

## 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% (2007: 50%) 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, through its wholly owned subsidiary, Ore & Metal Company Limited, 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 (refer to pages 44 to 46).

## FINANCIAL RESULTS

The financial position of the group and company and their results for the year ended 30 June 2008 are set out in the annual financial statements of the group (refer page 48) and company (refer page 48) included in this report (the financial statements). The results of the group for the year are summarised below:

	Year ended 30 June	
	2008 R'000	2007 R'000
Turnover	<b>9 158 937</b>	4 293 036
Profit for the year	<b>3 178 365</b>	803 355
Attributable to:		
Shareholders of the holding company	<b>3 069 522</b>	774 704
Minority shareholders	<b>108 843</b>	28 651
As above	<b>3 178 365</b>	803 355
Profit attributable to the shareholders of the holding company as above	<b>3 069 522</b>	774 704
Dividends relating to the group's activities for the year under review (refer note 24)	<b>307 408</b>	94 584
Interim dividend No. 102 of 250 cents (2007: 150 cents) per share – declared on 18 February 2008	<b>70 000</b>	42 000
Final dividend No. 103 of 1 000 cents (2007: 200 cents) per share – declared on 27 August 2008	<b>280 000</b>	56 000
Less: dividends attributable to treasury shares	<b>(42 592)</b>	(3 416)
Profit for the year after dividends	<b>2 762 114</b>	680 120
The attributable interest of the company in the aggregate net profit and losses after taxation of group companies was as follows:		
Jointly controlled entity – 50% share (2007: 50%)		
– Profit	<b>2 515 968</b>	534 748
Subsidiary companies		
– Profit	<b>347 918</b>	98 549
– Losses	<b>28 190</b>	15 862

## 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, Ernst & Young Inc, whose report appears on page , are responsible for expressing an opinion on the financial statements based on their audit.

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 Standards (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 all assets included on the balance sheet is reasonably stated.

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 in structures 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% (2007: 50%) of the ordinary share capital of Assmang. 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 2008.

The calculation of profit for consolidation purposes was based on the profit of Assmang for the year ended 30 June 2008 and dividends declared during that period.

### Abridged consolidated income statement of Assmang

	Year ended 30 June	
	2008 R'000	2007 R'000
Turnover	14 835 456	6 127 430
Profit before taxation and State's share of profit	8 227 883	1 971 824
Taxation and State's share of profit	2 691 992	639 660
Profit for the year	5 535 891	1 332 164
Dividends declared during the year	479 008	230 634
Profit for the year after dividends paid	5 056 883	1 101 530
Earnings per share (rands)		
– attributable	1 560,19	375,45
– headline	1 564,13	375,10
Dividends paid per share (rands)		
– final	35,00	30,00
– interim	100,00	35,00
	135,00	65,00

## Abridged consolidated balance sheet of Assmang

	At 30 June	
	2008 R'000	2007 R'000
<b>Assets</b>		
Non-current assets	7 196 333	4 905 627
Current assets	8 561 439	2 891 045
Total assets	<b>15 757 772</b>	7 796 672
<b>Equity and liabilities</b>		
Total equity	9 972 168	4 915 285
Non-current liabilities	1 782 717	1 144 982
Current liabilities		
– interest-bearing	511 829	605 695
– non-interest-bearing	3 491 058	1 130 710
Total equity and liabilities	<b>15 757 772</b>	7 796 672
Number of ordinary shares in issue (thousands)	3 548	3 548
Capital expenditure (Rm)	2 900	2 231
Capital commitments (Rm)	1 473	5 177

## SHARE PURCHASES AND WAREHOUSING AGREEMENT

Shareholders were advised by a circular dated 12 August 2008 that on 27 June 2008, The Standard Bank of South Africa Limited (Standard Bank) had acquired 2 931 653 Assore shares (amounting to 10,47% of shares in issue) on behalf of Assore from Old Mutual Life Assurance Company (South Africa) Limited (Old Mutual) at R760 per share for a total consideration of R2 228 056 280 (the warehoused shares). In contemplation of the purchase by Standard Bank of the warehoused shares from Old Mutual, Assore entered into a warehousing arrangement with Standard Bank, in terms of which Standard Bank agreed to warehouse the warehoused shares and subsequently sell such shares to Assore and Main Street 460 (Proprietary) Limited (a wholly owned subsidiary of Assore) (Assore SubCo) in certain proportions for the same aggregate price at which they had been acquired by Standard Bank from Old Mutual (the warehousing arrangement). Assore's rationale for entering into the warehousing arrangement emanated from the fact that the warehoused shares had become available for purchase, but as Assore was about to enter a closed period (as defined in terms of the Listings Requirements of the JSE Limited (the Listings Requirements) on 1 July 2008, Assore was not permitted to undertake a specific share repurchase until it had released its results for the year ended 30 June 2008, and such the closed period had expired. The warehousing arrangement accordingly afforded Assore sufficient opportunity to obtain the requisite approval of shareholders in terms of the Companies Act, 1973 (the Companies Act) and the Listings Requirements in order to purchase the warehoused shares from Standard Bank.

In order to provide security to Standard Bank for the warehousing arrangement, Assore ceded all rights, title and interests in and to a portfolio of cash on deposit and available-for-sale investments held by Assore to Standard Bank for the period of the warehousing arrangement. Shareholders are referred to the abovementioned circular for further details of the mechanics of the transaction and certain other related matters.

These, and various related transactions, as detailed in the circular, have been concluded in order to accumulate a parcel of Assore shares amounting to 10,98% (refer Black Economic Empowerment) of the total ordinary issued share capital for the purposes of finalising, in due course, a second black economic empowerment share transaction which will increase the current 15,02% equity ownership empowerment of Assore, achieved as a result of the first empowerment transaction with Shanduka and the Bokamoso Trust in February 2006, to the 26% required to be achieved by 2014 in terms of the Socio-economic Empowerment Charter for the South African Mining Industry.

The necessary shareholder approvals enabling Assore and Assore SubCo to purchase the warehoused shares from Standard Bank were obtained at the general meeting of Assore shareholders held on Thursday 4 September 2008 at Johannesburg, and the warehoused shares have accordingly been purchased from Standard Bank, on 15 September 2008 such that Assore acquired 280 000 Assore shares in terms of section 85 of the Companies Act (which shares were cancelled and restored to the status of authorised but unissued shares) and Assore SubCo acquired 2 651 653 Assore shares in terms of section 89 of the Companies Act (which shares are held as treasury shares).

The aggregate consideration of R2 228 056 280 payable to Standard Bank on the purchase of the warehoused shares was partially funded by the allotment and issue to Standard Bank of 220 variable rate cumulative redeemable preference shares with an aggregate subscription price of R2,2 billion (including share premium) (refer POST-BALANCE SHEET EVENTS below), with the balance being funded from Assore's existing cash resources.

Shareholders are referred to the abovementioned circular for further details of the mechanics of the transaction as regards such preference shares, and the security arrangements entered into in respect thereof. For accounting purposes the warehoused shares have been treated as treasury shares in accordance with the requirements of IAS 32 and 39.

#### POST-BALANCE SHEET EVENTS

The following significant corporate events occurred subsequent to the year-end but which, in the opinion of the board of directors, do not require any adjustments to the financial statements at 30 June 2008:

- 1 At the general meeting held on Thursday 4 September 2008, all the resolutions, both special and ordinary, required to approve the warehousing arrangement, the share repurchase and purchase by Assore and Assore SubCo respectively, and various ancillary matters (refer SHARE REPURCHASES AND WAREHOUSING AGREEMENT above) were passed by the requisite majority, and the relevant special resolutions have been registered by the Registrar of Companies in accordance with the Companies Act.
- 2 In accordance with the authority given to directors in terms of the aforementioned resolutions, Assore repurchased 148 347 Assore shares from Assore SubCo in terms of section 85 of the Companies Act, which Assore shares were held by Assore SubCo as treasury shares, at a price of R236,90 per Assore share (being the average price at which Assore SubCo acquired such Assore shares through open market transactions). The Assore shares so repurchased were cancelled and restored to the status of authorised but unissued shares.
- 3 In accordance with the authority given to directors in terms of the aforementioned resolutions, the warehoused shares were acquired from Standard Bank on 15 September 2008 at a price of R760 per share for an aggregate consideration of R2 228 056 280. The consideration was settled and financed by the issue to Standard Bank of 220 cumulative redeemable variable rate preference shares of R0,01 each at a premium of R9 999 999,99 per share and the balance from existing cash resources.
- 4 On 27 August 2008, the board declared a final dividend of 1 000 cents per share, which was paid to shareholders on 22 September 2008.

#### PURCHASE OF ASSORE SHARES DURING A CLOSED PERIOD

During the month of August 2007 (ie subsequent to the previous financial year-end) the company acquired 86 056 Assore shares in the market at a cost of some R27,4 million, being an average price of R318,48 per share. The shares were acquired as part of an initiative to accumulate Assore shares for the purposes of a future black economic empowerment transaction, and were acquired from willing sellers who had placed parcels of shares for sale in the market at their stipulated price. At no time had the company placed an order 'to buy' Assore shares in the market, and the shares concerned were acquired in terms of a general share repurchase scheme proposed and approved in terms of section 89 of the Companies Act at the annual general meeting held in the previous year on 24 November 2006. In error, and without any intent other than the above strategic objective as regards a second empowerment transaction, the Assore shares concerned were acquired during a closed period as defined in the Listings Requirements (ie between the financial year-end and the publication of annual financial results in the press). As soon as the board of directors became aware of the matter, it was reported, on an urgent basis, to the JSE through the company's sponsors on 30 August 2007. The JSE informed the company that in the circumstances they would not pursue the matter any further, but were obliged to report the matter to the Directorate of Market Abuse of the Financial Services Board (FSB).

Following a period of investigation, the FSB informed the company on 2 September 2008 that it was of the opinion that the share purchases concerned were a contravention of section 73 of the Securities Services Act and it would be proceeding with an enforcement action which could result in a penalty on the company in excess of R5,9 million. In order to bring the matter to a close, the board of directors has offered to settle the matter on payment of an administrative penalty of R2,5 million, which the FSB has in turn accepted, taking into consideration the special circumstances of the case and the good faith of the board of directors in handling the matter:

## DIRECTORS' REPORT (continued)

## DIVIDENDS

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

	<b>2008</b>	2007
	<b>R'000</b>	R'000
Final dividend No. 101 of 200 cents (2007: 150 cents) per share – declared on 29 August 2007	<b>56 000</b>	42 000
Interim dividend No. 102 of 250 cents (2007: 150 cents) per share – declared on 18 February 2008	<b>70 000</b>	42 000
Less: dividends attributable to treasury shares	<b>(4 392)</b>	(2 928)
	<b>121 608</b>	81 072

Subsequent to year-end, an increased final dividend of 1 000 cents per share was declared payable to shareholders on 22 September 2008. The dividends which relate to the group's activities for the year under review can therefore be summarised as follows:

	<b>2008</b>	2007
	<b>R'000</b>	R'000
Interim dividend No. 102 of 250 cents (2007: 150 cents) per share – declared on 18 February 2008	<b>70 000</b>	42 000
Final dividend No. 103 of 1 000 cents – declared on 27 August 2008	<b>280 000</b>	56 000
Less: dividends attributable to treasury shares	<b>(42 592)</b>	(3 416)
	<b>307 408</b>	94 584

## 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 44 of this report.

On 1 February 2008, Mr N G Sacco was appointed as alternate director to Mr C J Cory. In terms of the company's Articles of Association, Messrs Desmond Sacco and P C Crous are required to retire by rotation at the forthcoming annual general meeting. All of the abovementioned directors, being eligible, offer themselves for re-election.

## DIRECTORS' EMOLUMENTS

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

	<b>Directors' fees (refer note 1) R'000</b>	<b>Salary R'000</b>	<b>Bonuses (refer note 2) R'000</b>	<b>Contributions to pension scheme R'000</b>	<b>Other fringe benefits (refer note 3) R'000</b>	<b>Total R'000</b>
<b>Directors' emoluments</b>						
<b>2008</b>						
<b>Executive</b>						
Desmond Sacco (Executive Chairman)	110	3 398	283	–	419	4 210
R J Carpenter (Deputy Chairman)	96	3 232	11 843	734	243	16 148
C J Cory (Chief Executive Officer)	96	2 950	11 682	671	249	15 648
P C Crous (Technical and Operations)	96	2 592	11 478	600	211	14 977
<b>Non-executive</b>						
P N Boynton*	120					120
B M Hawksworth	150					150
M C Ramaphosa*	120					120
J C van der Horst	120					120
<b>Alternate</b>						
J W Lewis	–	1 180	5 673	272	218	7 343
N G Sacco (Appointed 1 February 2008)	–	439	28	24	13	504
P E Sacco (Appointed 1 July 2007)	15	360	114	72	127	688
R Smith	–	–	–	–	–	–
	<b>923</b>	<b>14 151</b>	<b>41 101</b>	<b>2 373</b>	<b>1 480</b>	<b>60 028</b>
<b>2007</b>						
<b>Executive</b>						
Desmond Sacco (Executive Chairman)	110	3 035	1 853	–	390	5 388
R J Carpenter (Deputy Chairman)	96	2 885	5 769	655	219	9 624
C J Cory (Chief Executive Officer)	96	2 634	5 702	600	228	9 260
P C Crous (Technical and Operations)	96	2 254	5 601	525	204	8 680
<b>Non-executive</b>						
P N Boynton*	60					60
B M Hawksworth	120					120
M C Ramaphosa*	100					100
J C van der Horst	100					100
<b>Alternate</b>						
J W Lewis	–	1 054	1 572	244	254	3 124
R Smith	–	–	–	–	–	–
	<b>778</b>	<b>11 862</b>	<b>20 497</b>	<b>2 024</b>	<b>1 295</b>	<b>36 456</b>

\* Fees paid to employer

**Notes:**

- Directors' fees paid to executive directors include directors' fees paid by jointly controlled entity Assmang.
- 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.
- Other fringe benefits comprise medical aid contributions, car scheme allowance, life insurance contributions, leave paid out and study loan benefits.

**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 2008 were as follows, and other than mentioned below, the company is unaware of any material change in these interests between year-end and the date of this report.

	Direct beneficial		Indirect beneficial		Non-beneficial	
	Number of shares		Number of shares		Number of shares	
	2008	2007	2008	2007	2008	2007
<b>Executive directors</b>						
Desmond Sacco	<b>65 000</b>	65 000	<b>6 486 098</b>	6 486 098	<b>8 000</b>	8 000
R J Carpenter	<b>22 400</b>	22 400	–	–	<b>8 000</b>	8 000
C J Cory	<b>10 000</b>	10 000	–	–	<b>8 000</b>	8 000
P C Crous	<b>3 000</b>	3 000	–	–	<b>8 000</b>	8 000
<b>Non-executive directors</b>						
P N Boynton	–	–	–	–	<b>8 000</b>	8 000
B M Hawksworth	–	–	–	–	–	–
M C Ramaphosa	–	–	<b>1 106 000</b>	1 106 000	–	–
Dr J C van der Horst	–	–	–	–	–	–
<b>Alternate directors</b>						
J W Lewis	<b>2 500</b>	2 500	–	–	–	–
N G Sacco (appointed 01/02/08)	<b>34 050</b>	34 050	–	–	–	–
P E Sacco (appointed 01/07/07)	<b>35 050</b>	35 050	–	–	–	–
R Smith	–	–	–	–	–	–
	<b>172 000</b>	172 000	<b>7 592 098</b>	7 592 098	<b>40 000</b>	40 000

On the 2008 and 2007, Mr Desmond Sacco acquired an additional 50 000 and 10 000 shares in Assore respectively in which he holds a direct beneficial interest.

**HOLDING COMPANY**

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

## ANALYSIS OF SHAREHOLDING

The following analysis of shareholders has been established in accordance with the JSE Listings Requirements, based on an examination of the company's share register at 30 June 2008 other than mentioned below. The directors are not aware of any material changes to this analysis between the year-end and the date of this report.

	2008 %	2007 %
<b>Shareholder spread</b>		
Shares held by the public/non-public		
Non-public*		
– Holders in excess of 10% of the share capital	74,51	80,64
– Directors of the company	0,61	0,37
	75,12	81,01
Public (637 shareholders 2007: 374)	24,88	18,99
	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
Main Street 343 (Proprietary) Limited (a wholly owned subsidiary of Shanduka Resources (Proprietary) Limited)	11,76	11,76
The Standard Bank of South Africa Limited	10,47	–
Old Mutual Life Assurance Company (South Africa) Limited	4,57*	16,60
	79,08	80,64
Others – less than 5%	20,92	19,36
	100,00	100,00

\* Between the year-end and the date of this report the holding of Old Mutual Life Assurance Company (South Africa) Limited reduced from 4,57% to 4,00%.

Johannesburg  
27 August 2008