



**Assore Limited**  
(Incorporated in the Republic of South Africa)  
(Registration number 1950/037394/06)  
Share code: ASR ISIN: ZAE000017117  
("Assore")

# The proposed introduction of additional black empowerment ownership in Assore to increase the aggregate empowerment ownership to 26%

## HIGHLIGHTS

- Major second black economic empowerment ("BEE") transaction of approximately R2.1 billion increases empowerment ownership in Assore from approximately 15.26% to 26.07%
- Broad-based BEE ownership significantly enhanced through Bokamoso Trust
- Communities in and around Assore's areas of operation to realise immediate benefits
- Substantial facilitation by Assore through a vendor financed structure with no external funding

## 1. INTRODUCTION

On 10 November 2005, Assore announced that it had entered into a transaction pursuant to which Shanduka Resources (Proprietary) Limited and Bokamoso Trust ("Assore's BEE partners") acquired 15.02% of Assore's then issued ordinary share capital ("First Empowerment Transaction"). Due to changes in the total Assore ordinary shares ("Assore shares") in issue, the First Empowerment Transaction translates to a current holding of 15.26% in Assore's current ordinary shares in issue of 27 571 653 Assore shares ("Assore current shares").

Since last year and in accordance with the equity ownership targets specified for mining companies under the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry ("the Charter"), Assore has explored various opportunities for concluding a second empowerment transaction with the view to increasing the current level of equity ownership by Assore's BEE partners to 26.07%.

On 25 June 2008, Assore announced that it had entered into a transaction pursuant to which Assore acquired 10.47% of Assore's then issued ordinary share capital from Old Mutual Life Assurance Company (South Africa) Limited through a warehousing arrangement. These Assore shares were acquired by Assore for the purposes of concluding a second BEE transaction to increase the equity ownership by Historically Disadvantaged South Africans (as such term is defined in the Charter) ("HDSAs") in Assore from 15.26% to 26.07%.

Assore is pleased to announce that it has entered into a suite of transaction and security agreements ("Transaction Documents") to conclude a further empowerment transaction, subject to the fulfilment of the suspensive conditions as set out in paragraph 8 below. This transaction comprises the acquisition of additional Assore shares, comprising 11.01% of Assore's issued ordinary share capital, by Bokamoso Trust through Main Street 350 (Proprietary) Limited ("MS350"), which is wholly-owned by Bokamoso Trust ("Second Empowerment Transaction"). Post the implementation of the Second Empowerment Transaction, Assore's issued ordinary share capital will comprise a total of 27 921 400 Assore shares ("Assore post implementation shares"). The Second Empowerment Transaction will increase the aggregate equity ownership by Assore's BEE partners to 26.07%, with Bokamoso Trust controlling 14.28% of the Assore post implementation shares.

As a result of the Second Empowerment Transaction, economic benefits will flow to Bokamoso Trust starting at an initial cash amount of R2 million per annum which will grow in line with the growth in Assore's ordinary dividends, subject to the conditions set out in paragraph 7 below. This will result in a realisable benefit from 2010 for the beneficiaries of Bokamoso Trust, being the communities in and around Assore's areas of operation.

Assore will facilitate the Second Empowerment Transaction through a vendor financed structure, comprising competitively priced preference share funding and a portion of interest-free funding. No third party financing is required for the Second Empowerment Transaction. Further details of the above-mentioned funding are provided in paragraph 6 below.

Based on the 30-day volume weighted average share price of Assore on the JSE Limited ("JSE") ("VWAP") as at Friday, 27 November 2009 of R668.32 per share, the total value of the underlying Assore shares included in the Second Empowerment Transaction is approximately R2 054.01 million.

## 2. RATIONALE

Assore is supportive of the broad-based economic imperatives contained in the Mineral and Petroleum Resources Development Act, No. 28 of 2002 as amended, and the Charter. Assore is of the opinion that meaningful participation at an equity ownership level by HDSAs is a commercial and social imperative for all South African companies, particularly those in the mining industry, and is furthermore essential to sustain South Africa's economic and democratic structures.

Being cognisant of the equity ownership targets specified for the mining industry under the Charter, which requires 26% HDSA equity ownership to be achieved by all mining companies, the First Empowerment Transaction was implemented as the first step of Assore's BEE equity ownership strategy resulting in a current equity ownership by HDSAs of 15.26% in Assore.

The second step of Assore's equity ownership strategy entails the implementation of the Second Empowerment Transaction which will enable Assore to increase its level of equity ownership by HDSAs from the existing 15.26% of Assore current shares to the requisite 26% and thus result in Assore meeting the HDSA equity ownership targets specified under the Charter. The Second Empowerment Transaction provides a platform for meaningful empowerment as it provides Assore with a broad-based, sustainable structure which, through Bokamoso Trust, will directly benefit the communities in and around Assore's areas of operation.

In addition to Assore's BEE ownership strategy, it has embarked on, *inter alia*, the following initiatives with its partners at its various mining operations in order to address the other aspects of its BEE strategy:

- completion of an audit of current compliance with the requirements of the Charter;
- implementing preferential procurement policies at all its operations in order to meet the Charter requirements;
- development of social and labour plans for each of its operations, as well as local economic development projects which support the integrated development plans of the relevant local authority. These developments include the construction of educational facilities, maintenance and upgrading of roads and presentation of programmes on adult education, health and safety and environmental awareness;
- succeeding in obtaining new order mining rights for the Rustenburg Minerals Development Company (Proprietary) Limited chrome operations on the farms Zandspruit and Groenfontein;
- obtained new order mining rights on the iron ore deposits mined at Khumani; and
- submission of applications for the conversion of all remaining old order rights to new order rights.

Assore is of the view that the Second Empowerment Transaction will result in Assore meeting the HDSA equity ownership targets as specified under the Charter, and thus serve as a cornerstone of its ongoing BEE strategy.

## 3. DETAILS OF BOKAMOSO TRUST

Bokamoso Trust is a broad-based trust, established in 2005 for the purposes of participating in the First Empowerment Transaction as one of Assore's broad-based BEE partners. Bokamoso Trust was founded for the benefit of the communities in and around Assore's areas of operation and it holds its effective equity interest in Assore through MS350.

Since the conclusion of the First Empowerment Transaction, MS350 has used the dividends received from Assore to service the funding obligations incurred by it in terms of the First Empowerment Transaction. Accordingly, Bokamoso Trust has not been in a position to make any distributions to its beneficiaries and part of the objectives of the Second Empowerment Transaction is to allow immediate benefits to flow to such beneficiaries.

The existing trustees of Bokamoso Trust are Desmond Sacco and Christopher Cory who were appointed to oversee Bokamoso Trust during the initial funding period whilst MS350 has been servicing its funding obligations. As a result of the Second Empowerment Transaction, economic benefits will flow directly to Bokamoso Trust and Assore has undertaken to procure that within 12 months from the implementation of the Second Empowerment Transaction, independent trustees are appointed to Bokamoso Trust such that Bokamoso Trust shall be controlled by a majority of HDSAs independent of Assore.

## 4. MECHANICS OF THE SECOND EMPOWERMENT TRANSACTION

The Second Empowerment Transaction comprises a series of indivisible and inter-conditional transactions which will be implemented in the phases as outlined below.

### 4.1 Phase 1 of the Second Empowerment Transaction

In order to participate in the First Empowerment Transaction, MS350 required funding to acquire its direct equity interest in Assore. Such funding was provided to MS350 as follows:

- The Standard Bank of South Africa Limited ("Standard Bank") provided preference share funding to MS350 in an amount of R53 600 000, by subscribing for "A" class preference shares ("A Preference Shares"). At present, 381 A Preference Shares remain in issue and are still held by Standard Bank; and
- Assore provided preference share funding to MS350 in an amount of R25 000 000, by subscribing for "B" class preference shares ("B Preference Shares"). At present, all 25 B Preference Shares remain in issue and are still held by Assore.

Pursuant to the issue by MS350 of the A Preference Shares to Standard Bank and the B Preference Shares to Assore, various restrictions and limitations were incorporated into MS350's memorandum and articles of association in favour of such preference shareholders, which effectively prohibit MS350 from entering into any subsequent transaction, including the Second Empowerment Transaction.

In order to relax the aforementioned limitations and restrictions, so as to enable MS350 to participate in the Second Empowerment Transaction, MS350 wishes to procure a refinancing of the existing preference share funding to Standard Bank and Assore respectively ("Phase 1"). In terms of Phase 1 of the Second Empowerment Transaction, MS350 shall create certain C class preference shares ("C Preference Shares") and D class preference shares ("D Preference Shares") in its authorised but unissued share capital, the particulars of which are detailed in paragraph 6.1 below. Assore shall subscribe for a certain number of the C Preference Shares ("First Tranche C Preference Shares") at an aggregate cash subscription price of R65 000 000. MS350 will thereupon utilise such aggregate subscription price received by it from Assore to redeem the existing A Preference Shares and the B Preference Shares in the issued share capital of MS350.

Following the implementation of Phase 1 of the Second Empowerment Transaction, MS350 will have no external bank funding outstanding, as Assore will be the sole holder of all preference shares in the issued share capital of MS350.

### 4.2 Phase 2 of the Second Empowerment Transaction

In terms of Phase 2 of the Second Empowerment Transaction, Bokamoso Trust shall increase its equity interest in Assore, through MS350, from the current level of 913 710 Assore shares, being 3.31% of Assore current shares, to 3 987 110 Assore shares, being 14.28% of the Assore post implementation shares, which shall be effected by way of:

- MS350 acquiring from Assore, the entire issued ordinary share capital of Main Street 460 (Proprietary) Limited ("MS460"), a wholly-owned subsidiary of Assore, thereby acquiring effective control of the 9.75% of the Assore post implementation shares currently held by MS460 as treasury shares; and
- MS460 subscribing for an additional number of Assore shares, which shall comprise 1.25% of the Assore post implementation shares ("Phase 2").

### 4.2.1 Acquisition by MS350 of Assore treasury shares

MS460 currently holds 2 723 653 Assore shares (9.75% of the Assore post implementation shares) as treasury shares in accordance with the provisions of section 89 of the Companies Act, No. 61 of 1973, as amended or replaced from time to time ("Companies Act"). MS460 acquired such treasury shares in September 2008 utilising funding in the form of a shareholder's loan provided by Assore to MS460, of which an approximate amount of R1 960.61 million is currently outstanding.

MS350 shall purchase from Assore all of the ordinary shares in the issued share capital of MS460 ("MS460 Ords") and all claims of whatsoever nature against MS460 ("MS460 Claims") held by Assore. The purchase consideration payable by MS350 to Assore in respect of such sale shall comprise an aggregate amount of R1 820.27 million (calculated with reference to the VWAP of R668.32 as at Friday, 27 November 2009), which shall be discharged by MS350 as follows:

- MS350 shall issue to Assore ordinary shares in the authorised but unissued share capital of MS350 which will constitute 49% of the entire issued ordinary share capital of MS350, at an aggregate issue price of R524.61 million;
- MS350 shall issue to Assore a further tranche of C Preference Shares at an aggregate issue price of R701.50 million ("Second Tranche C Preference Shares"); and
- MS350 shall credit an interest-free loan in an aggregate amount of R594.16 million outstanding in favour of Assore in the books of account of MS350 ("Consideration Loan").

### 4.2.2 Subscription for additional Assore shares

In order to attain a level of 26% equity ownership in Assore by HDSAs, Bokamoso Trust shall, through MS460 (at such time constituting a wholly-owned subsidiary of MS350), subscribe for 349 747 authorised but unissued Assore shares, comprising 1.25% of the Assore post implementation shares ("Assore Subscription Ords"), at an aggregate cash subscription price of R233.74 million. Such aggregate subscription price for the Assore Subscription Ords is based on a price of R668.32 per Assore share, being the VWAP per Assore share as at Friday, 27 November 2009.

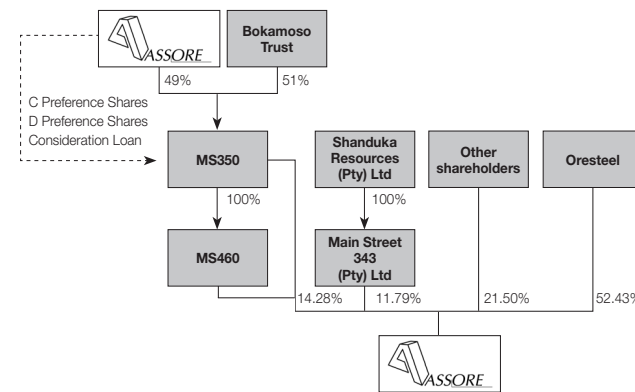
As MS460 requires funding in order to subscribe for the Assore Subscription Ords, Assore has agreed to provide such funding to MS350, such that it may in turn make same available to MS460. Accordingly, Assore will subscribe for the D Preference Shares in the authorised but unissued share capital of MS350 at an aggregate cash subscription price of R233.80 million. MS350 shall then lend and advance such funding to MS460 by way of a shareholder's loan.

Following the implementation of the aforementioned acquisition by MS350 of all of the MS460 Ords and all of the MS460 Claims held in and against MS460 by Assore, and the subsequent subscription by MS460 for the Assore Subscription Ords, Bokamoso Trust shall hold, through MS350 and MS460, an effective aggregate shareholding of 3 987 110 Assore shares, comprising 14.28% of the Assore post implementation shares.

Further details of the mechanics of the Second Empowerment Transaction will be set out in the circular to Assore shareholders referred to in paragraph 14 below.

## 5. RESULTANT STRUCTURE

Subsequent to the implementation of Phase 2 of the Second Empowerment Transaction, the resultant shareholding structure of Assore shall be as follows:



Post the transaction, Oresteel Investments (Proprietary) Limited ("Oresteel") will continue to hold its controlling stake of 14 638 000 Assore shares, being 52.43% of the Assore post implementation shares.

## 6. SECOND EMPOWERMENT TRANSACTION FUNDING

The Second Empowerment Transaction requires no external funding from any third party. The details of the funding below relate to the vendor financing provided by Assore to Bokamoso Trust through MS350 and MS460.

### 6.1 The C Preference Shares and the D Preference Shares

The Second Empowerment Transaction requires the creation of two separate classes of preference shares in the authorised share capital of MS350, namely:

- the C Preference Shares, the First Tranche of which shall be subscribed for by Assore in terms of Phase 1, and the Second Tranche of which shall be issued by MS350 to Assore in terms of Phase 2 as partial discharge of its payment obligations in respect of the acquisition of MS460 from Assore; and
- the D Preference Shares, which shall be subscribed for by Assore in terms of Phase 2.

### 6.2 The Consideration Loan

Additionally, MS350 shall, in accordance with the relevant Transaction Documents, credit the Consideration Loan in favour of Assore in MS350's books of account, as partial discharge by MS350 of its payment obligations to Assore in respect of its acquisition of MS460 from Assore.

### 6.3 Security

In order to provide security in favour of Assore for the obligations of MS350 in respect of the C Preference Shares, the D Preference Shares and the Consideration Loan, MS350 and MS460 have entered into security arrangements which record certain cession and pledges by MS350 and MS460, as well as a guarantee in favour of Assore by MS460.

Further details of the C Preference Shares, the D Preference Shares and the Consideration Loan, including their key terms and the security granted by MS350 and MS460 in respect thereof, will be set out in the circular to Assore shareholders referred to in paragraph 14 below.

## 7. PERMISSIBLE ANNUAL BEE FLOW-THROUGH PAYMENT TO BOKAMOSO TRUST

Assore has agreed that MS350 shall be entitled, in each of its financial years during the period until which the C Preference Shares and the D Preference Shares have been redeemed in full by MS350 and the Consideration Loan has been repaid in full by MS350, to effect a cash payment to Bokamoso Trust (prior to the payment of any preference dividends in respect of the C Preference Shares and the D Preference Shares), for an aggregate amount equal to the greater of R2 million or 2.5% of MS350's aggregate distributable reserves in such financial year ("BEE Flow-Through Payment").

In the event that MS350's aggregate distributable reserves in a particular financial year are less than R2 million, MS350 shall be entitled to effect payment to Bokamoso Trust of all such distributable reserves, but MS350 shall not be permitted to effect any further payment to Bokamoso Trust in such financial year.

The BEE Flow-Through Payment is expected to provide Bokamoso Trust with a realisable benefit which can flow through to the beneficiaries of Bokamoso Trust from 2010.

## 8. SUSPENSIVE CONDITIONS

The Second Empowerment Transaction will be implemented upon the fulfilment of various suspensive conditions, as recorded in the relevant Transaction Documents, including, *inter alia*, the following:

- the execution by each party of the relevant Transaction Documents to which it is a signatory;
- the approval by the JSE of all documentation to be sent to Assore shareholders;
- all other relevant regulatory approvals being obtained by all parties, to the extent required;
- all of the special and ordinary resolutions to be proposed to Assore shareholders, to be detailed in the circular to be sent to Assore shareholders, being approved by the requisite majority of Assore shareholders at the general meeting which is to be held at 10:00 at Assore House, 15 Fricker Road, Illovo Boulevard, Johannesburg, on Tuesday, 19 January 2010;
- the authorised but unissued share capital of MS350 having been increased, by the creation of the C Preference Shares and the D Preference Shares respectively; and
- the registration of the aforementioned special resolutions by the Registrar of Companies in accordance with the provisions of section 200 of the Companies Act.

## 9. RELATED PARTY TRANSACTION AND FAIRNESS OPINION

Pursuant to the provisions of the Listings Requirements of the JSE ("Listings Requirements"), each of Bokamoso Trust and MS350 are deemed to be "related parties" to Assore (as such term is defined in the Listings Requirements) due to the fact that Messrs Desmond Sacco and Christopher Cory (being the Chairman and Chief Executive Officer of Assore respectively) are each trustees of Bokamoso Trust and directors of MS350. As a result, the Second Empowerment Transaction constitutes a "related party transaction" in terms of the Listings Requirements.

Although Messrs Desmond Sacco and Christopher Cory are trustees of Bokamoso Trust and directors of MS350, neither of them, nor any of their immediate families has any economic interest in Bokamoso Trust.

Accordingly PricewaterhouseCoopers Corporate Finance (Proprietary) Limited ("PwC") has been appointed to act as an independent professional expert for the purposes of providing a fairness opinion to the Assore board of directors as to whether the terms and conditions of the Second Empowerment Transaction are fair to Assore shareholders. In this regard, PwC has confirmed that, in its opinion, the transaction is fair to Assore shareholders.

PwC's detailed opinion will be included in the circular to be sent to Assore shareholders as set out in paragraph 14 below.

## 10. ASSORE SHAREHOLDER AND ORESTEEL VOTING RESTRICTIONS

As related parties, pursuant to the Listings Requirements, neither MS350 nor Bokamoso Trust is entitled to vote on the special and ordinary resolutions to be put before Assore shareholders for the purposes of obtaining their approval for the implementation of the Second Empowerment Transaction.

MS460 shall, pursuant to the provisions of section 39 of the Companies Act, not be entitled to exercise any votes in respect of the Assore shares presently held by it as treasury shares.

In addition, as a result of the involvement of Messrs Desmond Sacco and Christopher Cory as trustees of Bokamoso Trust and directors of MS350, the immediate Sacco family and all directors appointed by them to the board of directors of Oresteel will recuse themselves from voting on all decisions to be made by the board of directors of Oresteel in relation to the Second Empowerment Transaction.

The board of directors of Assore are of the opinion that the Second Empowerment Transaction is in the best interests of Assore shareholders and recommend that Assore shareholders vote in favour of the resolutions to be proposed at the general meeting of Assore shareholders to be held to approve the Second Empowerment Transaction.

It is further noted that, as required by the JSE, neither MS350 nor MS460 shall subsequent to the implementation of the Second Empowerment Transaction be entitled to exercise any voting rights in respect of the Assore shares held by them until such time as Assore has procured the appointment of a majority of independent trustees to Bokamoso Trust. Assore intends to appoint independent trustees to Bokamoso Trust within 12 months of the implementation of the Second Empowerment Transaction.

## 11. PRO FORMA FINANCIAL EFFECTS

The *pro forma* financial effects set out below have been prepared to assist Assore shareholders to assess the impact of the Second Empowerment Transaction on the earnings per share ("EPS"), headline EPS ("HEPS"), net asset value ("NAV") and tangible NAV ("TNAV") per Assore share.

The *pro forma* financial effects are not material and are disclosed for the information of Assore shareholders. The material assumptions are set out in the notes following the table as well as in the circular to be sent to Assore shareholders as set out in paragraph 14 below.

These *pro forma* financial effects have been disclosed in terms of the Listings Requirements and do not constitute a representation of the future financial position of Assore on implementation of the Second Empowerment Transaction.

The *pro forma* financial effects are the responsibility of the Assore Board and are provided for illustrative purposes only, and, because of their nature, may not fairly present Assore's financial position, changes in its equity, results of operations or cash flows.

Consolidated total for the year ended 30 June 2009	Unaudited <i>pro forma</i> results after the Second Empowerment Transaction	Percentage change
EPS (cents)	13 669 (56)	13 613 (0.4)
HEPS (cents)	13 772 (57)	13 715 (0.4)
NAV per Assore share (cents)	24 210 (351)	23 859 (1.4)
TNAV per Assore share (cents)	24 199 (351)	23 848 (1.5)

### Notes:

1. The EPS and HEPS per Assore share "after the Second Empowerment Transaction" are based on the assumption that the Second Empowerment Transaction was implemented for the 12-month period commencing on 1 July 2008, being the commencement of the most recent complete financial year for Assore.
2. The NAV and TNAV per Assore share "after the Second Empowerment Transaction" are based on the assumption that the Second Empowerment Transaction was implemented on 30 June 2009, being the last day of the most recent complete financial year for Assore.
3. EPS and HEPS calculations for the 12-month period commencing on 1 July 2008 are based on the weighted number of ordinary Assore shares in issue, being 23.7 million (that is net of 3.9 million treasury shares).
4. Since the Assore Subscription Ords will be issued to an entity consolidated in the Assore Group, the shares will be accounted for as treasury shares for purposes of EPS and HEPS calculations, and thus will have no impact on the denominator in the respective calculations.
5. The EPS and HEPS for financial year ended 30 June 2009 are adjusted by R13.3 million, being the transaction costs (R12.9 million), R0.1 million, being the net impact of setting the A Preference Shares and Securities Transfer Tax of R0.3 million.
6. NAV and TNAV per Assore share as at 30 June 2009 are based on the Assore shares in issue as at 30 June 2009, being 27.9 million, including treasury shares as at 30 June 2009, being 4.2 million. The adjusted amount after the Second Empowerment Transaction gives effect to the issue of the Assore Subscription Ords, being 349 747 Assore shares, at 30 June 2009.

## 12. INTERNATIONAL FINANCIAL REPORTING STANDARDS CHARGE

Based on the statement on share-based payments in terms of International Financial Reporting Standards ("IFRS 2"), there is no charge to Assore associated with the Second Empowerment Transaction.

## 13. IMPORTANT DATES AND TIMES

	2009
Anticipated date of posting of the circular and notice of general meeting to shareholders on or about	Friday, 11 December
Last day for receipt of forms of proxy for the general meeting by 10:00 on	Friday, 15 January
<b>General meeting to be held at 10:00 on</b>	<b>Tuesday, 19 January</b>
Announcement of results of the general meeting on SENS on	Tuesday, 19 January
Announcement of results of the general meeting in the press on	Wednesday, 20 January
<b>If the transaction is approved and implemented:</b>	
Special resolutions lodged with the Companies and Intellectual Property Registration Office on or about	Wednesday, 20 January
Expected implementation date of the Second Empowerment Transaction on or about	Friday, 19 February

### Notes:

1. The above-mentioned times and dates are South African times and dates and are subject to change. Any such change will be released on SENS and published in the press.
2. If the general meeting is adjourned or postponed, forms of proxy must be received by no later than 48 hours prior to the time of the adjourned or postponed general meeting, provided that, for the purpose of calculating the latest time by which forms of proxy must be received, Saturdays, Sundays and South African public holidays will be excluded.

## 14. CIRCULAR TO SHAREHOLDERS AND NOTICE OF GENERAL MEETING

The general meeting of Assore shareholders to approve the resolutions relating to the Second Empowerment Transaction will be held at 10:00 on Tuesday, 19 January 2010 at Assore House, 15 Fricker Road, Illovo Boulevard, Johannesburg.

A circular to shareholders providing additional information on the Second Empowerment Transaction and containing, *inter alia*, a notice of general meeting and a form of proxy will be posted to Assore shareholders on or about Friday, 11 December 2009.

Illovo Boulevard  
Johannesburg  
2 December 2009

Investment bank and sponsor  
to Assore



Attorneys to Assore



Independent transaction sponsor



Reporting accountant and auditors  
to Assore



Independent expert to Assore



Transactional communication  
adviser to Assore

