As a result of the higher US dollar prices for manganese alloys for the year combined with increased sales of manganese ore, the contribution to the profit of Assore from this division increased to R4 087 million (2007: R287,9 million)

MINING AND BENEFICIATION

MANGANESE ORE AND ALLOYS

Manganese ore is mined by Assmang in the Black Rock area of the Northern Cape province and manganese alloys are produced at the Cato Ridge Works in KwaZulu-Natal (the Works). Cato Ridge Alloys, a joint venture between Assmang, Mizushima Ferroalloys Company Limited and Sumitomo Corporation Limited, (both of Japan), produces refined ferromanganese by causing oxygen to be blown into a converter fed with molten metal supplied by the Works. Feed for the Works is derived from Assmang's manganese mines and the bulk of both ore and alloy production is exported. Sales tonnages of manganese ore and alloy for the year were as follows:

	Metric tons 2008 '000	Metric tons 2007 '000
Manganese ore*	**3 711**	2 327
Manganese alloys*	**247**	251

* Excludes intragroup sales

Manganese ores and alloys are used in the production of crude steel and world crude steel production continued to grow in the year under review increasing for the 2007 calendar year by 8,1% to a record of 1 343 million tons (2006 calendar: 1 240,0 million tons) of which China produced 489,0 million tons (2006 calendar: 419,0 million tons) representing an increase over the previous year of 16,7% (2007: 17,7%). Chinese growth remains the main driver in the demand for crude steel but it is unlikely that the current growth of steel output in China will not continue at its present rate. With strong demand from increasing steel production and a shortage of both high and medium grade manganese ore, due to the consolidation of suppliers as well as a reduction in sales to the seaborne market by some integrated producers, prices of both manganese ores and alloys rose to unprecedented levels during the year under review. Prices for manganese alloys were propelled even further by other factors such as increased export taxes in China and electric power cost escalations.

The performance of the Manganese Division was negatively affected by the disruption to the production caused by the unfortunate explosions at Cato Ridge in December 2007 and February this year regrettably resulting in seven fatalities. The latter explosion destroyed Furnace 6, severely damaging the control room of Furnace 5 and caused the entire plant to be shut down for a period of time. Furnace 6 has been rebuilt and recommissioned during October this year. Where possible contractual sales commitments have been met by selling from stock.

Sales of high carbon ferromanganese were marginally up at 174 000 tons for the year (2007: 170 000 tons), but stocks were significantly reduced as a result of the lower production. Alloy sales from the

RUSTENBURG MINERALS

metal recovery plant increased to 29 071 tons (2007: 24 000 tons) for the year in line with production improvements. Refined ferromanganese sales were, however, severely affected by the explosion at Furnace 6 and reduced sales tonnage to 44 705 tons from the previous year's 56 000 tons. With Furnace 6 back into production at Cato Ridge Alloys the hot metal supply to the refining converter of Cato Ridge Alloys will return to normal from November 2008 onwards.

As a result of the higher US dollar prices for manganese alloys for the year combined with increased sales of manganese ore, the contribution to the profit of Assore from this division increased to R4 087 million (2007: R287,9 million). Capex for the year for the Manganese Division was R510,8 million (2007: R297,7 million) of which R292,7 million (2007: R34,7 million) was spent on furnace rebuilds and R218,1 (2007: R38,9 million) on various smaller projects at the mine.

CHROME AND CHROME ALLOYS

Chrome ore is mined at Assmang's Dwarsrivier Mine near Lydenburg in Mpumalanga province and production is used mainly to supply Assmang's Ferrochrome Works at Machadodorp. The group also mines chrome ore near Rustenburg (Rustenburg Minerals Development Company (Proprietary) Limited) (RMDC) in open-cast operations and production is supplied mainly to the local market (refer black empowerment in Assore).

The bulk of chrome ore mined worldwide is converted to ferrochrome and utilised in the production of stainless steel. Global stainless steel production has remained almost flat during the period under review with production in the first half of calendar 2008 at 15,2 millions tons (2007: 15,5 million tons) and total production for calendar 2008, unlikely to exceed 28,2 million tons (2007 calendar year: 28,5 million tons).

Despite stainless steel's disappointing performance, demand for ferrochrome remained very strong throughout the period due to requirements from China and a reduction in austenitic stainless steel production due to high nickel prices. This reduction in turn caused an increase in ferritic production with a resulting rise in demand for virgin raw materials. This change in market demand combined with low stocks levels and the uncertainties created by the electrical power supply outages at the beginning of the year, assisted ferrochrome producers in achieving significant price increases in three out of the four quarters.

Assmang's charge chrome sales increased by 18,4% to 274 829 tons for the financial year (2007: 232 000 tons), while chrome ore sales increased by 6,9% to 183 498 tons (2007: 172 000 tons). As a result of the higher prices and increased volumes, the division made a substantially higher profit for the year and the contribution to the profit of Assore was R341,5 million (2007: R38,4 million).

The Khumani Mine is on schedule and within budget to produce 10 million tons per annum with effect from the first quarter of 2009 and production for the year to June 2009 should increase to 7,2 million tons.

Approximately 341 634 tons (2007: 286 032 tons) of run of mine, lumpy and concentrate were produced by RMDC during the year which, as a result of higher prices, resulted in a net profit after tax of R53,7 million (2007: R10,2 million) of which R23,6 million (2007: R4,5 million) was due to minorities being BEE partners, Mampa Investment Holdings (Proprietary) Limited.

Mining operations at RMDC are still open-cast, however, open-cast resources will be largely depleted during the forthcoming year and two underground shafts are being developed on the existing deposits at an estimated cost of R150 million (2007: R100 million). Development of these shafts commenced in the current period and as a result capital expenditure during the year increased to R49,4 million (2007: R7,6 million). Capital expenditure on the new shafts will be funded from the cash resources of RMDC and, if required, loan facilities made available by Assore.

IRON ORE

Iron ore is mined by Assmang in open-cast operations at Beeshoek which is located outside Postmasburg in the Northern Cape and from the new Khumani Iron Ore Mine near Kathu (Khumani) which commenced production in May 2008. During the year and until the plant and loading facilities at Khumani became operational, detrital iron ore from the Khumani was transported by road to Beeshoek for processing in order to meet contractual commitments to customers.

Sales of iron ore for the year were in line with both plan and contractual commitments and totalled 6,6 million tons (2007: 6,9 million tons). The Khumani Mine is on schedule and within budget to ramp up production for export from 8,4 million tons per annum to 10,0 million tons per annum with effect from the first quarter of 2010 and production for the year to June 2009 should increase to 7,2 million tons.

Following a successful prefeasibility study, agreement has been reached to proceed with a feasibility study on a 6 million ton expansion at Khumani which would increase production capacity from 10 million tons per annum to 16 million tons per annum at an estimated cost of R7,3 billion. Start up expenditure on the study of R1,2 billion, including the purchase of long lead time capital item has been approved and the study should be completed by the second quarter of calendar 2009. In line with commitments received from Transnet on the additional rail and port capacity required, 4 million of the 6 million tons will be sold in the export market and the balance of 2 million tons will be placed into the local market.

World demand for seaborne iron ore continued to grow rapidly during the year-end and for calendar 2007 was 782,0 million tons (2006: 722,0 million tons) with demand expected to increase to at least 866 million tons in 2008 as the growth in world crude steel production continues.



WONDERSTONE

Based on strong world demand for iron ore especially in China, prices improved by a further 65% in the last quarter of the year under review. Based on the higher prices the contribution of the Iron Ore Division to Assore profit was significantly higher at R780 million (2007: R339,7 million).

Capital expenditure for the year in the Iron Ore Division was R2 231,0 million (2007: R1 734,5 million) of which R2 131,0 (2007: R1 641,0 million) was spent on development of Khumani and production commenced in May 2008 at a capital cost to date of R3 770,5 million. Capacity is currently being increased from 8,4 million tons to 10,0 million tons which is on schedule to be achieved by the first quarter of 2010 and at a total cost, including expenditure to date, of R4,2 billion.

WONDERSTONE

Since 1937, the group has mined a type of pyrophyllite which, for trade purposes, is referred to as Wonderstone. The deposit, which is located outside Ottosdal, approximately 300 kilometres west of Johannesburg, is of volcanic origin and displays unique corrosion, heat and abrasive resistant properties. The bulk of the material mined is reworked into finished components and exported to the United States of America, the United Kingdom and the Far East. The components are utilised in various hi-tech industrial applications including the manufacture of synthetic diamonds and consumable products for the welding and electronics industries.

During the year, sales of 545,3 tons (2007: 726,9 tons) of natural pyrophyllite were concluded at US dollar prices slightly higher than the previous year. In response to market demand, the company also supplies certain customers with a range of high precision components for use directly in their manufacturing processes. Last year 1 383 400 (2007: 1 299 431) components were produced and sold on this basis.

Wear resistant tiles are produced by the company's Technical Ceramics Division, Ceramox, which it acquired in 2002. Turnover, has increased by 23,6% in the past year and should increase significantly following the capital expansion project scheduled for completion by January 2009. Wonderstone is also produced in powder form to customer specific, particle size distribution requirements. This specified powder can be supplied in natural, calcined or spray dried form. Customers for these products benefit from the higher degree of technical support with regard to the material's performance characteristics and technical applications. Both the mine and its manufacturing operations have been awarded ISO 9001: 2000 and SO 14001 accreditation.

Turnover for the year increased to R39,9 million (2007: R35,7 million) due to increased sales prices, sales volumes and favourable exchange rates resulting in a profit for the year of R4,9 million (2007: loss R2,8 million).

ORE AND METAL

Capital expenditure for the year amounted to R15,5 million (2007: R3,3 million), most of which was spent on the expansion of the manufacturing operations.

SYNTHETIC DIAMONDS

The group's synthetic diamond production facility operates from premises in Linbro Park on the outskirts of Johannesburg under the name of Xertech. Sales were concluded mainly for export during the year in terms of a sales agency agreement finalised in the previous year with an established supplier in Europe. Process development work during the year has resulted in a significant improvement in the quality of finished product which is gaining market acceptance. Due to delays in commissioning the two additional 14 000 ton presses sales are still not covering fixed costs and a loss of R27,0 million (2007: R15,1 million loss) was incurred for the year.

The quality of production which has been achieved on a sustainable basis is competitive in the higher end of the market and it is planned to increase sales significantly during the forthcoming year with the facility now operating on a 24/7 shift basis.

Capital expenditure for the year was R14,1 million (2007: R42,0 million) and it is anticipated that the increased capacity will impact significantly on sales and reduce average cost of production in the forthcoming year.

MARKETING AND SHIPPING

Wholly owned subsidiary, Ore and Metal Company Limited, is responsible for the marketing and shipping of all the group's products, including those produced by the three divisions of Assmang. Strong relationships have been established with customers in Europe, North America, South America, India and the Far East and products with a market value of approximately R14,6 billion (2007: R6,3 billion) were marketed and distributed in these regions during the year. The company is an established supplier to the steel and allied industries worldwide and has operated effectively in these markets for over 70 years. Commission income is based on the value of sales negotiated during the year, and based on the higher sales volumes and prices achieved for most products, profit after taxation increased to R145,5 million (2007: R50,5 million) for the year under review.

MINERAIS U.S. LLC

The group holds a 51% share in Minerais U.S. LLC (Minerais) which is a limited liability company registered in the state of New Jersey in the United States of America (USA). Minerais is responsible for marketing and sales administration of the group's products in the USA, in particular manganese and chrome alloys, and trades in various commodities related to the steel making industry. The company made a contribution to group net profit for the year of R50,1 million (2007: R15,7 million) due mainly to the strong markets in manganese and chrome alloys.

AFRICAN MINING

TECHNICAL ADMINISTRATION

As technical adviser to Assmang and other group companies African Mining and Trust Company Limited provides operational management services to the group's mines and plants including joint management responsibilities for Assmang. For these services it receives fee income based on turnover and commodity prices net profit after taxation increased to R113,6 million (2007: R30,5 million).

INVESTMENTS

The group maintains a portfolio of listed shares which are selected and held in accordance with long-term investment criteria. No additions were made to the portfolio during the year and disposals generated a profit after capital gains tax of R19,2 million (2007: R36,8 million). The portfolio is valued in the financial statements at market value and the difference between cost and market value is transferred to other reserves net of any capital gains tax which would arise on eventual disposal. At year-end the market value of the remaining portfolio was R408,6 million (2007: R236,0 million) based on a cost of R181,4 million (2007: R37,0 million). Dividends received on the portfolio for the year were R9,0 million (2007: R5,0 million).

Other income also includes interest received of R67,7 million (2007: R20,7 million) generated from cash in excess of current requirements which is invested on a short-term basis in the money market.