to reduce overhead costs (outside production sections). Specific opportunities have been identified through a rigorous process. The majority of the identified opportunities will be implemented in the 2006 year. The objective is to reduce operating cost by some R125 million per annum. This is specifically implemented to address the reduction in coal production.

Business and reserve optimization

Attention is given to ensure that the planning of our mines (short and long-term) is performed in the most cost effective manner utilizing our reserves as best as possible. This process will continue in the 2006 year. On 1 April 2005 upon the sale of our Syferfontein opencast mine (excluding certain plant and equipment), the remaining equipment as well as employees were transferred to Anglo Coal. This resulted in the closure of all strip mine operations in Secunda.

Product and market optimization and logistics

The supply of coal to Infrachem has decreased due to the conversion to natural gas. In future coal will only be supplied to Infrachem for steam generation. A decision was taken to delay investment in a new mine and therefore a strategic deal was negotiated with Anglo Coal (a division of Anglo American plc) from which Sasol Mining acquired 100 Mt of coal reserves from Anglo Coal at the Isibonelo mine (in Kriel), by committing to purchase 5 Mt per annum (Mtpa) from Anglo Coal for a period of 20 years. The first coal from the Isibonelo mine was delivered on 1 July 2005 after an extensive construction program by both Sasol and Anglo Coal during 2004 and the first half of 2005. Anglo Coal will supply 3.7 Mt for the first year where after the supply will be at 5.0 Mtpa. This will further reduce the Secunda production rates.

Winning with people

We are implementing processes to ensure that we further enhance our relationships with the Labor Unions. This includes training our Union Representatives in business skills. A talent management process was implemented to ensure that we develop our employees to their full potential as this forms a critical part of the Social and Labor Plan. Talent management includes ensuring that succession planning takes place. A mentorship program was introduced. Sasol Mining recruited 37 female employees who are now employed in traditional male positions (machine operators as well as maintenance operators).

Sasol Synfuels

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, Sasol Synfuels produces syngas primarily from low-grade coal with a smaller portion of feedstock being natural gas. The process uses our 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. Sasol Synfuels also produces most of South Africa s chemical and polymer building blocks, including ethylene, propylene, ammonia, phenols, alcohols and ketones. It operates the world s largest oxygen production facilities (according to Air Liquide, the French industrial gas company), currently consisting of 15 units. As a result, it also has the capacity to recover high volumes of two noble gases, krypton and xenon.

Sasol Synfuels obtains its coal feedstock requirements from Sasol Mining and purchases natural gas feedstock from Sasol Gas. The company sells fuel components to Sasol LFB, and the methane-rich gas is sold to Sasol Gas. Chemical feedstock 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.

In 2005, Sasol Synfuels turnover amounted to R18.7 billion, of which R0.8 billion (4.4%) was sold to external customers and R17.9 billion (95.6%) to other Sasol group companies.

Sasol Synfuels total production decreased by 3% to 7.5 Mt in 2005 from 7.7 Mt in 2004, resulting mainly from three unplanned shutdowns during the year, most significantly the flooding of the ash dam. Average per capita production increased slightly despite lower production volumes by 0.5% to 1,364 tons per employee as a result of the labor optimization program completed in 2005. The production of liquid and gaseous fuels decreased to 64% of total production volumes compared to 2004 which amounted to 66%.

Sasol Synfuels
Production Volumes

	2005	2004
Total production (Mt)	7.5	7.7
Average production per employee (t)	1,364	1,357

Specific Product Volumes

	2005	2004
Liquid and gaseous fuels (%)	64	66
Petrochemical feedstock (%)	25	20
Carbon plus nitrogenous feedstock for fertilizers and explosives (%)	8	11
Specialized cokes, creosote and related carbon and tar products (%)	3	3

Overall production integrity and reliability remained at high levels throughout the year despite three unplanned shutdowns. Ongoing programs are followed to improve plant reliability, availability and efficiency of operations. Specific initiatives are being rolled out to improve productivity, starting with maintenance and production work processes. Behavior based safety is also currently rolled out to improve the risk and safety profile of the organization with simultaneous managerial safety improvement intervention in accordance with DuPont s safety management process.

Natural gas is now fully integrated as a supplementary feedstock to coal derived gas and represented 2% of product volumes for the 2005 year. It is expected that natural gas contribution to product volumes for 2006 will be 3%. It is envisaged that the future production growth will be mainly based on natural gas as a feedstock. Sasol Synfuels does not exclude further production growth via coal but this will be dependant on future technology improvements.

Further refinement during the 2005 year was made to the configuration of the Sasol Advanced Synthol (SAS) reactors yielded an increase in production throughput and product yields. Further work on this process is still in progress which will yield further volume and efficiency benefits.

Continuous focus is being placed on the improvement of the business impact on the environment. The sulfur recovery improvement project was successfully completed during the 2005 year and the waste recycling facility plant will be fully operational in October 2005 (the total capital investment of this project amounts to R520 million).

New fuel specifications will come into effect in January 2006, which will allow consumption of only unleaded fuel in South Africa. Sasol Synfuels is advancing an initiative in partnership with Sasol Technology and Sasol LFB to ensure our compliance with these fuel specification requirements by January 2006. We are investing approximately R5.7 billion to modify our liquid fuel refining and blending operations and to establish additional new plant aimed at increasing the octane rating of our synthetic gasoline. The majority of this expenditure (approximately R4 billion), relating to the installation of a selective catalytic cracker, will be expended during the 2005 and 2006 years. Approximately R3.4 billion has already been capitalized on the project to 30 June 2005. Unlike our other major capital investment projects undertaken in recent years, this project is not expected to generate additional returns for the group, but is required to meet the requirement for changed fuel specifications. The project requires multiple refinery unit changes, and the construction of new refinery units, as well as the installation of a catalytic cracker which will produce additional volumes of ethylene, propylene and high-octane fuel components. We expect that in addition to delivering the new fuels solution for 2006, this project will also address most of the envisaged future more stringent fuel specifications which are expected to be mandated in future years.

Due to the way our process plants are configured at Sasol Synfuels, its ultra-low-sulfur synthetic diesel already meets the more stringent 2006 specifications for the sulfur content of diesel (to be lowered in South Africa from 3,000 parts per million (ppm) to 500 ppm.

Strategic objectives. Sasol Synfuels primary strategic objectives 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.

In 2004 Sasol Synfuels commenced with a further initiative to ensure organic growth via the improvement of maintenance and production business and works processes. The focus is on eliminating the impact of unplanned shutdowns, ensuring business continuity and increasing labor productivity over the long-term.

Sasol CarboTar. Sasol s CarboTar business was fully integrated as part of Sasol Synfuels with effect 1 July 2004 and will no longer operate as Sasol CarboTar. The Synfuels business has therefore been extended to incorporate a marketing outlet for all of Synfuels and Carbo Tar s chemical and fuel component feed streams. The Tar plant in Sasolburg will be fully depreciated in the 2006 year and will cease its operations, given the conversion of the Sasolburg facility from coal to natural gas as a feedstock.

Sasol Liquid Fuels Business

In line with the requirements of South Africa s Liquid Fuels Charter of 2000 and our commitment to advancing BEE, we created a new liquid fuels business (LFB). The LFB 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. The Sasol LFB 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.

On 6 February 2004, Sasol announced that Sasol Limited and Petronas were in discussions concerning the combination of Sasol LFB and Petronas South African LFB, Engen, in a joint venture to create a leading South African liquid fuels business. The new LFB will be effected by way of a joint venture, called Uhambo Oil, in which Sasol and Petronas will each have an equal 37.5% interest and BEE partners (both existing and new) will hold a combined 25% interest. The definitive agreements were signed on 1 November 2004. The transaction is subject to the approval of the competition authorities. The South African Competition Commission granted conditional approval to the proposed joint venture in May 2005, The Competition Tribunal hearings are scheduled to commence in October 2005 with the decision expected by the end of 2005 calendar year. Approval of the transaction by the European Commission was granted in February 2005. In September 2005 it was announced by Sasol that Tshwarisano, its Broad-based BEE partner, would acquire a 12.5% interest in Uhambo Oil, subject to the approval of the Competition Tribunal. See Item 6.B Significant Changes .

Natref. 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. Termination of the Main Supply Agreements in December 2003 allowed Total to exercise its option which would increase its interest in Natref to 50%, although Total decided not to exercise its option and increase its interest to 50%, at that stage. The envisaged transaction to combine the liquid fuels businesses of Sasol and Petronas, in a joint venture, again provided Total with the option to increase its shareholding in Natref by 13.64%. Total decided not to exercise its option to increase its shareholding in Natref.

Refinery production and capacity. Natref obtains approximately 50% of its crude oil requirements from the Middle East through crude oil term contracts and the balance at spot prices from West Africa and other sources. Durban landed crude oil is transferred to the refinery through a 670 kilometer pipeline owned by Petronet, a subsidiary of Transnet, a state-owned pipeline company.

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 position does not allow the refinery easy access to the bunkers fuel market, which is the case for coastal refineries. Therefore, Natref focuses on the production of white petroleum products. 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.

We are investing in the Natref refinery to meet new fuel specifications. This project is aimed at meeting the more stringent legislation for the introduction of low-sulfur diesel and unleaded fuel production in January 2006. The project will allow Natref to produce to the 2006 specifications, but at a reduced capacity to 89% of previous capacity. The project should be fully operational by the end of October 2005 with the new fuel qualities being available before the end of the 2005 calendar year. Our share (63.64%) of the capital expenditure for the Natref project is expected to be about R331 million. New processing units will have to be built to meet the South African required fuel specifications (required for the control of exhaust emissions from road-going vehicles in South Africa) in 2010 and will require a substantial investment.

With regard to refinery efficiency during the year 2005, plant availability was 89%. White product yield was 90% in 2005, compared to 91% in 2004. The total product yield decreased from 99% in 2004, to 98% in 2005.

Unintended downtime increased from 0.5% to 3.4%. The increase in the unintended downtime was as a result of three unplanned interruptions. One of these interruptions resulted from a major fire that occurred at the product loading facilities.

Natref Refinery Production[(1)]

Product	2005	2004	2003
Crude oil processed (million m3)	3.2	3.1	2.8
White product yield (% of raw material)	89.5	90.7	91.6
Total product yield (%)	97.9	99.4	98.4

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

Liquid Fuels Marketed by Sasol LFB

Product	2005	2004	2003
Total liquid fuel sales (million m3)	9.6	9.3	8.9
Fuel and bitumen exports (million m3)	0.8	0.7	0.2

The South African liquid fuels market. Our 63.64% share of Natref s production represents about 12% of South Africa s total liquid fuels demand. In addition, 27% 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, Caltex, Shell and Total. These companies, among others, currently purchase a part of their liquid fuels requirements for the South African market from us.

The Natref refinery at Sasolburg and our facilities at Secunda are located in the economic heartland of the country, where an estimated 55% of the country s liquid fuels are consumed. We currently supply approximately 6.6 Mt of white products per year to the South African market. Gasoline and diesel export volumes to African countries, excluding South Africa decreased during 2005 from 756,961m³ to 636,033 m³.

After termination of the Main Supply and Blue Pump agreements, we concluded new supply agreements with the main oil companies operating in South Africa. These agreements cover the supply of liquid fuels, including gasoline, diesel, liquefied petroleum gas, jet fuel and illuminating paraffin. The transition to the new agreements was reasonably smooth and we met all supply commitments.

Slightly higher sales to the oil companies contributed to an increase in profits. This increase in oil company volumes was achieved against signed supply agreements with all the major oil companies. Supply

agreements were also negotiated for the first time for Sasol LFB with some emerging wholesale companies (companies registered with the CEF (Pty) Limited. For a company to be so designated it must sell a minimum of 15,000m³ of petroleum products per annum. The Minister of Minerals and Energy may, under the Central Energy Fund Act, impose a levy on fuel manufactured, sold, or otherwise dealt with for the benefit of the Equalisation Fund or Central Energy Fund or both.).

We formed an empowerment joint venture with a Namibian company, Philco Twenty (Pty) Ltd, called Namibia Liquid Fuels, to supply 50% of Namibia s white product requirements (about 500,000m³a year) for at least three years. In addition, we entered into a major new supply agreement with the Government of Lesotho.

In the commercial sector, we are targeting four primary business sectors for marketing and supplying Sasol liquid fuels and lubricants: the mining industry, the transport industry, reseller/distributors and government organizations. Our successful marketing of products, for example our low-sulfur Sasol turbodiesel , has assisted in promoting our successes in both the commercial and retail markets.

In the retail sector we have successfully developed new, or converted existing service stations, growing to 146 Sasol Convenience Centers (SCC) and 199 Exel-branded service stations as at 30 June 2005, in line with the dual-branding approach, supporting two distinctive but complementary marketing strategies. In addition to the new sites developed, 88 Exel sites were revamped and converted to Sasol SCCs included in the 146 sites noted above. We have been successful in achieving our interim objectives in terms of market share for both retail gasoline and diesel.

When the Main Supply Agreement expired, we increased direct sales marketing on a commercial basis of the group s low-sulfur, low-benzene illuminating paraffin. We expect to build up a market share for our illuminating paraffin over the next 5 years. We retain competitive advantage in this sector of the industrial and related energy markets because of a notably low sulfur content of our fuel oils and special distillate fuels.

The Petroleum Products Amendment Act and subsequent further Amendment Bill, are expected, when enacted, to allow the Minister of Minerals and Energy, if required, to regulate the conditions and requirements for licensing of the sale of petroleum products to the retail markets in South Africa, including liquid fuel retail prices. Its provisions can affect the conditions and cost of our entry into the South African retail market for liquid fuels. See Item 4.B Business Overview Regulation Regulation of Petroleum Related Activities in South Africa .

The Petroleum Pipelines Act was assented to and signed into law by the President on 31 May 2004. This Act proposes, among other things, to establish a petroleum pipelines authority responsible for the supervision of the national regulatory framework of petroleum pipelines and provisions for the issuance of licenses relating to the construction and operation of petroleum pipelines and the delivery of certain commercial services in connection with these pipelines, provision for the registration of marine offloading and storage facilities and certain commercially related services and setting and approving of tariffs for the use of pipelines and related storage facilities.

Among the matters governed by the Act, of particular significance to our business, are issues relating to the issuance of licenses and the discretion granted to the Minister of Minerals and Energy with respect to the exercise of executive powers, the determination of tariffs and the issue of open access to pipelines.

With regard to the setting of tariffs, various methodologies can be adopted, which may impact differently on some competitors because of their different market position and geographic location. Regulations that may be promulgated under the Act, could affect our logistic position due to the location in the economic heartland of the country of our Natref refinery and our Synfuels facilities at Secunda. The Act provides that sufficient pipeline capacity will be made available in the crude oil pipeline to enable Natref to operate at its capacity at the commencement of the Act.

We believe that securing direct independent access to the retail markets will yield strategic advantages to further improve our position in the South African fuels market. Since the restrictions on our direct sales to the South African market have been removed, we have the opportunity to increase our fuel production and sales by accessing the retail and commercial markets.

Petronet transfers synthetic fractions from Secunda to Natref on behalf of Sasol. Petronet purported to terminate the agreement to transfer these fractions with effect from 1 January 2005. After evaluating various technical options, agreement was reached with Petronet to continue with the transfers of synthetic fractions to Natref. Modifications to the pipeline will be completed by the end of October 2005 allowing Petronet to also use the line for other products.

We supported and participated with the South African liquid fuels industry and the national departments of Minerals and Energy and of Environmental Affairs and Tourism in a comprehensive technical program towards finalizing South Africa s new clean fuels specifications and vehicle emission standards for implementation on 1 January 2006. In addition we actively participate, together with Government and other stakeholders, in the various task teams to facilitate smooth clean fuels implementation in January 2006.

Economic empowerment of historically disadvantaged South Africans. As part of a general initiative of the government of South Africa to ensure 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 which requires us, as well as other oil companies in this sector, to allow and facilitate BEE participation. For a further discussion of the Liquid Fuels Charter see Item 4.B Business Overview Regulation Empowerment of Historically Disadvantaged South Africans . The Liquid Fuels Charter inter alia requires, us to allow historically disadvantaged South Africans to acquire an equity participation of at least 25% in the company holding our Sasol s Liquid Fuels Business by 2010. We presented our charter-specific plan to a dedicated parliamentary portfolio committee of the South African Parliament during 2003.

Sasol Gas

Through Sasol Gas, we market methane-rich gas, produced by Sasol Synfuels and natural gas as a result of the inception of natural gas production from the Mozambican gas fields. Since 1964, we have developed gas markets and a gas distribution pipeline network of 2,200 km through which we currently supply 86.9 million gigajoules per annum (mGJ/a). We supply 47 mGJ/a to over 500 industrial and commercial customers in the provinces of Mpumalanga, Gauteng, KwaZulu-Natal and the Free State. We also supply additional volumes of 39.9 mGJ to other Sasol companies such as Sasol Chemical Industries in Sasolburg and Sasol Synfuels in Secunda. We use a Petronet pipeline to transport gas to our markets in KwaZulu-Natal.

Our gas products consist of methane-rich gas produced at our Synfuels plant in Secunda and natural gas piped from the Mozambican gas fields. Our gas competes mainly with crude oil-derived products in various industries, including ceramics, glass, metal, manufacturing, chemical, food, paper and pulp and a number of other sectors.

The South African gas market. The market for pipeline gas in South Africa is still in its infancy. We expect the market to grow substantially as a result of the introduction of natural gas from Mozambique. Our current supply of 86.9 mGJ/a of pipeline gas increased from 52.9 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 Sasol Gas with opportunities to increase sales of environmentally preferred natural gas. Environmental and technological trends together with new environmental legislations are expected to entice customers to convert to gas as a substitute for electricity, crude oil derivatives and coal.

The natural gas project. Through Sasol Petroleum International, we agreed with the government of Mozambique to develop its natural gas fields in the region of Temane. To this end, we concluded a petroleum production agreement under which, in partnership with Companhia Moçambicana de Hidrocarbonetos, a subsidiary of Mozambique s national oil company, we are developing the reservoirs in Temane and Pande and have constructed a natural gas central processing facility. We have also concluded a production sharing agreement which grants us exploration rights to defined areas surrounding the Temane and Pande reservoirs.

Furthermore, the government of Mozambique granted us the right to construct and operate a gas transmission pipeline for the transportation of gas from Mozambique to South Africa. The governments of South Africa and Mozambique have the option collectively to acquire 50% of the shares in the pipeline company which is currently a wholly owned Sasol subsidiary, at a price to be determined by means of a formula at the date they exercise the option. On 1 July 2005, a 25% interest in Rompco was sold to iGas (Pty) Limited (owned by the South African Government) for R609 million realizing a profit of R189 million.

The project has been completed on schedule and within budget and comprised eight main objectives:

- exploration in and around the Temane and Pande fields and the development of the gas extraction infrastructure;
- the commissioning of the central processing facilities at Temane to clean and dry gas;
- the commissioning of the cross-border transmission pipeline between Temane and Secunda;
- the connection of the pipeline into the Sasol Gas network at Secunda;
- the conversion of the Sasol Infrachem coal-based process at Sasolburg to use natural gas as its hydrocarbon feedstock. Initial operating problems with the new technology autothermal reformers used in the process have largely been resolved;
- the conversion of the Gauteng gas network and customers to natural gas to replace the hydrogen rich gas derived from coal;
- the expansion of Secunda using natural gas as a supplementary feedstock to enable an initial 3% increase in Sasol Synfuels gas throughput; and
- the further development of third-party gas markets in South Africa.

Construction of the central processing facility near Vilanculos in Mozambique, was completed in March 2004 and can currently be fed with gas from nine of its twelve production wells. During June 2002, we commenced construction of the transmission pipeline from Mozambique, which was completed in March 2004. We have successfully converted all our inland customers to natural gas.

Based on our estimates, we expect the delivery of natural gas to South Africa to increase from the current rate of 70mGJ/a to 120mGJ/a by 2008.

The introduction of natural gas from Mozambique coincided with the exhaustion of the coal reserves and the shutdown of the majority of our mining operations at the Sigma Mine at Sasolburg. We transformed our coal gasification facilities at Sasolburg to natural gas refining as part of the Mozambique natural gas project. In addition, Sasol Synfuels and Sasol Technology installed additional facilities at our Secunda plant to commence using natural gas as supplementary hydrocarbon feedstock.

The natural gas project was conducted with due regard for social and environmental obligations and our requirement to complete construction according to the principles of sustainable development. We utilized prevailing international development guidelines and principles issued by various organizations, including the World Bank and the World Health Organization.

The Petronet gas pipeline. Petronet is the owner and operator of a network of 3,000 km of high-pressure petroleum and gas pipelines. Following negotiations between Petronet and Sasol Gas, we recently entered into an operating lease agreement to continue to use the Petronet Lily pipeline for the supply of pipeline gas to the Kwazulu Natal market. The agreement, which came into effect on 1 April 2005, will run for the next 17 years until 2022 with an option of a further 3 years.

Co-generation. We are currently negotiating with potential customers for the supply of gas to cogeneration facilities. These negotiations are well advanced and should be concluded early in the 2006 year.

As part of our commitment to Black Economic Empowerment, Sasol Gas 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 third year of commercial operations with increased operating profit on the previous year. A Black Economic Empowerment company, Coal Energy and Power Resources, holds 51% of the shares and Sasol Gas the balance.

Sasol Gas signed a memorandum of understanding in 2002 with another black empowerment company, Umkhumbi Gas for the potential distribution and marketing of natural gas in the Nelspruit-Ngodwana region of Mpumalanga. Umkhumbi Gas and Sasol Gas embarked on a gas supply feasibility study which was completed in the beginning of 2005. The results of the study showed that the option to extend the gas pipeline to the Ngodwana area was more viable than the Nelspruit pipeline extension. Commercial negotiations with potential customers in the Ngodwana area have been completed and the results indicate that it is currently not economically feasible to supply this area with natural gas and work on this project has been terminated.

Sasol Synfuels International

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.

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 one of which is commercially proven. These include:

- the Haldor Tops&qout;e 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 liquefied petroleum gas (LPG).

Currently, we believe, based on our knowledge of the industry and publicly available information, that on a worldwide basis we have the most 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 resources, especially in remote regions, our Sasol SPD process can be applied with significant commercial and efficiency advantages in various parts of the world. Proven global natural gas resources are currently estimated to be an oil equivalent of more than 900 billion barrels. In addition, transportation of fuels in liquid form is easier and cheaper than 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 its commercial application at the core of 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 (SC). In June 1999, SSI and Chevron, agreed to create a global alliance 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.

In addition, 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.

Sasol exploring new opportunities. Working in partnership with Sasol Technology, SSI also 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.

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 GTL plant at Ras Laffan Industrial City in Qatar. We hold 49% in this venture, with QP holding 51%, in the US$952 million project (excluding financial charges), including site, pre-production and contingency costs. Construction of the GTL plant has commenced and 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 US$675 million 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 finalizing the financial agreements. The EPC contract is being executed from Technip s Italian 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 being fabricated in Japan,

Haldor Tops&qout;e autothermal reformers, a Chevron Isocracking unit and the compressors have arrived at Ras Laffan in phases during our 2005 year. Plant start-up is scheduled for the first half of the 2006 calendar year. Most of the Oryx GTL diesel (about 8 million bpa) 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.

Expansion of Qatari GTL capacity. 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.

In addition, QP and SC have agreed to evaluate the opportunity of developing an upstream-downstream integrated GTL project, also at Ras Laffan, with a capacity of about 130,000 bpd.

Escravos GTL (EGTL). SC is also participating in the development of a second GTL plant, EGTL at Escravos in the Niger Delta region of southern Nigeria. EGTL is a joint venture between the Nigerian National Petroleum Corporation and CNL, two companies with established petroleum production interests at Escravos. In April 2005 the US$1,700 million lump-sum EPC contract for this project was awarded to Team JKS. Start-up of the EGTL facility is expected in the 2009 calendar year.

We believe that the operation of the GTL plants in Nigeria and Qatar will effectively demonstrate the successful commercial application of the Sasol SPD process outside South Africa.

The Gulf GTL study planned. A potential GTL project opportunity exists in gas-rich Iran, for which SSI completed a pre-feasibility study in 2003. SSI and Iran s state-owned National Petrochemical Company (NPC) have been involved in discussions with a view to exploring the merits of constructing on the Gulf a GTL plant based on the Sasol SPD process. Discussions between SSI and the various parties in Iran to clarify project interfaces in preparation for the feasibility study has taken longer than originally anticipated but are nearing completion. SSI and NPC plan to commence a feasibility study for this potential project in the year ahead. An investment decision will only be made after the results of a feasibility study have been evaluated.

Coal beneficiation study for China. SSI has commenced pre-feasibility studies with a consortium of Chinese companies for the potential development of two 60,000 bpd to 80,000 bpd CTL facilities in the People s Republic of China. These studies are expected to be completed by October 2005. A decision on how to proceed with these opportunities, subject to successful outcome of the current studies, is expected towards end of the 2005 calendar year.

Early-stage investigation of potential GTL and CTL projects Sasol Chevron is evaluating the opportunity participate in a 34,000 bpd GTL project in Algeria. No decision on whether or not to submit a commercial bid has been taken. The decision of the US to become less dependent on imported crude oil and subsequent changes to the US Energy Policy Act has resulted in renewed interest in CTL projects in the US. Sasol is currently reviewing CTL opportunities in this context. These studies are in pre-feasibility stage and Sasol has taken no decision whether or not to pursue this opportunity.

Catalyst facility. To support our plans to globally develop and exploit GTL technology, Sasol Technology entered a co-investment agreement with Engelhard Corporation during 2002 to manufacture our proprietary advanced cobalt catalyst. Sasol Technology developed this cobalt catalyst for application in the Sasol SPD reactor to be featured in future GTL plants. In January 2002, we commissioned a 500 tons per annum cobalt catalyst production facility at De Meern in the Netherlands. It has since been producing and stockpiling high-quality catalyst for our Nigerian and Qatari GTL plants. First shipment of catalyst to Oryx took place in June 2005.

Sasol Olefins and Surfactants

In 2003, Sasol determined that it would continue to grow its chemical businesses, conditional upon projects leveraging its technology or securing integrated and highly cost-competitive feedstock positions. The Olefins and Surfactants business is only partially integrated upstream into feedstock and has not adequately provided the integration benefits which Sasol requires. Sasol announced in August 2005 that it is considering the disposal of its Olefins and Surfactants business excluding its co-monomers activities in South Africa subject to an acceptable price being obtained.

The main products of the Olefins and Surfactants 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, oxo-alcohols and paraffin sulfonates. A portion of this business unit s products are used internally for the production of downstream surfactants and alcohols.

Based on industry and publicly available information, Sasol s Alkylates and Surfactants business unit is one of the leading global producers of paraffins and LAB, as well as a leading supplier of LAS in Europe. The main competitors include: ExxonMobil, Shell and Petresa in the n-paraffins market; Huntsman, Petresa and ISU in the LAB market; and Stepan, Huntsman and Cognis in LAS.

Alcohols and Surfactants: The Alcohols and Surfactants business unit produces a diversified portfolio of linear and semi-linear alcohols of carbon range between C_6 and C_{22+}. The diversity of this product portfolio is supported by the wide range of raw materials (petrochemical, oleochemical and coal-based) and manufacturing facilities used, and technologies applied. Nonionic and anionic surfactants enhance the product portfolio, as well as some surfactant intermediates such as ethylene oxide, alkyl phenols and alkanolamines.

Alcohols and Surfactants products are used in a wide range of applications, including metalworking, flavors and fragrances, personal care, cosmetics, plastic additives, textiles, agriculture, detergents and cleaners. A portion of the alcohols production is consumed internally in Olefins and Surfactants value chain to produce surfactants and specialty plasticizers.

Based on industry and publicly available information, Sasol s Alcohols and Surfactants business unit is one of the leading global suppliers of carbon range C_{6+} linear and semi-linear alcohols, as well as a leading producer of surfactants in Europe. The main competitors include Cognis and Shell.

Inorganic Specialties: This business unit produces mainly alumina products. Alumina is used in a broad range of applications, including catalyst supports, raw materials for ceramics, coatings and polymer additives. This business unit also produces zeolites, which are used as softening components in detergents. Competitors include Akzo Filtrol and Engelhard in aluminas. There are numerous competitors in zeolites.

Monomers: The Monomers business unit has two main activities: producing alpha-olefin co-monomers in South Africa and ethylene in the United States.

The alpha olefin co-monomers, 1-pentene, 1-hexene and 1-octene are manufactured at facilities in Secunda as an integral part of Sasol s synfuels process. Most of these co-monomers are sold to third parties for use 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 BP, Shell and Chevron.

Ethylene is produced at our ethane-based ethylene cracker in Lake Charles in the United States and is sold to plastics manufacturers in the US Gulf Coast region. Some of the ethylene production is used internally to manufacture alcohols. There are numerous competitors in the US ethylene market.

The following table summarizes the production capacity of Sasol Olefins and Surfactants for each of its main product areas.

Sasol Olefins and Surfactants
Production Capacity

Product	Facilities Location	Total (Ktpa)
C_5-C_8 alpha olefins	South Africa	275
Ethylene	United States	455
C_{6+} alcohol	United States, Europe, South Africa	600
Inorganics	United States, Europe	170
Paraffins and olefins	United States, Europe	800
LAB	United States, Europe	550
Surfactants	United States, Europe, Far East, Middle East	1,000

These production facilities are located in Secunda in South Africa; Lake Charles, Tucson and Baltimore in the United States; Brunsbüttel, Marl and Witten in Germany; Augusta, Terranova, Sarroch, Crotone and Porte Torres in Italy; Dubai in the UAE; Novaky in Slovakia and Nanjing in China.

Sasol Polymers

The Sasol group s polymer related activities are managed in two separate companies namely Sasol Polymers, a division of Sasol Chemicals Industries, and Sasol Polymers International Investments. Sasol Polymers is responsible for the local operations and Sasol Polymers International Investments for the offshore operations.

Sasol Polymers focuses on the production of ethylene and propylene monomers, polypropylene, polyethylene and polyvinyl chloride polymers and other chemical products through its respective businesses with its major manufacturing plants located at Sasolburg and Secunda.

During 2005, Sasol group s polymer activities achieved external turnover of R7.2 billion, representing 10% of our total external segmental turnover.

They have also retained a sharp focus on continuous improvement. Since 1995 per-capita productivity (tons of total production per employee) has risen by a total of 300% in 11 years. Fixed costs per ton in real terms have dropped by 42% over the same period.

Monomers. The Monomers business unit of the Polymers division supplies feedstock to its polypropylene, polythene and vinyl business units and to Dow Plastics South Africa. Sasol Polymers extracts the ethylene and propylene feedstock from feed streams produced in our Fischer-Tropsch process at Secunda, while a small portion of ethylene is produced from propane cracking. The ethylene production capacity is 480 Kilo tons per annum (Ktpa) and includes facilities for ethane cracking in both Secunda and Sasolburg.

Ethylene production fell below target during the year because of a tragic incident on 1 September 2004 when the Secunda West ethylene production facilities sustained severe damage as a result of an explosion during maintenance activities. The plant was unavailable for production up to the last week in December 2004. During this three and a half month period, losses were reduced via increased production on the remaining two ethylene plants in the Monomers business. A portion of this loss in production was matched by a reduction in demand when project work was executed on downstream polymer units. The supply to some downstream units had to be restricted notwithstanding this reduction in demand. These losses were mostly covered by our insurance.

The propylene extraction facilities comprise three splitter columns at Secunda with a total capacity of 475 Ktpa (350 Ktpa polymer and 125 Ktpa chemical grade), as well as one splitter column at Natref with a capacity of 45 Ktpa chemical grade. The Secunda propylene plants had a stable period in 2005 with production maintained at target levels. During an extended shutdown, a modification was performed on the Natref splitter column to improve final product quality. We supply approximately 160 Ktpa of ethylene and 100 Ktpa of propylene to Dow Plastics South Africa for its high-density polyethylene (HDPE) and polypropylene plants at Sasolburg.

Polypropylene. The Polypropylene business unit manufactures and markets homopolymers as well as random and impact copolymers. The polypropylene plant technology is licensed from Novolen Technology Holdings and has a production capacity of 220 Ktpa. About 49% of the production is supplied to customers in South Africa. The remainder is sold in more than 30 countries in the Far East, Africa, North West Europe and South America.

Polyethylene. The Polyethylene business unit is a long-established producer and marketer of low-density polyethylene (LDPE) and linear low-density polyethylene (LLDPE) for a broad spectrum of customers in the South African plastics conversion industry. It is the country s sole producer of these products and has a market share of more than 70%. The polyethylene business achieved 194 Kt of total production due to ethylene supply constraints.

The 100 Ktpa LDPE plant at Sasolburg uses high-pressure autoclave technology licensed originally from ICI of the United Kingdom. The LLDPE plant, recently upgraded from 110 Ktpa to 150 Ktpa, uses gas-phase technology licensed from Univation.

Vinyls. The Vinyls business unit produces suspension polyvinyl chloride (PVC) resins. Its fully integrated vinyl chloride monomer (VCM) and PVC production chain is situated at Sasolburg. Ethylene and chlorine are sourced from within Sasol Polymers. It uses technology licensed from European-based VinTec and Ineos Vinyls (previously European Vinyls Corporation) for VCM and PVC respectively. The current PVC nameplate capacity is 200 Ktpa. This business unit supplies more than 95% of the South African resin market as well as exports to markets in Africa and the Far East.

Although the South African PVC market grew approximately 2.3%, local PVC sales were in line with that in the previous year. This was due to lost market share as a result of the market importing resin after raw material supply constraints disrupted PVC production.

The Vinyls business shut down its PVC compounding operation at the end of April 2005.

Chemicals. The Chemicals business unit operates plants at Sasolburg producing chlor-alkali chemicals, cyanide and organic peroxides. The latter is produced in a joint venture with Degussa.

The Chemicals business unit operates a 145 Ktpa chlorine plant and supplies some 78% of its chlorine production to the Vinyls business unit. The balance is beneficiated into hydrochloric acid, sodium hypochlorite and calcium chloride. We sell 148 Ktpa of diaphram- and membrane-grade caustic soda to South African customers in the pulp and paper, minerals beneficiation and soap and detergent industries.

The Chemicals business is South Africa s sole manufacturer of sodium and calcium cyanide solution with a production capacity of 40 Ktpa, which is sold to local gold producers. Local demand for cyanide is declining in line with South Africa s reduced extraction and refining of gold ore.

Sasol Polymers

Production Capacity

Product	Total (Ktpa)	Africa	Asia
South Africa			
Ethylene	480	•	
Propylene	520	•	
Polypropylene	220	•	
LDPE	100	•	
LLPDE	150	•	
PVC	200	•	
Chlorine	145	•	
Caustic soda	165	•	
Cyanide	40	•	
Offshore			
Ethylene	72		•
Propylene	11		•
LDPE	102		•

- Indication of the geographical location of the production capacity.

Investments. As additional ethylene and propylene feedstock is expected to become available during the 2006 year, resulting from our unleaded fuel and polymers project, Sasol Polymers will be increasing its South African capacity of both polyethylene and polypropylene by a total of up to 510 Ktpa at its Sasolburg and Secunda operations. For more information on our Synfuels unleaded fuel and polymers project see above Item 4.B Business Overview Sasol Synfuels .

At the Sasolburg Midland site, we are constructing a new 220 Ktpa LDPE plant incorporating high pressure tubular reactor technology licensed from ExxonMobil and plan to downscale or discontinue production at the Poly 1 LDPE plant in order to optimize the available ethylene. We are also increasing LLDPE capacity from 110 Ktpa to 150 Ktpa. At the Secunda site, we are developing a new 300 Ktpa polypropylene plant based on licensed process technology from Innovene.

Markets and competition. Sasol Polymers major focus is on the Southern African polymers market, from which it derives more than 75% of its turnover. As the sole producer of LDPE, LLDPE and PVC in South Africa, it holds the leading share in the local market. The main competitors in this market are Asian and Middle Eastern producers.

Dow Plastics South Africa is the main competitor for our polypropylene business, producing 110 Ktpa. Sasol Polymers exports to neighboring countries in Southern, East and West Africa, the Far East, North West Europe and South America. Sales to these markets depend on the extent to which production capacity exceeds domestic market sales.

In 2005, Sasol Polymers exported 110 Ktpa of polypropylene, 23 Ktpa of PVC, 2 Ktpa of polyethylene and 6 Kt of chemicals. Polypropylene accounts for by far the largest portion and geographical spread of Sasol Polymers exports.

Sasol Polymers International Investments. Sasol Polymers International Investments growth strategy focuses on Africa and the Indian Ocean rim. To support its objectives in this latter region, it participates in four ventures, Optimal Olefins and Petlin in Malaysia, Wesco China Limited (Wesco China) in China and Arya Sasol Polymer Company in Iran.

Optimal Olefins operates a 600 Ktpa ethane/propane cracker at Kertih, on the east coast of Malaysia. The company is a venture between Petronas (64%), Dow Chemical Company (24%) and Sasol Polymers International Investments (12%). The cracker principally produces 600 Ktpa of ethylene and 90 Ktpa of propylene. The monomers are sold to captive downstream customers, including Petlin, in the same petrochemical production complex at Kertih.

Petlin operates a LDPE production plant on the east coast of Malaysia. The company is a joint venture between Sasol Polymers (40%), and Petronas (60%). This plant has a capacity of 255 Ktpa and, on the basis of our knowledge of the industry and publicly available information, we believe that it is one of the world s largest of its type. It commenced production in September 2002 and its production is primarily for the South-east Asian and Chinese markets. Both these plants are in steady state production and contribute to group profits.

Sasol Polymers International Investments holds a 40% stake in Wesco China, a distributor of polymer products mainly to customers in Southern China and Taiwan. Wesco operates a polymer warehouse and bagging plant, a compounding plant and a recycling plant in the Guangdong province in China. The company handles more than 150 Ktpa of polymers and has distributed Sasol Polymers polypropylene in China since 1990.

Sasol Polymers Germany, a subsidiary of Sasol Polymers International Investments, has entered into a 50:50 joint venture with the National Petrochemical Company of Iran to construct and operate an integrated ethylene and polyethylene production facility in Iran. The joint venture, Arya Sasol Polymer Company, comprises a 1,000 Ktpa ethylene cracker based on ethane and two 300 Ktpa polyethylene plants (one for producing LDPE and one for HDPE). Construction of the production facility is progressing. The cracker construction schedule has been revised and plant start-up is currently targeted for May 2006. The two polyethylene plants will be started in the following months..

Sasol Solvents

Sasol Solvents manufactures and globally markets a range of primarily oxygenated solvents to various industries.

Products and activities. A significant part of Sasol Solvents portfolio of products can be classified as oxygenates. These are used as solvents 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.

Sasol Solvents

Production Capacity

Product	Total (Ktpa)	Africa	Europe
Ketones	333		
Acetone	*175*	•	
MEK	*130*	•	•
MiBK	*28*	•	
Glycol ethers	70		
Butyl glycol ether	*70*		•
Acetates	59		
n-Propyl acetate	*9*	•	
Ethyl acetate	*50*	•	
Solvent blends	50	•	
Mixed alcohols	378	•	
Pure alcohols	860		
Methanol (C1)	*140*	•	
Ethanol (C2)	*285*	•	•
n-Propanol (C3)	*45*	•	
Isopropanol (C3)	*225*		•
n-Butanol (C4)	*150*	•	
iso-Butanol	*15*	•	
Acrylates	125	•	
Ethyl acrylate	*35*	•	
Butyl acrylate	*80*	•	
Glacial acrylic acid	*10*	•	
Other	70	•	•

- Indication of the geographical location of the production capacity.

Sasol Solvents has a total production capacity of 1,945 Ktpa, at four sites in South Africa (approximately 72% of our production capacity) and three in Germany (approximately 28% of our production capacity). The South African production facilities are located at Secunda, Germiston and at two separate locations in Sasolburg. Our German production facilities are located at Herne, Marl and Moers in the Ruhr area.

The main portion of the division s South African product is derived as a co-product of the synfuels process at Secunda. Significant parts of the products are nevertheless synthesized from chemical feedstock. Ethanol, isopropanol and methyl ethyl ketone (MEK) are synthesized from ethylene, propylene and butenes respectively at the German plants. In South Africa, butanol is synthesized from propylene and acrylic acid is synthesized from propylene.

Some of the products also result from the downstream conversion of the primary chemicals to higher value-added derivatives. Examples of these products include the production of:

- methyl isobutyl ketone (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.

Sasol Dia Acrylates is our marketing and production 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 Sasol feedstock. This chemical complex has enabled Sasol to become the world s only known acrylic acid and acrylates producer that is fully back-integrated into the required feedstock of propylene, butanol and ethanol. The complex also underscores our commitment to expand our chemical portfolio by adding value to our chemical feedstock.

Markets and competition. In 2005, Sasol Solvents sold approximately 1.5 Mt of products worldwide. Sasol Solvents manages its global business from its central offices in Johannesburg and Hamburg. It also operates thirteen regional sales offices and seven storage hubs in South Africa, Asia-Pacific, the Middle East, the United States and Europe.

Sasol Solvents holds significant market shares in the global markets for some products, amongst which n-propanol, propyl acetate and iso-propanol are the most prominent.

Sasol Solvents competitors vary depending on the products and include a number of major international oil and chemical companies. In the market for ketones, its main competitors are ExxonMobil, Shell Chemicals and Ineos. In the alcohols market, its main competitors are BP Chemicals, Shell Chemicals, Dow Chemicals Company, Celanese and Equistar. In the market for acetates and acids, its main competitors include Celanese, Eastman and BP Chemicals.

Other Activities

Sasol Wax International AG (Sasol Wax)

Sasol Wax, our wholly owned wax operation, produces and markets wax and wax-related products to commodity and specialty wax markets globally. It manufactures 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 990 people globally. In 2005, it had a global external turnover of R3.9 billion.

Products and activities. The overall volume of products marketed 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 (melting point range 80°C and higher), the Fischer-Tropsch-derived medium wax (melting point range 30-80°C) and liquid paraffins in the carbon range C_5 through C_{20}. Various specialty blends of waxes are also produced and marketed. Sasol Wax continues 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. The European wax emulsion business has annual sales of about 37.5 million euro. We produce, as a result, about 106 Ktpa of wax emulsion at facilities in the UK, Austria, and Germany.

The main production assets of this division are located in Hamburg, Germany; Sasolburg and Durban, South Africa; Pass Christian, Mississippi; and Oakland, California, in the 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 changed to Mozambican natural gas as from July 2004. We own and operate a wax plant integrated in 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 based 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 Luxco Wax business based in Oakland, California, which operates a wax blending facility in Pass Christian, Mississippi with a capacity of up to 20 Ktpa. The total product manufactured and traded by Sasol Wax Americas, Inc. in the United States amounts to approximately 100 Ktpa.

Sasol Wax

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, the United States and The Netherlands	80
Wax emulsion	Europe	100

Markets and competition. 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. 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 market our competitors are Honeywell s specialty products and Witco BP Special Products (Owned by H and R Wax Company).

Sasol Wax is currently subject to certain legal proceedings regarding alleged anticompetitive behavior. See Item 4B. Business Overview .

Sasol Nitro

Sasol Nitro, our nitrogenous products division, manufactures and markets ammonia, fertilizers, commercial explosives and related products. The division also markets ammonia, sulfur and specialty gases produced by other Sasol divisions. All production activities are located in South Africa. The division focuses on supplying the Southern African market, with selective exports of fertilizers, ammonium nitrate-based explosives and explosives accessories.

Main products. The division s product portfolio includes:

- ammonia;
- nitric acid;
- ammonium nitrate solution;
- sulfuric acid;
- high purity hydrogen;
- phosphoric acid and phosphate derivatives;
- various grades of fertilizer;
- explosives-grade ammonium nitrate;
- various packaged explosives; and
- explosive accessories, including non electric initiation systems with joint venture Sasol Dyno Nobel and electronic initiations systems. The electronic initiation systems are manufactured exclusively for Australian based Orica Explosives.

Production facilities. All production facilities of Sasol Nitro are located in South Africa.

Our 330 Ktpa ammonia plant in Sasolburg uses natural gas as feed stock. This plant also produces high purity 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. The rock is of igneous origin and therefore low in cadmium and organic material, which makes it highly suitable for industrial and food-grade applications. Phosphoric acid is used within our group for the production of fertilizers and sodium tri-polyphosphate, sold to other local manufacturers of fertilizers and animal feeds and limited volumes are exported to Japan and the United Arab Emirates.

An increase in the phosphate rock price, coupled with the strong rand and adverse market conditions, led to a decision to exit the under performing phosphoric acid business. An in principle agreement was reached with Foskor whereby Foskor will purchase Sasol Nitro s phosphoric acid manufacturing assets at Phalaborwa. The transaction is currently awaiting approval from the Competition Authorities.

61

Sasol Nitro also manufactures bulk explosives at various mining sites and cartridged explosives in Secunda and Ekandustria. Non-electric initiation systems are manufactured in a joint venture with Dyno Nobel and electronic initiation systems are manufactured for exclusive supply to Orica Explosives.

Sasol Nitro

Production Capacities

Product	Total (Ktpa)	South Africa
Ammonia[1]	660	•
Sulfur	205	•
Granular and liquid fertilizers	700	•
Fertilizers bulk blending	905	•
Phosphates[2]	325	•
Explosives	300	•

(1) Includes volumes produced by Sasol Synfuels.

(2) Includes 100 Ktpa mothballed capacity at Phalaborwa.

- Indication of the geographical location of the production capacity.

Markets and competition. Sasol Nitro focuses primarily on the Southern African market, with exports of explosives grade ammonium nitrate, phosphoric acid and fertilizers. About half of the 660 Ktpa total ammonia product is used within the group to produce ammonium nitrate-based fertilizers and explosives. The balance is sold mainly to other South African explosives manufacturers with small quantities made available for industrial usage in chemical manufacture and mineral beneficiation.

Sasol Nitro is the only ammonia producer in South Africa. About 15% of South Africa s ammonia requirement in 2005 was imported. Omnia and AECI are our two major customers for ammonia and compete in the downstream and explosives markets. We have entered into market-related contractual arrangements with these customers.

Products are supplied mainly to the Southern African market, with limited deep sea exports of phosphoric acid. Urea, an alternative to ammonium nitrate based fertilizers, is not manufactured in South Africa but is imported in large quantities. During 2005 local manufactures of ammonium nitrate based fertilizers benefited from firm international Urea prices and strong demand from the Southern African market. The expected softening in international Urea prices is likely to put pressure on the margins of local manufacturers during 2006. In addition, the combined impacts of a drastic increase in the South African maize surplus and sustained low export prices for maize is likely to have a significant negative impact on maize plantings for the 2005/2006 season and thereby also the demand for fertilizers in Southern Africa.

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. Due to a global shortage of explosives grade ammonium nitrate, exports increased significantly during 2005 and are expected to remain at these higher levels during 2006. The market for explosives accessories in South Africa is significant with large quantities of detonators required for extensive mining activities. Turnover and profits of the Sasol Dyno Nobel joint venture reached record levels, mainly as a result of growth into niche markets. Following the sale of the UNI Tronic technology and marketing rights to Orica Explosives along with an associated supply agreement, our electronic detonator business posted a profit for the first time in its history.

The South African explosives market remains very competitive and prices are amongst the lowest worldwide.

The disposal of Sasol s 51% shareholding in Sasol Southwest Energy during October 2004 represented the culmination of Sasol Nitro s strategy to exit non-core offshore investments in order to focus on the local market.

Sasol Nitro is currently subject to certain legal proceedings. See Item 4B. Business Overview .

Sasol Infrachem

The changeover from coal gasification to natural gas reforming at Sasolburg towards the end of the previous year went smoothly for Sasol Infrachem with both autothermal reformers being fully operational from July 2005 onwards. Production during the year, however, alternated between prolonged periods of stable operations and shorter downtimes to resolve technical shortcomings that limited the full use of the reformers.

In July 2004, the coal gasification facilities were temporarily recommissioned to support gas supply to the customers while the complex control systems were refined and the flanged-gas feed lines on both reformers changed to welded lines to eliminate any possibility of gas leakages. The coal gasification facilities were finally decommissioned in February 2005.

In May 2005, cracks were detected in the piping of the heaters on the natural gas pre-heaters. Safety considerations led to the simultaneous decommissioning of the reformers and the resultant cessation of reforming for about four weeks. With the support of the coal gasification facilities, gas production, in spite of the interruptions, was 103% of the target for the year. In June 2005, the reformers were again operating at normal design parameters. The reformers are owned by Sasol Gas, but operated under contract on its behalf by Sasol Infrachem.

As a result of these unforeseen interruptions, turnover dropped by 11.8% from R2,329 million to R2,055 million. Year-on-year, gas production declined from 53.2 million coal-based gigajoules (GJ) to 25.9 million natural gas-based GJ and 12.5 million coal-based GJ, a total of 38.4 million GJ. Sasol Infrachem is planning to increase the natural gas-based gas production in the year ahead to about 35.4 million GJ in line with projected downstream demand from the other Sasol chemical businesses that depend on syngas.

The envisaged environmental benefits of converting from coal to natural gas are being realised, and audited results of the Sasolburg plant s substantial reduction in emissions to air (including hydrogen sulphide, carbon dioxide, nitrous oxides and volatile organic compounds) will be reported in Sasol s separate sustainable development report, which is available on Sasol s website *www.sasol.com* . Sasol Infrachem also has commenced a large project to rehabilitate the legacy sites associated with coal gasification, including the ash dump and tar residue pits.

The utilities and services division of Sasol Infrachem had a profitable year. Sasol Infrachem has expanded its utility infrastructure to accommodate the water, steam and electricity requirements of the new Poly 3 polyethylene plant (part of Project Turbo) under construction at Sasolburg. The business also completed a major project to enhance the reliability of electricity supply to the Sasol One and Sasol Midland sites at Sasolburg

Merisol

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. We and Merichem 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.

Products and activities. 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 all of these products in the world.

Merisol s Sasolburg plant uses feedstock from our coal gasification activities at Secunda. At Houston, Merisol uses a more diverse feedstock mix from coal gasification and coal carbonization. Petroleum refining sources are declining in significance as refining practices in the United States change due to environmental regulations. Merisol also transfers semi-refined feedstock from Sasolburg to Houston.

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.

Merisol
Production Capacity

Products	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

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 depitched tar acids to enable Merisol to grow with future market demand and compensate for the decrease of other feedstock globally. Following the successful completion of the new Sasolburg plant, the Houston operations will be streamlined in the 2006 year to enable Merisol to rationalize production at its Houston site.

Markets and competition. Merisol markets its products worldwide through sales offices in the United Kingdom, Hong Kong, the United States of America and in 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. In the phenol market, Merisol is relatively small in the global market, but strong in the South African market and in selected niche markets elsewhere.

In cresols and cresylic acids, Merisol supplies major shares of the 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 76% of its turnover from the United States, European and the Far East markets and the balance from other regions

Sasol Petroleum International Petroleum Exploration and Production

Based in Johannesburg and founded in 1995, SPI is responsible for our expanding international upstream interests in oil and gas exploration and production activities. SPI also concentrates on high-potential areas in West and Southern Africa and invests in partnerships with international oil and gas companies. SPI has its international office in London, where it is co-located with the offices of Sasol Chevron, and has responsibility for the West African and Middle East exploration and production activities. For full financial detail refer to supplemental oil and gas information to Item 18 Financial Statements for further disclosures of oil and gas operations.

Mozambique. During 2000 and 2001 landmark agreements were signed with the government of Mozambique for the development of natural gas fields, including the construction of a pipeline for the South African gas market. Our 70:30 partnership of Sasol Petroleum Temane Limitada with Companhia Moçambicana de Hidrocarbonetos was granted rights by the government of Mozambique for the development, production and disposition of the reserves of petroleum located in the Temane and Pande field reservoirs in Mozambique. It is currently estimated that Sasol has, as at 30 June 2005, proved Mozambican net gas reserves of about 1,368 billion cubic feet (bcf) and 7.3 million barrels of condensate. These reserves are estimated to provide a steady stream of gas over 25 years on the basis of projected production and consumption rates.

Sasol s Temane and Pande production and exploration rights cover an area of 16,540 km^2. The program to develop 11 interlinked production wells in the Temane field was completed in January 2004. The program to develop additional production wells in the neighboring Pande field is likely to start during 2007. By this time it is expected that the gas pressure in the Temane wells will be similar to that of the Pande wells.

In an effort to extend the projected lifespan of the current Temane and Pande gas reserves and to provide gas for higher production rates, SPI continues to explore for additional reserves in the Temane and Pande region.

The second exploration period was entered on 26 October 2004 and will run for 3 years to 25 October 2007. This entails having to acquire, process and evaluate 900 kilometers of 2D seismic data.

In addition SPI has successfully negotiated and signed up an Exploration and Production concession Contract on Blocks 16/19 offshore Mozambique with effective date 1 July 2005. During the initial exploration period of 2 years it will be committed to acquire, process and evaluate 2,600 kilometers of new 2D seismic.

South Africa. SPI, has a prospecting sub-lease agreement with the South African Petroleum Agency and the Ministry of Minerals and Energy over Block 3A/4A off South Africa s west coast. The agreement covers an area of 28,395 km^2 in shallow Atlantic waters up to a depth of about 300 meters. During the year it concluded a farm-out agreement which grants BHP Billiton Limited (BHP Billiton) a 90% interest in the block with SPI retaining the remaining 10% and operatorship. Reprocessing of 3D seismic are in progress with BHP Billiton.

Gabon. In Gabon, SPI holds a 27.75% interest in a partnership with Vaalco Gabon (28.07%), Pan African Energy (31.36%), PetroEnergy Resources (2.34%), Energy Resources Japan (Etame) (2.98%) and Tullow Oil (7.5%) for the exploration, development, production and disposition of hydrocarbons in the Etame block. The partnership has been awarded a production license by the Gabonese government and the Etame oilfield is currently in production. Oil commenced flowing in September 2002 at a gross production rate of approximately 15,000 bpd and has ramped up to approximately 18,500 bpd at year end. Subsequent to 30 June 2005 an additional production well (ET-6H) was drilled and was brought into production during July 2005. Exploration and appraisal drilling during the previous year resulted in the discovery of two additional oil accumulations, Ebouri and Avouma, in the Etame license. During the year a development plan for the Avouma field was approved by partners and the government. Currently no firm plan exists for the development of the Ebouri field although appraisal studies continue. No costs have been capitalized to date.

Immediately south of the Etame oil field, SPI holds a 50% interest together with Premier Oil (25%) and Perenco (25%) in the Dussafu block (formerly Phenix). SPI is the operator for the Dussafu venture and oversaw the drilling of the exploration well in the first half of the reported year. With the failure of the well to identify any hydrocarbons, and the expiry of the first exploration period, SPI negotiated a one year extension on the license. Current effort revolves around a thorough evaluation of the 3 existing discoveries that were abandoned by previous licensees.

Equatorial Guinea. In Equatorial Guinea, SPI holds a 10% interest in Block L with Chevron (45%) Amerada Hess (25%) and Tullow Oil (20%) . This block carries no outstanding obligations on the current exploration phase. Partners have secured a farm-out agreement of 50% which would ensure entry into the next phase of exploration. During the year SPI took a strategic decision not to exercise the option held over Block I for a 40% interest, resulting in our exit from the block. SPI decided to withdraw from its 20% interest in Block H after the drilling of a dry well (Bravo H-1) in the previous year.

Nigeria. Through our relationship with Chevron we have gained entry into some highly prospective exploration acreage in Nigeria. In OML 214 Sasol Petroleum has been offered a 5% interest in the permit. The farm-in has received all of the necessary approvals but still awaits Nigerian governmental ratification. An exploration well was spudded during July 2005 and the results are in the process of being evaluated. In OML 249 SPI holds a 3.75% interest after all approvals were received in June 2005. The Aparo-3 well has proved an extension of the adjacent SW Bonga field into our block. A combined development is under consideration. Appraisal drilling was conducted on the N siko discovery and development options are under consideration. In OML 247 SPI has been offered a 6% interest in the 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 JDZ is currently receiving consideration.

Middle East. SPI is also working to help capture upstream positions for Sasol s GTL projects and in this regard are looking at opportunities in the Middle East. Upstream involvement supports the goal to be

active in the entire value chain of the projects and helps to secure the delivery of the upstream resource for the GTL plant in the downstream through an integrated project approach.

We have commenced with a project to ensure compliance with the requirements of Section 404 of the Sarbanes-Oxley Act. Whilst this project is, with the exception of SPI, in the process of being finalised, there were no material weaknesses or significant deficiencies reported to the board for the year ended 30 June 2005. SPI has gone through substantial growth over the past few years with the result that systems, procedures and infrastructure did not keep pace with the growth in the business and its associated demands. SPI has embarked on a Business Process and Controls (BPC) Project through which processes are re-engineered, formalized and the necessary controls implemented in conjunction with a SAP implementation. As a result an assessment has not yet been performed and material weaknesses and significant deficiencies have not been formally listed due to it being considered inappropriate at this stage in view of the project SPI has embarked on. The requirements of Section 404 of the Sarbanes-Oxley Act are however being taken into account as part of the project. This project, as well as a final assessment, will be completed during the first half of calendar year 2006, after completion of the BPC project.

Sasol Technology Research and Development

Our subsidiary, Sasol Technology, acts as our technology partner to all our business units through launching and helping to sustain our 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 information and logistics divisions within the Sasol Technology business unit.

Our research and development functions. Our central research and development division employs over 500 people in South Africa who focus on fundamental research, while our decentralized division consists of various areas focusing on applications. The phased expansion and modernization of the Sasolburg research and development facilities is progressing with the first two of three phases completed. We are undertaking a research and development expansion and modernization program which aims to:

- achieve infrastructure enhancement through enabling the future installation of new pilot-plants in order 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.

We initiated this program after the completion of a comprehensive exercise to benchmark the structure, equipment and performance of our research and development facilities against those of other international organizations. The enhanced facilities will create the opportunity to commercialize new and improved petrochemical processes more effectively. The third phase has commenced and is expected to be completed by the end of 2006.

The central research function has a full suite of state-of-the-art pilot plants to support both current and future technology being developed. The central research team has highly skilled employees, of whom approximately 70% have a university qualification and over 110 employees hold a doctorate in chemistry or engineering.

We also conduct our research activities 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 our 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. Among our noteworthy research and development successes over the past decade is 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, and ethylene trimerization.

A significant part of our research focuses on supporting our CTL and GTL technologies and associated products. This includes research on coal gasification and gasification products, syngas conversion through the application of Fischer-Tropsch 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 and we have already commenced manufacture of our cobalt catalyst through a joint venture with Engelhard Corp. Through Sasol Technology, we have progressed in developing the second generation of our 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 which are under development 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 our GTL plants, including the Oryx plant, can be diverted towards the production of chemicals. As was the case with chemical production at Secunda, unique beneficiation technologies are being developed.

A wax hydroprocessor was commissioned in 2003 and has been linked to our established 100 bpd Fischer-Tropsch demonstration unit. It is being used to demonstrate catalyst performance and to produce, from mixed wax and light-hydrocarbons, a GTL diesel for testing.

Our wide range of products requires extensive research on product work-up and beneficiation, including separation and purification processes and new product development. Carbon-based products and cresylic acids are among the cases in which we have adapted existing technology to meet our needs. The development of carbon-based products (recarburized carbon) from medium temperature gasification pitch, a product of CarboTar, has already been successfully implemented on a commercial scale. Similarly, we have carried out work on cresylic acids, another gasification by-product, on behalf of our joint venture with Merisol, relating to purification of various associated products and also derivatizing and adding value to certain feedstreams.

Over the years, we have developed a strong competency in purification in order to extract high value alpha olefins from Fischer-Tropsch products. This has helped us successfully develop purification processes for 1-pentene, 1-hexene, 1-heptene and 1-octene products, which allow us to apply them as co-monomers 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 in further increasing the purities of hexene and octene co-monomers 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 tetramerisation.

The derivation of Fischer-Tropsch feedstreams is also a high priority. To support this focus, we have developed our competency in homogenous catalysis. Our in-house skills were leveraged through a laboratory that we established at St. Andrews University in Scotland, which, when fully operational, will comprise 25 highly qualified scientists. The focus is currently on hydroformylation of olefins to produce a range of alcohols. We recently applied hydroformylation at a commercial scale to produce detergent range alcohols. Carbonylation of alpha olefins is another area where we are investigating homogenous catalysis. Other derivatization technologies include the use of oxidation of olefins and paraffins.

Research focused on the reduction of our operations environmental footprint includes water treatment and purification. In this regard, special attention is given to water utilization, given the location of some of our current and future plants in semi-arid areas. We follow an integrated approach 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.

We continue to focus on identifying and implementing new technologies, which can 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 also 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 our technology development efforts.

Applications research and development. Our applications research and development activities are focused around four areas:

- technical service;
- analytical service;
- plant support; and
- new applications, products and processes.

In addition to Sasol Technology research, over 200 employees are involved in applications research, of which approximately 25% concentrate their efforts on developing new products and applications and 25% on customer support. The majority are involved in research and development on a part time basis. About 120 of these research personnel are located in Germany, over 50 in Italy and the United States and the remainder in the Netherlands.

The key applications research and development product areas are:

- alcohols and derivatives, based in Brunsbüttel, Germany and Lake Charles, United States;
- surfactants and detergents, based in Italy, United States and Germany;
- inorganic specialties, based in United States, Germany and Italy;
- LABs, paraffins and olefins, based in United States and Italy;
- Solvents, based in South Africa and Germany;
- Sasol LFB research and development, based in Sasolburg;
- Sasol Polymers Technical Support Group, based in Modderfontein, South Africa.

Approximately 70% of our applications research division relates to specific customer-requested research, which illustrates our commitment to meeting our customers changing requirements. We acquired this customer-driven research and development capability, especially in the areas of surfactants, inorganic specialties and LABs, through the Sasol Chemie acquisition. This complemented our existing applications research and development capabilities in South Africa, which primarily related to fuel applications and wax research, conducted in conjunction with Sasol Wax in Germany. Following the integration of Sasol Chemie into our group there is strong interaction between our South African research

operations and those of Sasol Chemie

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, Asia-Pacific regions 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.

Legal Proceedings

The EDC pipeline litigation. Sasol North America Inc. (Sasol NA) had numerous separate pending cases which originated as a result of a 1994 rupture of the Conoco ethylene dichloride (EDC) pipeline connecting Conoco s dock the Sasol NA s vinyl chloride monomer plant in the United States of America. Plaintiffs sought compensatory and punitive damages as a result of alleged exposure to EDC while employed as contractors, hired by Conoco, to clean up the EDC. As of 30 June 2005 there is a class action and 13 lawsuits brought by approximately 500 plaintiffs pending. Sasol NA has successfully obtained a substantial amount of insurance cover from the costs incurred in connection with this litigation but is not seeking additional coverage.

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

Sulfur dioxide litigation. During January 2003 Sasol NA and ConocoPhillips refinery released a quantity of sulfur dioxide to 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 2005 more than 600 lawsuits had been filed on behalf of more than 20,000 plaintiffs. ConocoPhillips and Sasol NA are jointly defending the lawsuits and Sasol NA s liability for defense and settlement costs has been limited, by agreement, to an amount not material for group purposes.

Almatis litigation. Almatis Inc. filed a suit against Sasol Olefins and Surfactants, Germany , and Sasol NA in March 2005 alleging breach of a 2001 alumina supply contract as well as monopolization and price discrimination in the high purity alumina market resulting in damages totaling US$60 million. In September 2005 Almatis Inc. dismissed its suit without prejudice to refiling in the future.

Yellow Rock litigation. In July 2005 Sasol NA received notice of suit 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 winter 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. A well integrity assessment performed by an independent consultant in early 2005 had concluded that the Dome 1-A was not leaking. These results were conveyed to Yellow Rock and were signed off on by the Louisiana Department of Natural Resources, but did not deter the filing of suit.

Fly Ash Plant. Sasol Synfuels (Pty) Limited is in legal proceedings with regard to the operation of a plant in Secunda. Ashcor has claimed damages of R313 million relating to their inability to develop their

business and a projected loss of future cash flows. The trial was postponed part-heard after a three week trial period. The trial is in progress.

Retail filling station guidelines. The Gauteng Department of Agriculture Conservation and Environment (DACE) has developed guidelines relating to the development and upgrading of filling stations within the Gauteng region in South Africa which constrain the development of filling stations. A number of applications for authorization for filling stations in which Sasol LFB has an interest have been rejected. A number of appeals were lodged, one of which was taken on review to the High Court. Sasol was successful insofar as the court found that DACE had relied on inappropriate and irrelevant considerations in coming to its decision. The State took the matter on appeal to the Supreme Court of Appeal and the appeal was successful.

Joel Nagashigo and others. A class action was filed before the Supreme Court of the State of New York, County of New York, by an undisclosed number of plaintiffs (represented by attorney Edward Fagan) who each claimed US$1 million plus punitive damages of US$5 million in respect of claims based on negligence, product liability, failure to warn of dangers and emotional distress together with actual damages for past and future medical expenses. Sasol Limited and Natref and other non Sasol companies were cited as defendants. It was not clear from the summons what the factual foundations of the claim were. During December 2004 the court dismissed the complaint against Sasol Limited and Natref for lack of personal jurisdiction and on the basis of inconvenient forum.

Dorothy Molefi and others. Certain plaintiffs sued Sasol Limited and Natref and various other defendants in two claims in the United States District Court. The plaintiffs are represented by attorney Edward Fagan. These claims are similar to many served against a large number of multi-national corporations worldwide. The claims against Sasol Limited were consolidated with other related claims against many other multi-national corporations before the Federal Court of New York. In November 2004 the plaintiffs claims in the related cases were dismissed.

Nationwide Poles. The Competition Commission received a complaint against Sasol Oil (Pty) Limited (Carbo-Tar division) in April 2003. The complaint was referred by the plaintiff to the 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. We are currently awaiting the outcome of the appeal.

Nutri-Flo. The Competition Commission alleges that Sasol, Omnia and Kynoch have engaged in price fixing or market sharing agreements and has decided to refer its findings to the Competition Tribunal. The Commission has recommended the imposition of an administrative penalty of 10% on turnover. Should the maximum fine be imposed on the basis of the fertilizer and ammonia turnover of Sasol Nitro, the fine would be in the order of R320 million. Sasol has applied to the Competition Appeal Court to have the referral set aside on the basis that a substantially similar complaint was previously rejected by the Commission and Sasol believes the Commission did not comply with certain requirements of the Competition Act in carrying out its investigation. The application was heard in September 2005, we are currently awaiting the outcome of the appeal.

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 in the United States. 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 behaviour 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.

Profert. A plaintiff filed a complaint against Sasol Nitro alleging that Sasol was engaged in an exclusionary act by refusing to supply goods to the plaintiff. Submissions were made to the Competition Commission to the effect that during 2002, Sasol was unable to supply the product to the plaintiff due to product shortages, that it is not dominant in the supply of that product and that it has not engaged in price discrimination.

Uhambo Oil. On 6 February 2004, Sasol announced that it and Petronas were in discussions concerning the combination of Sasol LFB and Petronas South African liquid fuels business, Engen, in a joint venture to create a leading South African liquid fuels business. The new liquid fuels business will be effected by way of a joint venture, Uhambo Oil, in which Sasol and Petronas will each have an equal 37.5% interest and in which Black Economic Empowerment partners (both existing and new) will hold a combined 25% interest. The Definitive Agreements were signed on 1 November 2004. The transaction is subject to approval by the South African Competition Authorities. The Competition Commission has made a conditional positive recommendation to the Competition Tribunal. The Competition Tribunal hearing of this matter is scheduled to take place in October 2005. A decision by the Competition Tribunal is expected by the end of 2005. Approval of the transaction by the European Commission was granted in mid-February 2005.

Sale of Phosphoric Acid production assets. Sasol Chemical Industries Limited has agreed to sell its phosphoric acid production plant in Phalaborwa as well as storage assets located in Richards Bay to Foskor Limited, failing which it intends to shut the plant for financial reasons. In terms of competition laws, the sale is considered a large merger that is notifiable to the competition authorities. The merger has been filed with such authorities for assessment and is currently being investigated by the authorities.

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.

Environmental Orders. The group is subject to numerous national 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 in all locations in which it operates. 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. Under the agreement for the acquisition of Sasol Chemie, we received an indemnification from RWE-DEA for most of the costs of operational compliance with respect to conditions existing at Condea Vista Company located in the United States on or before 1 March 2001 that we expect will survive until at least 1 March 2006.

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.

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 were 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 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. The fundamental principle of the 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 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 introduces the more stringent requirements of the Mineral and Petroleum Resources Development Act.

The Mineral and Petroleum Resources Development Act adopts the environmental management principles and environmental impact assessment provisions of the National Environmental Management Act. The Mineral and Petroleum Resources Development 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 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. The Act also deals with matters relating to petroleum exploration and development, which may impact our current or future petroleum and gas exploration and development activities in South Africa.

Mining rights. Transitional provisions are included in the Mineral and Petroleum Resources Development 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 2 or 5 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), respectively, 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).

Under the Act, prospecting rights will be granted for an initial maximum period of 5 calendar years, and could be renewed once, upon application, for a period not exceeding 3 calendar years. Mining rights will be valid for a maximum period of 30 calendar years, and could be renewed, upon application, for further periods, each not exceeding 30 calendar years. Provision is made for the grant of retention permits, which would have a maximum term of 3 calendar years and could be renewed once upon application for a further 2 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 historically disadvantaged persons in the mining industry. See Item 4.B Business Overview Empowerment of Historically Disadvantaged South Africans The Mining Charter .

Part II of the Regulations promulgated under the Mineral and Petroleum Resources Development 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 Mineral and Petroleum Resources Development Act. It provides the mechanism to give effect to the provisions of the Mineral and Petroleum Resources Development Act, in particular with regard to the registration of rights under that Act. Draft Regulations under this Bill have also been published for comment.

We 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 rights and for any new licenses we may require under the Mineral and Petroleum Resources Development 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 and we intend to undertake any appropriate action required to ensure conversion of our existing prospecting and mining rights under the Act.

The Act 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 separate legislation, in 2009.

The Mineral and Petroleum Royalty Bill was published for comment in March 2003. After the Department of Finance considered representations from interested parties, the bill was withdrawn and is currently being redrafted. The Minister of Finance indicated in his budget speech in parliament during February 2004 that the Mineral and Petroleum Royalty Bill will not be implemented before 2009.

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 our company, 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. Uhambo Oil will comply with the 25% equity ownership requirement of the Liquid Fuels Charter through the shareholdings of Tshwarisano and Afric Energy Resources, Engen s Broad-based Black Economic Empowerment partner, in the joint venture company. If the joint venture is not approved then Tshwarisano would become a 25% equity owner in our liquid fuels business, which will also comply with the Liquid Fuels Charter. See Item 8.B Significant Changes .

The Liquid Fuels Charter requires liquid fuels companies, including Sasol LFB, to ensure that historically disadvantaged South Africans hold at least 25% equity ownership in the South African company of their liquid fuels assets by the year 2010. It also envisages methods of measuring progress on meeting 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.

The Mining Charter. 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, or the crushing and separation of ore into valuable substances or waste within South Africa.

The Charter, together with the published 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 and 26% ownership within 10 calendar years from the enactment of the new 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 Economic 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. These regulations came into effect on 1 May 2004. 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 above 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 intend to undertake any appropriate action required to ensure conversion of our existing mining rights under the Mineral and Petroleum Resources Development Act. See above Item 4.B Business Overview Regulation of Mining Activities in South Africa The Mineral and Petroleum Resources Development Act .

A scorecard intended to give effect to and facilitate the interpretation of the provisions of the Mining Charter was made public on 18 February 2003. The scorecard provides a method of indicating the extent to which applicants for the conversion of their rights under the Mineral and Petroleum Resources Development 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.

We are currently in discussions with prospective Black Economic Empowerment mining parties and we believe that we should be able to meet the requirements of the Mining Charter. In any case, we intend to undertake any appropriate action required to obtain conversion of our existing mining rights under the Mineral and Petroleum Resources Development Act.

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 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 another 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 Black Economic Empowerment. In terms of the Act, the Minister of Trade and Industry may issue codes of practice on Black Economic Empowerment, which may include:

- the interpretation and definition of black economic empowerment;
- qualification criteria for preferential purposes for procurement and other economic activities;
- indicators and weighting to measure black economic empowerment;
- 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 black economic empowerment; and
- any other matter necessary to achieve the objectives of this Act.

The Act provides that every organ of the State must take into account any relevant code of practice issued in terms of this Act in determining qualification criteria for the issuing of licenses and other authorizations in terms of 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.

Draft codes of good practice were issued for comment by the Minister of Trade and Industry in December 2004 in terms of 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 of good practice.

Progress to date includes the issuing of the following draft codes:

- Code 000: Framework for the Measurement of Broad-based Black Economic Empowerment
- Code 100: Measurement of the Ownership Element of Broad-based Black Economic Empowerment
- Code 200: Measurement of the Management and Control Element of Broad-based Black Economic Empowerment

No draft codes have been issued for Codes 300 to 800 outlining measurement of employment equity, skills development, preferential procurement, enterprise development, the residual element or any sector codes.

In terms of the draft codes, private sector enterprises are urged to apply the principles contained in the codes when implementing broad-based black economic empowerment 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 broad-based empowerment objectives, with the Act and the codes. This will apply specifically to the Liquid Fuels Charter 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 Petroleum-Related Activities in South Africa

The Petroleum Products Act and the Petroleum Products Amendment Act

The Petroleum Products Act. The Petroleum Products Act was promulgated to provide measures relating to, among others, the maintenance and control of petroleum products prices and the cost of distribution and the standards of particular services rendered in connection with motor vehicles. The Act empowers the Minister of Minerals and Energy, at her discretion, to promulgate regulations relating to the sale and distribution of petroleum products, including the price at which petroleum products may be sold. Currently the retail price of gasoline and illuminating kerosene are regulated under the Act.

Two recent amendments to the Act , which have been signed by the President but which will only come into operation at a future date, include provisions for the licensing of persons involved in the manufacturing and sale of petroleum products and envisage the establishment of a controller with authority to issue manufacturing, wholesale, retail and site licenses. The Minister of Minerals and Energy must prescribe a system for the allocation of site and retail licenses to which the controller will be bound.

Among the matters governed by this legislation and of particular significance to our business, is the Minister s discretion in the exercise of executive powers and the issuance of licenses.

Although the Main Supply and Blue Pump Agreements largely excluded us from selling fuels directly to the retail market in South Africa, the expiration of the agreements on 31 December 2003 enabled us to commence the process of establishing a network of service stations. As future legislation is expected to regulate matters pertaining to the conditions and requirements for licensing the sale of petroleum products to the retail market, the provisions of the Act could impact the conditions and cost of our entry into the retail fuel market in South Africa.

The Petroleum Pipelines Act

The Petroleum Pipelines Act will come into operation at a date to be determined by the President. The Act, among other things, establishes a petroleum pipelines authority, responsible for the supervision of activities, including the following:

- supervision of the national regulatory framework of petroleum pipelines;
- provisions for the issuance of licenses relating to the construction and operation of petroleum pipelines and the delivery of certain commercial services in connection with these pipelines;
- provisions for the registration of marine offloading and storage facilities and certain commercially related services; and
- setting and approving of tariffs for the use of pipelines and related storage facilities.

Among the stated objectives of the Petroleum Pipelines Act are:

- to promote competition and limit anticompetitive practices within the scope of the regulated activities;

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

- to ensure the safe, efficient, economic and environmentally responsible transport and storage of crude oil and petroleum products;

- to promote fair and equitable access to pipelines, offloading and storage facilities and related commercial services; and

- under the National Energy Regulator Act, the pipelines regulatory authority will vest in the National Energy Regulator

Among the matters governed by the Act of particular significance to our business, are issues relating to the issuance of licenses and setting of tariffs by the National Energy Regulator, and the discretion granted to the Minister of Minerals and Energy with respect to the exercise of executive powers.

Regulation of Gas-Related Activities in South Africa

The Gas Act. The Act is expected to come into effect on a date to be determined by the President, will regulate matters relating to gas transmission, storage, distribution, liquefaction, and re-gasification activities. Among its stated objectives are:

- to promote the efficient development and operation of the respective facilities and with the provision of respective services in a safe, efficient, economically and environmentally responsible way;

- to promote companies in the gas industry that are owned or controlled by historically disadvantaged South Africans;

- to promote competition and investment in the gas markets; and

- to secure affordable and safe access to gas services.

The Gas Act provides for the powers of the National Energy Regulator regarding pipeline gas, whose powers would 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.

The National Energy Regulator determines maximum prices for distributors, reticulators and all classes of consumers where there is inadequate competition as contemplated in the South African Competition Act. The National Energy Regulator may impose fines not exceeding R2 million a day, if a licensee fails to comply with any provisions of the Gas Act.

The National Energy Regulator Act. This act was assented to and signed into law by the President on 30 March 2005 and comes into operation on a date to be determined by the President. The 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.

In accordance with the Gas Act, licensees may not discriminate between customers or classes of customers regarding access, tariffs, prices, conditions or service, except for objectively justifiable and identifiable differences.

The Mozambique Gas Pipeline Agreement. The Gas Act deals with the Mozambique Gas Pipeline Agreement entered into between the Minister of Minerals and Energy, the Minister of Trade and Industry and our company in connection with the introduction of natural gas by pipeline from Mozambique into South Africa. See above Item 4.B Business Overview Sasol Gas The natural gas project . The Gas Act recognizes that the terms of the agreement bind the Gas Regulator for a period until 10 years after natural gas is first received from Mozambique. 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 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.

No assurances can be given that the government may not amend the current legislative position to alter various terms and conditions of the Mozambique Gas Pipeline Agreement.

The Gas Regulator Levies Act was signed into law on 15 January 2003, but as yet has not come into operation, nor has the Regulator been appointed to assess the levies payable. 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 would be used to meet the general administrative and other costs of the Gas Regulator and the functions performed by the Gas Regulator. According to the Department of Minerals and Energy, this Act will come into effect at the same time as the Gas Act mentioned above.

Safety, Health and Environment

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 and Asia-Pacific. Our global operations, including marketing and logistics, are also affected by international environmental conventions.

We focus on our safety, health and environmental responsibilities and try to ensure that we operate under safe working practices, and safeguard against accidents and avoid harm to people or the environment in all our businesses.

Safety, health and environmental laws and regulations affect a wide spectrum of our group activities. They often require permits to be obtained for the use of natural resources such as water, for instance, and for the operation of our facilities and the disposal of our waste products. They 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.

Our 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 and to the group Safety, Health and Environment and Sustainable Development Forum via 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, it considers the major risks and liabilities, progress on our internal indicators of performance and any major incidents and non-compliances. For information regarding our group Safety, Health and Environment and Sustainable Development Forum 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 14001 certification for all our businesses. The ISO (International Standards Organization) 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 started to obtain certification for OHSAS 18001 at some of our South African, the United States and European sites.

We have approved environmental management programs and ISO 14001 certification for each of our coal mining operational areas and their future extensions. Our Wonderwater strip-mining operation was the first South African surface coal mining operation to obtain ISO 14001 certification for its environmental management system.

Health and Safety. In the 2005 year we regrettably lost seventeen workers, including contractors. Ten people died in an explosion at the Sasol Polymers ethylene plant at Secunda on 1 September 2004. This very serious incident has led (amongst many other actions) to a thorough review of safety management in our South African operations. Sasol appointed DuPont, an internationally reputable safety consultancy, in November 2004 to undertake a comparative review of its selected South African operations against international best practices in the areas of leadership, organization, and operational and process safety. We have started to implement a far reaching and comprehensive safety improvement plan to improve our safety performance. The safety improvement plan addresses the main issues and key findings highlighted by DuPont, as well as concerns communicated internally and by other stakeholders, including the major unions. The safety performance at our US and European operations has been good, resulting in significant reductions in greenhouse gas emission. We are investigating opportunities for carbon dioxide capture and storage and to improve process efficiencies at both existing facilities and for our new projects.

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 have implemented a successful project to replace coal as a feedstock with natural gas at our Sasolburg chemical operations.

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.

Water. Water is increasingly becoming a source of concern, not only in mining, but in all our operations, in particular in South Africa, which is an arid country. A series of water treatment and saving programs and projects 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. The company has committed resources to the following:

- In 1997, we built an electrodialysis reverse-osmosis desalination plant at Secunda at a cost of R82 million to treat 9,000 cubic meters of brine water a day, for re-use in industrial processes.

- An evaporator crystallizer was commissioned at a cost of R250 million in June 2003 in order to treat a concentrated brine stream (wastewater) from our desalination plant. The evaporator crystallizer is a chemical plant that will recover water and salt from the waste stream for sale to specific markets in the steel manufacturing and agricultural industries.

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 Highveld region.

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 are taking 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 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.

We maintain a comprehensive insurance program because of the nature of our processes, to address attendant risks.

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

At 30 June 2005, we had a provision of R303.9 million of which R240.5 million was invested in a trust fund for mine closure and rehabilitation. This figure is reviewed on an annual basis to ensure that adequate provision is made at all times, taking into account all relevant circumstances.

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.

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 effect.

The Natural Gas Conversion Project: Sasolburg has had significant impact on the reduction of waste produced, specifically with regards to tar and oil waste, and ash. The ash dump currently has a negative growth rate due to ash sales for brick making and in future will disappear completely.

The decommissioned Klipspruit cyanide factory has been satisfactory rehabilitated and the Johannesburg Metro Council may take over the land for future development as a golf course.

The Waste Discharge Charge System will be implemented by the Department of Water Affairs and Forestry over the next 2-3 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 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.

Environmental regulation in South Africa

The Constitution of the Republic of South Africa forms 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 for 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 compliance and provides for enforcement measures. 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 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 also provides for integrated environmental management and, in time, it is intended to replace the Environment Conservation Act. Recent amendments have been promulgated relating to improved enforcement of environmental compliance and improved regulation of environmental impact assessments.

Environment Conservation Act. The Environment Conservation Act provides for the protection and controlled utilization of the environment. The Act and the environmental impact assessment regulations promulgated under the Act require approval by the Department of Environmental Affairs and Tourism in advance of the initiation of activities that may have a detrimental impact on the environment. The Act also provides for the designation and protection of nature reserves, imposes licensing requirements for the operation of waste disposal sites and addresses noise control and waste disposal.

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.

National Mineral & 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 attending to the drafting of legislation regarding a waste discharge charge system and a natural water resource strategy.

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 has published a pricing strategy for the use of water, which may have a significant impact on operational costs.

Air protection

The Atmospheric Pollution Prevention Act regulates air emissions, including emission of smoke, and allows for promulgation of smoke-control regulations. The Act provides for steps to be taken for preventing atmospheric pollution by dust and restricts the disposal of assets by mines before remediation of dust impacts. Regulations promulgated under this Act require that we maintain air pollution permits for certain scheduled activities, smoke-control regulations, vehicle emissions, and guidelines for sulfur dioxide emissions. The National Environmental Management: Air Quality Act has recently been promulgated and will eventually replace the Atmospheric Pollution Prevention Act. Certain portions of the Act came into effect on 9 September 2005, which will enable 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 National Ambient Air Quality Standard for sulfur dioxide published in December 2001 is the first in an intended series of guidelines with respect to priority pollutants, which are intended to curb excessive pollution by industry. Guidelines are based on World Health Organization standards and provide maximum allowable concentration of ambient sulfur dioxide over certain time periods.

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 under the Protocol. 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.

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 drafting a Waste Management Bill, which is expected to cover solid waste management and incorporate the principles of the Basel Convention on the trans-boundary movement of waste, and published it for public comment.

Hazardous Substances Act. The Hazardous Substances Act provides for the control 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. This Act also controls the use and handling of certain electronic and radioactive products. The Act includes licensing provisions for various activities relating to designated substances. Regulations promulgated under this Act cover the identification of hazardous substances and their transportation by road.

Other environmental legislation

The National Road Traffic Act and its regulations control road traffic matters, including provisions relating to 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 Explosives Act consolidates the laws relating to the manufacture, storage, sale, transport, importation, exportation and the use of the explosives. The Act imposes an authorization requirement for the manufacture and storage, as well as for the import, export and sale of explosives. This Act is currently under revision. The Explosives Bill of 2002 aims to ensure more comprehensive control over 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. Regulations promulgated under this Act relate to the registration and sale of fertilizers.

Health and safety regulation in South Africa

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 principal objectives of the Act are to protect and provide for the health and safety of persons at work and

the protection of persons against hazards arising out of or in connection with the activities of persons at work. 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.

The Act requires employers to ensure the health and safety of their employees and all persons who may be directly affected by their activities. To promote the safe use of articles, products and substances in the workplace, a duty is placed on manufacturers, importers, sellers and suppliers to take necessary steps to ensure that appropriate information is available to the users of these articles, products and substances.

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. The Act requires that employers and others ensure that their operating and non-operating mines provide a safe and healthy working environment, determines penalties and a system of administrative fines for non-compliance and gives the Minister of Minerals and Energy the right to restrict or stop work at any mine and to 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.

An amendment to the Occupational Diseases in Mines and Works Act came into effect on 22 January 2003. Under this amendment, the owner of a controlled mine is obliged to pay for an undetermined period for the costs incurred by a person in his service, or who was in his service at the commencement of the compensatable disease, in respect of medical costs required by such disease. Prior to the amendment, the owner was only liable for reasonable medical costs for a period of not more than 2 calendar years from the date of the commencement of a compensatable disease and only in respect of a person in his service.

For further information, see Item 6.C Board Practices The Risk and Safety, Health and Environment Committee .

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 man 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 man 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 a 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 in the version 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 terms of the Genetic Technology Act.

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 the 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. The Act 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 the hazards at the workplace, to take appropriate preventive measures, and to instruct the employees about the 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

There is no consolidated environmental statute in Italy. Nonetheless, the company is liable for damages caused to the environment under general and special rules. When EU Directive 2004/35/CE is implemented in Italy, it will provide for strict liability for damage caused to the environment.

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

Specific environmental protection legislation

Emission control. Presidential Decree 203/1988 and Law 447/1995 provides the framework for environmental protection and the technical requirements licensing of all installations from which emissions emanate.

Regulation of hazardous substances. Legislative Decree 52/1997 implemented in Italy the EU Directive relevant to classification, packaging and labelling of dangerous substances. Legislative Decree 65/2003 implemented the EU Directives relevant to classification, packaging and labelling 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 22/1997 (Implementation of EU Directives about wastes, dangerous wastes and packing wastes) incorporates the principle of polluters pay and further provides for cradle to the grave liability for wastes.

Water protection. Legislative decree 152/1999 defines the authorisation 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 a range of environmental provisions, primarily the Ministerial decree 471/1999. Soil protection measures, preventative or remedial, aim at avoiding or reducing substance inputs into the soil, or removing already existing soil damage. The Ministerial 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 the hazards at the workplace, to take appropriate preventive and protective measures, and to instruct the employees about the 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

Sasol s share of 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.

Under the agreement for the acquisition of Sasol Chemie, we received an indemnification from the seller, RWE-DEA for most of the costs of operational compliance with respect to conditions existing on or before 1 March 2001 that we expect will survive until at least 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 exceedances of permitted air emissions. Sasol NA expects that the cost of settling these and all other outstanding air-related violations which will include fines or penalties, will not be material.

Remedial action

Active and former manufacturing sites. Sasol NA has been investigating and remediating soil and groundwater contamination at the 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, and is expected to complete a Corrective Measures Study in 2004-2005. 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 since 1991 and the remediation of groundwater is ongoing. The Aberdeen plant site has also been investigated under several orders issued by state authorities. 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. 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 remediating contamination from historical operations at its active and sold sites are being indemnified by RWE-DEA, 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, 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 (bayous) 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.

In 1999 and 2000, Conoco and Sasol NA completed a voluntary joint remedial investigation of Bayou Verdine under the oversight of state and federal authorities. In 2001, Conoco 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. Sasol NA does not expect its share of costs associated with contamination at Bayou Verdine to be material.

In October 2002, Conoco, Sasol NA, and USEPA entered into a second AOC to perform 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. Conoco and Sasol NA intend to perform the Main Channel Removal Action under a Consent Decree which will be negotiated in 2005 and 2006. We expect that Conoco and Sasol will have to agree to pay some part of the agencies past response costs, as well as the costs of natural resource restoration. Under a Consent Decree, Conoco and Sasol 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. Sasol NA will pay 10% of the costs to remediate the Main Channel, any associated third-party claims, past agency response costs, and natural resource restoration costs.

Sasol NA s total estimated liability for its share of Bayou Verdine and the Calcasieu Estuary CERCLA Site is about US$4 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, 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, storage 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 ISO14001 and ISO9001. Sasol is currently also implementing an integrated management system, the last component of which is certification in terms of the OHSAS18001.

Sasol is 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, Sasol 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, Nigeria, Gabon, Equatorial Guinea and other countries, we are involved, or are in the process of being involved, in exploration, extraction, processing 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.

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 2005.

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	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 and investment in moveable and immoveable property	100	South Africa
Sasol Chemical Industries Limited	Production and marketing of mining explosives, gases, petrochemicals, fertilizers and refining of tar acids	100	South Africa
Sasol Gas Holdings (Pty) Limited	Holding company for the group s gas interests	100	South Africa
Sasol Oil (Pty) Limited	Marketing of fuels and lubricants	98	South Africa
Republic of Mozambique Pipeline Investments Company (Pty) Limited	Owning and operating the natural gas transmission pipeline between Temane in Mozambique and Secunda in South Africa for the transportation of natural gas produced in Mozambique to markets in Mozambique and South Africa	100	South Africa
Sasol Chemical Holdings International (Pty) Limited	Investment in the Sasol Chemie group	100	South Africa
Sasol Chemicals Europe Limited	Marketing and distribution of chemical products	100	United Kingdom
Sasol Chemicals Pacific Limited	Marketing and distribution of chemical products	100	Hong Kong
Sasol-Chem Inc.	Marketing and distribution of chemical products	100	United States of America
Sasol Financing International plc	Management of cash resources, investment and procurement of loans	100	Isle of Man
Sasol Gas Limited	Marketing, distribution and transportation of pipeline gas and the maintenance of pipelines used to transport gas	100	South Africa
Sasol Germany GmbH	Production, marketing and distribution of waxes and wax related products	100	Germany
Sasol Italy SpA	Trading and transportation of oil products, petrochemicals and chemical products and derivatives	100	Italy

Name	Nature of business	Percentage ownership	Country of incorporation
Sasol North America Inc.	Manufacturing of commodity and special chemicals	100	United States
Sasol Oil International Limited	Buying and selling of crude oil	100	Isle of Man
Sasol Petroleum International (Pty) Limited	Exploration, production, marketing and distribution of petroleum and natural gases	100	South Africa
Sasol Polymers International Investments (Pty) Limited	Holding company for Sasol Polymers foreign investments	100	South Africa
Sasol Synfuels International (Pty) Limited	Conversion and marketing of liquid fuels and chemical products	100	South Africa
Sasol Wax International Aktiengesellschaft	Holding company for Sasol Wax operations	100	Germany
Sasol Wax (SA) (Pty) Limited	Production, marketing of the Sasol Wax operations	100	South Africa
Tosas Beherend (Pty) Limited	Investment	100	South Africa
National Petroleum Refiners of South Africa (Pty) Limited	Refining crude oil	63.64	South Africa

4.D Property, Plants and Equipment

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.

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) near Secunda and the Sigma Mining Complex, consisting of underground mines (Mohlolo and Mooikraal) near Sasolburg.

For a detailed discussion regarding the use, capacity and products of these facilities see Item 4.B Business Overview Sasol Mining . Pages M-1 to M-3 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 million square meters (m²). See Item 4.B Business Overview Sasol Synfuels .

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 million m².

The size of the Natref refinery, also based in Sasolburg, is approximately 1.1 million m^2. See Item 4.B Business Overview Sasol LFB .

Our Mozambican facilities. Our natural gas processing operations in Mozambique are operated by Sasol Petroleum Temane (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 m², 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.

Our facilities in Germany. Various operations of Sasol Olefins and Surfactants and Sasol Solvents 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 m²), Marl (site size approximately 160,000 m²; plant size 75,000 m²) and Moers site (site size approximately 808,000 m²; plant size 400,000 m²). Sasol Wax facilities are also based in Hamburg.

Other facilities in the rest of Europe. Various operations of Sasol Olefins and Surfactants are based at a number of locations in Italy. The main of these facilities are at Augusta (site size approximately 1.35 million m²; plant size 220,000 m²) and Terranova (site size approximately 185,000 m²; plant size 75,000 m²).

Our facilities in the United States of America. Operations of Sasol Chemie 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 m²; plant size 540,000 m²) and in Baltimore, Maryland (site size approximately 293,000 m²; plant size 255,000 m²). Merisol also has operations based at Oil City, Pennsylvania, Houston and Winnie Texas. The Lake Charles Chemical Complex suffered some damage due to Hurricane Rita which made landfall on 24 September 2005. The extent of the damages to our facilities is currently being assessed. It is expected that normal production at the entire complex will have commenced by the end of October 2005 and at which time it is expected that electrical power will also be restored to the homes of our employees in the affected areas. See Item8.B Significant Changes .

With limited, immaterial exceptions, we own, or hold similar property rights on the properties described in this section. 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.

MINING PROPERTIES AND OPERATIONS

Mine Systems and their Production Capacity

Sasol Mining operates seven mines, from which production is sold to Sasol Synfuels and Infrachem and the international market. The production units, their annual nominated capacities and actual production values are indicated in the following table:

Nominated capacity and production

Mine	Nominated capacity per year(1) (in Mt)	2005 Actual production
Middelbult Mine (Secunda)	8.5	8.0
Brandspruit Mine (Secunda)	8.5	8.3
Bosjesspruit Mine (Secunda)	8.0	7.7
Twistdraai Export Mine (Secunda)	14.2	14.0
Syferfontein Mine (Secunda)	8.2	7.1
Sigma Mine (Mohlolo and Mooikraal) (Sasolburg)	1.7	2.6

(1) The 2005 nominated capacity of a mine 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 and at Sigma and Syferfontein this method was supplemented by opencast/strip mining (however both opencast operations terminated during the year). The Sigma Mine was first established in 1950. Production at the first two Secunda mines, Brandspruit and Bosjesspruit commenced in 1977. Twistdraai and Middelbult followed during the early 1980s, while Syferfontein started production in 1992. In 1996, the Export Mine at Twistdraai was commissioned. The original mine boundaries have been extended into new reserve areas with brownfield extensions facilitated by satellite shaft systems. All the production equipment is either replaced or overhauled on a regular basis according to a managed maintenance system that contributes significantly to lower production costs.

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 27.88 Mt of coal has been exported, beneficiated from 76.05 Mt at the Twistdraai Export Plant from 1996 through 2005. 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%, as well as secondary product for the Synfuels market.

The export beneficiation plant has a design throughput capacity of 8.5 Mt per year, but due to productivity improvements and minor alterations in the plant this figure is regularly exceeded. In 2005 9.96 Mt was fed through the plant. 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. The planned Richards Bay Coal Terminal Phase 5 expansion project will increase the total throughput capacity to 82 Mt. Sasol Mining s participation in this project, should result in a gross entitlement of 4.1 Mt per year. The increase in export product will be achieved, by increasing throughput and by the production of a second grade product containing 14% ash.

Sasol Coal Supply Secunda operations. Sasol Coal Supply operates the coal handling facility between Sasol Mines and Sasol Synfuels by stacking and blending coal on six stockpiles of 110 Kt each. The Sasol Coal Supply operation has a live stockpile capacity of 660 Kt that is turned over approximately 1.5 times per week. In addition there is a reserve stockpile capacity of 2.14 Mt. The objectives are:

- homogenize the coal quality supplied to Sasol Synfuels;
- keep the Sasol Synfuels bunkers full with a product that conforms to customer requirements; and
- prevent fine coal generation.

The daily coal supply to Sasol Synfuels is approximately 110 Kt. The total coal handled by Sasol Coal Supply, since production began in 1977 through 2005, amounts to 831 Mt.

Source of electrical power

Electricity is supplied by Eskom, the state-owned power producer. The approximate monthly peak demand is 125MVA to the Secunda Mining Complex.

Location of Coal Deposits

Pages M-1 to M-3 include maps showing the location of coal properties and major manufacturing plants in South Africa.

Secunda Mining Complex

Secunda Mines are situated 145 km southeast of Johannesburg, adjacent to the town of Secunda in the Mpumalanga province. The mines are connected to the Gauteng province, the economic heartland of the country, by well-maintained roads, railways and an airport.

Secunda Mining Complex is part of the Highveld coal field in the western Mpumalanga province.

Sigma operations (Sasolburg)

The Sigma operations are situated close to the town of Sasolburg on the northern boundary of the Free State province, located about 100 km south of Johannesburg, and connected by well-maintained roads, railways and an airport. This northern portion of the mine has depleted its reserves and has also terminated production. A new underground access to the remaining reserves in the southern highwall of the pit has been established and has been in operation for the past 2 years. In addition, the establishment of the Mooikraal Mine some 22 km to the west of Sasolburg is on schedule.

Planned Capital Spending

Sasol Mining is pursuing a growth strategy, which will require capital expenditure in the long-term. Some mines will be reaching the end of their economic life and will have to be replaced within the next 5 to 10 years.

The 5 year capital spending plan for Sasol Mining can be divided into four broad categories:

- Mine replacement and infrastructure capital spending: Major projects include the brownfields development into the Irenedale Reserves for the Bosjesspruit Mine and the brownfields expansion into the Block 8 west Reserves for Middelbult. Greenfields development of the Rooipoort Reserves for replacement of Twistdraai Colliery, and Block 8 north Reserves for the replacement of Brandspruit Colliery will also take off in the next 5 years. The recent implementation of the Anglo Coal/Kriel South project (Isibonelo Colliery) has been successful, and further development is expected in the 2006 year. Capital expenditure on the new Mooikraal project is expected in the 2006 year as a major item.

- Operations capital spending to ensure efficient operations.

- Environmental Capital Spending: As compartments fill with water and mines are closed, surface water management infrastructure will need to be established to transfer water between compartments and mines, furthermore this water contains heavy metals which needs to be treated before sending the water into the EDR or Synfuels Ash System or Cooling Towers and to enable this, pre-treatment water infrastructure is required to be established.

- New Technology/New Business: Testing of Low Seam equipment in order to better utilize the edges of the coal reserves and a pelletising project to turn discard slimes into coarse gasifiable pellets. A project on new generation roofbolters both for normal production and stonework has been initiated and is expected to support safety and production targets. In addition in the new business category the expected onset of the phase 5 expansion of the Richards Bay Coal Terminal will require capital expenditure. Additional exploration will also take place to bring specific resource areas to feasibility levels.

Coal Exploration Techniques

Sasol Mining s geology department employs several exploration techniques in assessing the geological risks associated with 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 active coal fields in South Africa. As a result, Sasol Mining has been basing its geological modeling on having sufficient and varied geological information, in order to achieve a high level of support to the production environment; an approach utilized for the last 25 years.

Present exploration techniques

Vertical diamond 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. The average drilling depth ranges from 200 to 250 meters. The major application of this technique is to locate the coal horizons, to identify coal quality and to gather structural information on dolerite dykes and sills, and associated de-volatilization. This information is then modeled and forms the basis of further geological interpretation.

Directional drilling (surface to in-seam). Directional drilling from surface to in-seam has been successfully applied for several years, especially, for medium and long-term exploration areas. A circular area with a radius of approximately two kilometers (1,256 hectares) of coal deposits is covered by this method. 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. A drilling reach of up to one kilometer is possible, although the average length is usually 800 meters.

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 for optimal mine layout plans.

Geophysical surveys of directional boreholes. The present research has been highly successful. This technique is now being routinely applied with excellent information leading to increased confidence of the surface directional drilling results. This technique has also been applied in underground directional drilling with excellent results.

Secunda Operations Information

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

The analytical work done on the sampling was initially, between 1965 and 1972 calendar years, conducted at the Fuels Research Institute, and subsequently at the laboratories of the South African Bureau of Standards in Pretoria, South Africa, now called Coal and Mineral Technologies.

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

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 Horizon module of the Surpac Minex Group s 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 reserve. The Number 4 Lower Coal Seam is one of six developed coal horizons 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. The majority of the workings are 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 25 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 additional tonnage to the reserve in one area and is being evaluated in a number of other areas to provide supplemental tonnage.

Mineable parameters

The underground mining parameters used to determine the extent of the reserves are indicated below:

Parameter	Value	
Minimum mining height (meters)	2.1	
Maximum mining height (meters) (indication only)	5.5	
Minimum mining depth (meters)	40	
Primary safety factor(1)	2.2	
Secondary safety factor(1)	2.0	
Tertiary safety factor(1)	1.8	
Minimum dry ash-free volatile content	28	%
Maximum air-dried ash content	34	%
Surface structure allowances	Depth/2.7 from the perimeter of the structure	

(1) A ratio of the stress placed on a pillar to the strength of that pillar.

Production History. Since June 1977, when the first coal was produced, the build-up of production reached a plateau in 1984 of 29 Mt. Subsequently, the growth of the synfuels demand and the creation of the export business have resulted in saleable production reaching 45.5 Mt (total production 47.7 Mt) in 2005.

Reserve Estimation (Remaining Reserves at 31 March 2005)

We have approximately 4.0 billion tons (Bt) of in situ proven and probable coal reserves in the Secunda Deposit and approximately 1.4 Bt of Recoverable reserves. The coal reserve estimations are set out in the table below:

Table 1.

Coal Resource/Reserve Estimations(1) in areas where Sasol Mining has mining authorization, in the Secunda mining complex, to be converted to mining rights in terms of the Mineral and Petroleum Resources Development Act, Act 28 of 2002

Reserve Block	Gross in situ Coal Resource (Mt)(4)	Geological discount (Mt)	Mine layout losses (Mt)	Extraction rate (%)	Recoverable Coal Reserve(2) (Mt)	Beneficiated Yield	Proven/ Probable
Block 2, Number 4 seam	809.741	218.630	148.183	58.6	273.277	100%	Probable
Block 2, Number 2 seam	369.819	99.851	67.677	58.6	124.809	100%	Probable
Bosjesspruit Extension (Block 3 South)	124.681	33.664	22.817	58.6	42.078	100%	Probable
B5C	219.782	39.561	40.220	63.9	94.192	100%	Proven
B5E	249.071	87.175	45.580	51.5	63.076	100%	Probable
B5S							