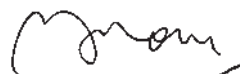


## APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of Assore Limited and group annual financial statements for the year ended 30 June 2006 as set out on pages 36 to 100 were approved by the board of directors on 30 August 2006 and signed on its behalf by:



**Desmond Sacco**  
*Chairman*



**C J Cory**  
*Chief Executive Officer*

## CERTIFICATE BY COMPANY SECRETARY

We certify that the requirements as stated in section 268G(d) of the Companies Act have been met and that all returns, as are required of a public company in terms of the aforementioned Act, have been submitted to the Registrar of Companies and that such returns are true, correct and up to date.



**African Mining and Trust Company Limited**  
*Secretaries*

per: C D Stemmett

30 August 2006

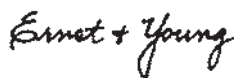
## REPORT OF THE INDEPENDENT AUDITORS

To the members of Assore Limited

We have audited the annual financial statements of Assore Limited and group annual financial statements as set out on pages 36 to 100 for the year ended 30 June 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and group at 30 June 2006, and the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

The logo for Ernst & Young, featuring the company name in a stylized, cursive script.

**Ernst & Young**

*Registered Accountants and Auditors*

30 August 2006

Johannesburg, South Africa

## DIRECTORS' REPORT

### NATURE OF BUSINESS

Assore Limited, which was incorporated in 1950, is a mining holding company principally engaged in ventures involving base minerals and metals. The company's shares are listed on the JSE Limited (the JSE) under "Assore" in the general mining sector and its ultimate holding company is Oresteel Investments (Proprietary) Limited.

The group's principal investment is a 50% (2005: 45,66%) interest in Assmang Limited (Assmang) which it controls jointly with African Rainbow Minerals Limited (ARM). Assmang is involved in the mining of manganese, iron and chrome ores and the production of manganese and chrome alloys. In addition, the group mines chrome ore and Wonderstone (a type of pyrophyllite) for its own account and produces a range of ceramic and abrasive products for use in specialised industrial applications.

The group is responsible for marketing all products produced by its joint venture entities and subsidiary companies, the bulk of which is exported and the remainder either used in the group's beneficiation processes or sold locally. Details of the group's activities are set out, by activity, in the Review of Operations.

### THE INTRODUCTION OF 15,02% DIRECT BLACK SHARE OWNERSHIP IN ASSORE

In November 2005, Assore announced that agreements had been concluded which, subject to the fulfilment at the time of certain conditions precedent, would facilitate the acquisition of 15,02% of the issued ordinary share capital of Assore by two Black Economic Empowerment (BEE) entities, namely:

- Shanduka Resources, a subsidiary of Shanduka Group (Proprietary) Limited (Shanduka), which purchased an 11,76% equity interest in Assore; and
- The Bokamoso Trust, a community trust, which had been formed to benefit community groupings and which purchased a 3,26% equity interest in Assore.

By the end of February 2006 all the conditions precedent had been met and the agreements became unconditional. Details of the groups' current BEE status are set out on page 30 of this report entitled Black Economic Empowerment in Assore and note 21.

### ACQUISITION OF MINORITIES IN, AND DELISTING OF, ASSMANG

On 9 November 2005 shareholders were informed that Assore had made an offer to the minority shareholders in Assmang to acquire all of their shares in Assmang by way of a scheme of arrangement in terms of section 311 of the Companies Act No. 61 of 1973. The scheme involved some 141 630 Assmang shares amounting to approximately 4% of Assmang's share capital. The consideration payable in terms of the scheme was R2 600 per share in cash (the offer price) amounting to a total consideration of R368 million on which basis Assmang was valued in total at R9,2 billion.

In addition it was announced that Assore and ARM had entered into an agreement in terms of which Assore would acquire from ARM at the offer price all of the Assmang shares held by ARM in excess of 50% of the total number of issued shares in Assmang. It was also agreed that on completion of this transaction Assore and ARM would each hold 50% of Assmang's share capital and the listing of Assmang's shares on the JSE would be terminated. The scheme was subsequently approved by shareholders and the High Court of South Africa and Assmang's shares were delisted from the JSE on 28 February 2006.

### CHANGES IN SHARE CAPITAL

In order to facilitate the empowerment transaction referred to above, the company repurchased 2 214 199 of its ordinary shares at R63 per share, plus warehousing transaction costs, on 28 February at a cost of R162,7 million. On 6 February 2006 Assore issued 1 696 890 ordinary shares of 2,5 cents each at a premium of R84,98 per share to Shanduka Resources (Proprietary) Limited (Main Street 343 (Proprietary) Limited) for cash of R144,2 million and 517 309 ordinary shares of 2,5 cents each at a premium of R101,83 per share to the Bokamoso Trust (Main Street 350 (Proprietary) Limited) for cash of R52,7 million (refer note 21).

## FINANCIAL RESULTS

The financial position of the group and company and their results for the year ended 30 June 2006 are set out in the annual financial statements of the company and group included in this report (the financial statements). The results of the group for the year are summarised below:

	Year ended 30 June	
	2006 R 000	2005 R 000
Turnover	3 382 587	3 093 944
Minority shareholders' share of profit	22 438	31 617
Attributable to equity holders of parent	457 384	509 445
Profit for the year	479 822	541 062
As above	457 384	509 445
Dividends relating to the groups activities for the year under review (refer dividends below)	64 400	56 000
Profit for the year after dividends	392 984	453 445
The attributable interest of the company in the aggregate net profit and losses after taxation of group companies was as follows:		
Subsidiary companies		
– Profit	80 904	82 998
– Losses	22 895	11 240
Jointly controlled entity – 50% share in Assmang (2005: 45,66%)		
– Profit for the year	211 412	392 013

## CONTROL OVER FINANCIAL REPORTING

The directors of the company are responsible for the preparation and fair presentation of the financial statements and related financial information included in this report. The external auditors, whose report appears on page 35, are responsible for independently reviewing and expressing an opinion on the financial statements.

The financial statements included in this report are based on judgements and estimates which are intended to be both reasonable and prudent and have been prepared by management in accordance with International Financial Reporting Statements (IFRS) based on appropriate accounting policies which, unless otherwise indicated, have been applied consistently with the previous year.

The financial statements have been prepared on a going-concern basis and the directors have no reason to believe that any of the businesses in the group will not be a going concern in the year ahead. With regard to the valuation of assets, the directors are of the opinion that the carrying amount of fixed assets and financial instruments are reasonably stated.

## DIRECTORS' REPORT

CONTINUED

In order to discharge their responsibilities with regard to the financial statements, the directors ensure, through their duly appointed Audit Committee, that management maintains adequate accounting records and systems of internal control which are developed and reviewed for effectiveness on an ongoing basis. The systems of internal control are based on established organisational structures, policies and procedures, including budgeting and forecasting disciplines and are managed and controlled by suitably trained personnel who are organised with appropriate segregation of authorities and duties. While internal controls are intended to adequately safeguard the group's assets and prevent and detect material misstatement and loss, these systems can only be expected to provide reasonable, and not absolute, assurance as to the reliability of financial information.

### JOINTLY CONTROLLED ENTITY

The group owns 50% (2005: 45,66%) of the ordinary share capital of Assmang (refer Acquisition of Minorities in Assmang above). The results of Assmang are accounted for by Assore using the proportionate consolidation method and set out below are extracts from the audited financial statements of Assmang and its subsidiary companies for the year ended 30 June 2006.

The calculation of profit for consolidation purposes was based on the profit of Assmang for the year ended 30 June 2006 and dividends declared during that period.

### Abridged consolidated income statement of Assmang

	Year ended 30 June	
	2006	2005
	R 000	R 000
Turnover	4 357 697	4 406 474
Profit before taxation and State's share of profit	1 028 779	1 414 250
Taxation and State's share of profit	362 143	465 277
Profit for the year	666 636	948 973
Dividends declared	191 603	90 479
Profit for the year after dividends paid	475 033	858 494
Earnings per share (rands)		
– attributable	187,88	267,45
– headline	186,30	270,30
Dividends declared per share (rands)		
– final	34,00	7,50
– interim	20,00	18,00
	54,00	25,50

## Abridged consolidated balance sheet of Assmang

	At 30 June	
	2006 R 000	2005 R 000
<b>Assets</b>		
Non-current assets	3 094 428	2 778 702
Current assets	2 390 481	2 290 673
Total assets	5 484 909	5 069 375
<b>Equity and liabilities</b>		
Total equity	3 813 753	3 338 720
Non-current liabilities	968 971	841 241
Current liabilities		
– interest bearing	91 900	160 804
– non-interest bearing	610 285	728 610
Total equity and liabilities	5 484 909	5 069 375
Number of ordinary shares in issue (thousands)	3 548	3 548
Capital expenditure (Rm)	705	699
Capital commitments (Rm)	4 152	454

## DIVIDENDS

In accordance with the group's accounting policy for dividends, only dividends which are declared during the financial year are provided for in the financial statements and are summarised as follows:

	2006 R 000	2005 R 000
Final dividend No. 97 of 150 cents (2005: No. 95 of 45 cents) per share declared on 30 August 2005	42 000	12 600
Interim dividend No. 98 of 80 cents (2005: No. 96 of 50 cents) per share declared on 15 March 2006	22 400	14 000
	64 400	26 600

Subsequent to year-end an unchanged final dividend of 150 cents per share was declared payable to shareholders on 30 August 2006. The dividends which relate to the group's activities for the year under review can therefore be summarised as follows:

	2006 R 000	2005 R 000
Interim dividend No. 98 of 80 cents (2005: No. 96 of 50 cents) per share declared on 15 March 2006	22 400	14 000
Final dividend No. 99 of 150 cents (2005: No. 97 of 150 cents) per share declared on 30 August 2006	42 000	42 000
	64 400	56 000

## DIRECTORS' REPORT

CONTINUED

### DIRECTORATE AND SECRETARY

The names of the directors at the date of this report and the name of the company secretary, including its business and postal addresses, are set out on page 2 of this report.

Mr Cyril Ramaphosa was appointed to the board on 12 July 2006 with Mr Rowan Smith as his alternative.

In terms of the company's Articles of Association, Messrs B M Hawkworth and J C van der Horst are required to retire by rotation at the forthcoming Annual General Meeting and, Mr M C Ramaphosa is required to retire as this is the first Annual General Meeting following his initial appointment. All of the abovementioned directors, being eligible, offer themselves for re-election.

### DIRECTORS' EMOLUMENTS

Emoluments paid to directors for the year are summarised as follows:

	Directors' fees (refer note 1) R 000	Salary R 000	Bonuses (refer note 2) R 000	Contributions to pension scheme R 000	Other fringe benefits (refer note 3) R 000	Total R 000
<b>Directors' emoluments 2006</b>						
<b>Executive</b>						
D Sacco ( <i>Chairman</i> )	110	2 710	1 892	–	372	5 084
R J Carpenter ( <i>Deputy Chairman</i> )	96	2 576	3 268	585	175	6 700
C J Cory ( <i>Chief Executive Officer</i> )	96	2 352	3 172	535	217	6 372
P C Crous ( <i>Group Technical Director</i> )	96	1 960	3 004	459	205	5 724
<b>Non-executive</b>						
P N Boynton*	60					60
B M Hawkworth	120					120
J C van der Horst	100					100
<b>Alternate</b>						
J W Lewis	–	941	1 235	219	227	2 622
	678	10 539	12 571	1 798	1 196	26 782

\* Fees paid to employer

	Directors' fees (refer note 1) R 000	Salary R 000	Bonuses (refer note 2) R 000	Contributions to pension scheme R 000	Other fringe benefits (refer note 3) R 000	Total R 000
<b>Directors' emoluments</b>						
<b>(continued)</b>						
<b>2005</b>						
<b>Executive</b>						
D Sacco ( <i>Chairman</i> )	110	2 419	1 868	–	249	4 646
R J Carpenter ( <i>Deputy Chairman</i> )	96	2 300	2 240	522	815	5 973
C J Cory ( <i>Chief Executive Officer</i> )	96	2 100	2 191	478	225	5 090
P C Crous ( <i>Group Technical Director</i> )	96	1 750	2 103	411	194	4 554
<b>Non-executive</b>						
P N Boynton*	60					60
B M Hawksworth	120					120
J C van der Horst	100					100
<b>Alternate</b>						
J W Lewis	–	840	1 043	196	212	2 291
	678	9 409	9 445	1 607	1 695	22 834

\* Fees paid to employer

## Notes

- Directors' fees for executives include fees receivable from Assmang Limited.
- Due to the shareholding structure, the company is unable to offer directors remuneration by way of share incentive or option arrangements and bonuses are determined based on results for the year and progress in the achievement of long and medium term strategic objectives. Directors owning shares in the group do so in their own right and their interests are set out under Interests in shares of the company below.
- Other fringe benefits include medical aid contributions, car scheme allowances, life insurance contributions, leave paid out, study loan benefits and unemployment insurance fund contributions.

## DIRECTORS' REPORT

CONTINUED

### INTERESTS IN SHARES OF THE COMPANY

None of the directors or their immediate families hold any options to acquire shares in the company nor are they entitled to any gains by way of commissions, profit sharing arrangements or contracts entered into with group companies.

Interests of the directors in the ordinary shares of the company at 30 June 2006 were as follows, and the company is unaware of any material change in these interests between year-end and the date of this report.

	Beneficial Number of shares		Non-beneficial Number of shares	
	2006	2005	2006	2005
<b>Executive directors</b>				
Desmond Sacco	54 000	54 000	8 000	8 000
R J Carpenter	22 400	22 400	8 000	8 000
C J Cory	10 000	10 000	8 000	8 000
P C Crous	3 000	3 000	8 000	8 000
<b>Non-executive directors</b>				
P N Boynton	–	–	8 000	8 000
B M Hawksworth	–	–	–	–
Dr J C van der Horst	–	–	–	–
<b>Alternate director</b>				
J W Lewis	2 500	2 500	–	–
	<b>91 900</b>	<b>91 900</b>	<b>40 000</b>	<b>40 000</b>

### EVENTS SUBSEQUENT TO YEAR-END

On 30 August 2006 the board declared a final dividend of 150 cents per share which will be paid to shareholders on 26 September 2006.

### HOLDING COMPANY

The company's holding company is Oresteel Investments (Proprietary) Limited.

## ANALYSIS OF SHAREHOLDING

The following analysis of shareholders, in accordance with the JSE Listings Requirements, has been established, based on an examination of the company's share register at 30 June 2006. The directors are not aware of any material changes to this analysis between the year-end and the date of this report.

	2006	2005
	%	%
<b>Shareholder spread</b>		
Shares held by the public/non-public		
Non-public*		
– Holders in excess of 10 per cent of the share capital	80,78	75,06
– Directors of the company	0,28	0,28
	81,06	75,34
Public (334 shareholders (2005: 379))	18,94	24,66
	100,00	100,00
* As defined by Rule 4.25 of the JSE Listings Requirements		
<b>Major shareholders</b>		
Oresteel Investments (Proprietary) Limited	52,28	52,28
Old Mutual Life Assurance Company (South Africa) Limited	16,88	22,92
Standard Bank of South Africa Limited	–	9,32
Main Street 343 (Proprietary) Limited (a wholly owned subsidiary of Shanduka Resources (Proprietary) Limited)	11,76	–
	80,92	84,52
Others – less than 5%	19,08	15,48
	100,00	100,00

Johannesburg  
30 August 2006