2006
ANNUAL REPORT

ASSORE

CONTENTS

GROUP PROFILE

Assore Limited (Assore) is a mining holding company engaged principally in ventures involving base minerals and metals. The group's principal investment is a 50% interest in Assmang Limited (Assmang) which it controls jointly with African Rainbow Minerals Limited (ARM). The group, through its various joint venture entities and subsidiary companies, is involved in the mining of manganese, iron and chrome ores together with other industrial minerals and the manufacture of manganese and chrome alloys. Assore is also responsible for marketing all products produced, the bulk of which is exported and the remainder either used in the group's beneficiation processes or sold locally. The company was incorporated in 1950 and its shares are listed on the JSE Limited under "Assore" in the general mining sector.

As required by the Charter to the Mineral and Petroleum Resources Development Act, 15,02% of the company's shares are held by black empowerment entities: Shanduka Resources (Proprietary) Limited (11,76%) and the Bokamoso Trust (3,26%) a broad-based black empowerment community trust.

ASSORE

CORPORATE INFORMATION

Executive directors
Desmond Sacco (Chairman)#
R J Carpenter (Deputy Chairman)
C J Cory (Chief Executive Officer)*
P C Crous (Group Technical Director)

Non-executive directors
P N Boynton*
B M Hawksworth*†#
M C Ramaphosa
Dr J C van der Horst*†#

Alternate directors
J W Lewis (British)
R Smith

* *Member of the Audit Committee*
\# *Member of the Remuneration Committee*
† *Independent*

Secretary and registered office
African Mining and Trust Company Limited
Assore House
15 Fricker Road
Illovo Boulevard
Johannesburg 2196

Postal address
Private Bag X03
Northlands 2116
Email: info@assore.com

Transfer secretaries and share transfer office
Computershare Investor
Services 2004 (Proprietary) Limited
70 Marshall Street
Johannesburg 2001

Attorneys
Deneys Reitz
82 Maude Street
Sandton 2196

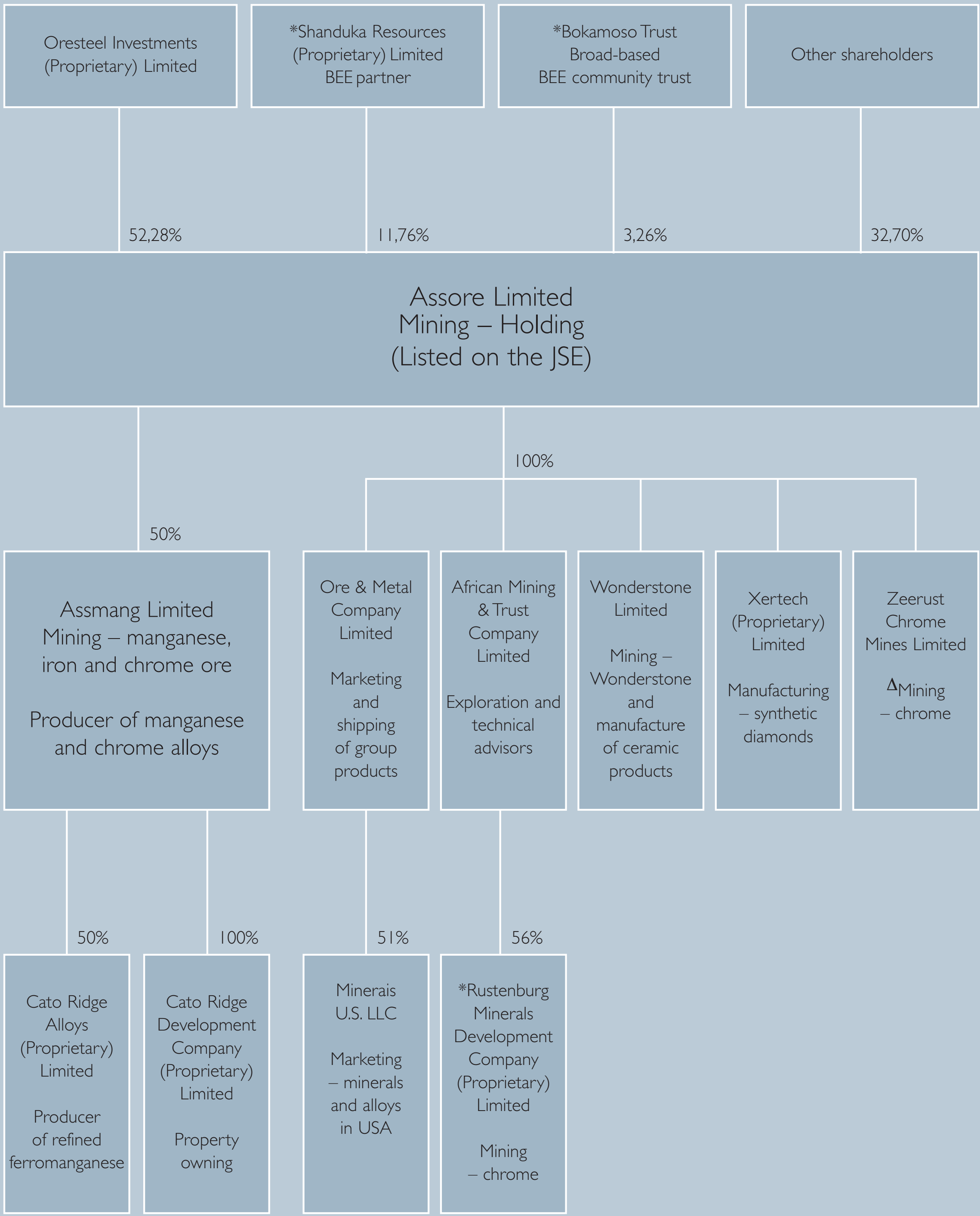
Webber Wentzel Bowens
10 Fricker Road
Illovo Boulevard
Johannesburg 2196

Auditors
Ernst & Young
Wanderers Office Park
52 Corlett Drive
Illovo
Johannesburg 2196

Bankers
The Standard Bank of South Africa Limited
88 Commissioner Street
Johannesburg 2001

Corporate information
Company registration number: 1950/037394/06
Incorporated in South Africa

GROUP STRUCTURE OF OPERATING COMPANIES



* *Black economic empowered entity*
Δ *On care and maintenance*

EXECUTIVE DIRECTORS

DESMOND SACCO

Chairman

BSc (Hons) (Geology) (Wits) (Unisa)

Des qualified as a geologist and joined the Assore group in 1968. He was appointed to the Assore Board in 1974 and, on retirement of his father in 1992, he was appointed Chairman and Managing Director. In that year, he was also appointed Deputy Chairman of Assmang Limited and in 1999, he became Chairman of Assmang. He is a fellow of the Institute of Directors (IOD) and of the Geological Society of South Africa (GSSA).

R J CARPENTER

Deputy Chairman

BA, ACIS

Bob joined the Ore & Metal Company Limited in 1964 and was appointed Managing Director in 1991. Ore & Metal is a wholly owned subsidiary of the Assore group and acts as selling and shipping agent for products produced by all the Assmang and Assore group companies. He was appointed to the Assore Board in 1987, to the Assmang Board in 1989 and was made Deputy Chairman of Assore in 1993.

C J CORY

Chief Executive Officer

BA, CA(SA), MBA (Wits)

Chris completed articles with Alex. Aiken & Carter (now KPMG) and qualified as a Chartered Accountant in 1982. In 1989 he joined the Assore group as Group Accountant. In 1992 he was appointed Group Financial Director and made Chief Executive Officer in June 2004 when the roles of Chairman and Managing Director were split. He was appointed to the Assmang Board as a non-executive director in 1993 and currently chairs the Assmang Audit Committee. He is a member of the South African Institute of Chartered Accountants (SAICA).

P C CROUS

Group Technical Director

BSc (Eng), BComm, MBA

Phil trained as a mining engineer obtaining a BSc (Eng) at Pretoria University in 1975. Thereafter he joined Iscor, and in 1977 he took up a position with Assmang where he advanced to Mine Manager. In 1982 he joined Sasol as General Mine Manager and was subsequently promoted to Operations Manager at Secunda Collieries, responsible for four mechanised mines. In 1988 he joined manufacturing company Sandock-Austral as Managing Director. In 1991 he was invited to join Assore in his current position as Group Technical Director and was appointed to the Assmang Board in 1992. He is a member of the South African Institute of Mining and Metallurgy (SAIMM) and the Institute of Directors (IOD).

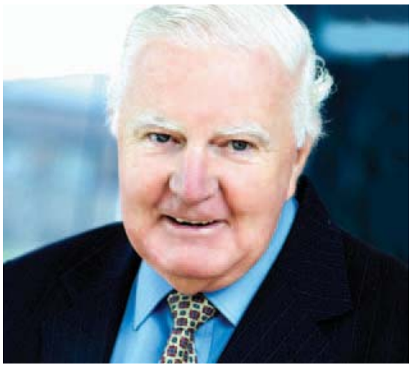
NON-EXECUTIVE DIRECTORS

P N BOYNTON

Non-executive director

BSc (Hons), BComm, CA(SA), ACMA, MBA

Paul joined Old Mutual's investment team in 1995, having previously worked as an investment banker in Johannesburg for seven years and before that for Deloitte for three years. He is currently head of Alternative Asset Management at Old Mutual and an executive director of Old Mutual Asset Managers. He joined the Assore Board as a non-executive director in July 2004 and serves on the group's Audit Committee.



B M HAWKSWORTH

Independent non-executive director

CA(SA)

Brian qualified as a Chartered Accountant in Durban and relocated to Johannesburg in 1973 as a partner of Ernst & Young. Since withdrawing as a partner of Ernst & Young he holds several non-executive directorships including the Financial Services Board (the FSB). He was appointed to the Assore Board as an independent non-executive director in 1996 and currently chairs the Assore Audit and Remuneration Committees. He is a member of the South African Institute of Chartered Accountants (SAICA) and was a past member of its Council and Executive Committee and is also a fellow of the Institute of Directors which he chaired in the early 1990s.

M C RAMAPHOSA

Non-executive director

BProc

Cyril is executive chairman and a significant shareholder of Shanduka Group (Proprietary) Limited. He is also non-executive chairman of the MTN Group Limited, the Bidvest Group and SASRIA Limited and a non-executive director of SAB Miller plc, Macsteel Holdings (Proprietary) Limited, Alexander Forbes Limited and Standard Bank Group Limited. He was the first deputy chairman of the Commonwealth Business Council. He sits on the United Nations secretary general's advisory panel on International Support to NEPAD and is a member of the International Business Council of the World Economic Forum. Cyril has received several honorary doctorates. He joined the Assore Board as a non-executive director in July 2006.

DR J C VAN DER HORST

Independent non-executive director

BA, LLD

Johannes studied at the Universities of Stellenbosch and Hamburg (Germany) and the Harvard Business School. He held various positions in Old Mutual from 1971 to 2002 where he was General Manager (Investments) from 1985 to 1997. In September 1997, he was appointed to head up Old Mutual's demutualisation project which culminated in the listing of Old Mutual on the London Stock Exchange and the JSE Limited in July 1999. He served on the Assore Board between 1989 and 1997, and again since January 2003 when he was appointed as an independent non-executive director and serves on the group's Audit and Remuneration Committees. He is also on the boards of Reunert Limited and Wooltru Limited.

CHAIRMAN'S REVIEW

FOR THE YEAR ENDED 30 JUNE 2006

THE YEAR UNDER REVIEW

The 2006 financial year has, in certain respects, been a watershed year for the Assore group. Many changes have taken place in the South African mining industry over the past 10 years and it is incumbent upon the management of any group operating in this country to assess from a strategic point of view and, where considered appropriate, to make those changes that are calculated to benefit the group, its stakeholders and the industry.

As a South African mining group, Assore implicitly supports the terms and conditions of the Mineral and Petroleum Resources Development Act (the MRPD Act). In pursuit of this policy, the company, after due deliberations on the best way to achieve its purpose, concluded a Black Economic Empowerment transaction at group level in February 2006. This entailed the acquisition of 15,02% of the issued ordinary share capital of Assore by two Black Economic Empowerment (BEE) entities, namely:

- Shanduka Resources, which purchased an 11,76% equity interest in Assore;
- The Bokamoso Trust, a community trust, established to benefit broad-based community groupings in the areas in which the group's mines and beneficiation plants are located, and which purchased a 3,26% equity interest in Assore.

Shanduka Resources has a long-term strategy to develop a diversified resources group with operational capabilities and already has investments in the coal, diamond, paper and gold industries. The Bokamoso Trust was set up to house the interest of the community trust and the group is currently in the process of negotiating with potential beneficiaries who meet the requirements of the Trust Deed.

In a separate transaction which occurred at virtually the same time, Assore made an offer to minority shareholders in Assmang to acquire all of their shares in Assmang through a scheme of arrangement. This 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 or a total consideration of R368 million, valuing Assmang at some R9,2 billion.

Simultaneously, Assore and African Rainbow Minerals (ARM) entered into an agreement whereby Assore would acquire from ARM, at the same offer price, all the Assmang shares held by ARM in excess of 50% of the total number of issued shares in Assmang. 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 Limited 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. The buyout of the minorities and equalisation of the shareholding in Assmang has largely given legal recognition to a *de facto* joint venture which had existed for many years.

Details of these transactions are set out in the directors' report, and your board considers that the effect of these transactions has been to ensure that the group is well positioned to continue operating effectively and efficiently under the new dispensation created for mining companies in South Africa.

The future has been further catered for by the approval in Assmang to proceed with the development of the new Khumani open cast iron ore mine. Situated near Kathu in the Northern Cape, the initial estimated cost is R3,2 billion to achieve a commencing annual capacity of 8,4 million tons, and production is planned to start in the first half of 2008. It is the biggest, single capital investment decision the company has made and will eventually more than treble current iron ore capacity to 16 million tons, potentially making iron ore the group's largest profit contributor in the years to come.

The group's products are primarily traded on international markets in US dollars and while results were influenced by the strong demand referred to above, the rand/US dollar exchange rate continues to be one of the most significant factors in the group's business. The rand remained strong for most of the year averaging 6,41 (2005: 6,18) to the US dollar, but started weakening in the last two months of the year and by year-end was 7,11 (2005: 6,65). The stronger rand for most of the year impacted negatively on Assore's interim results which were 26,6% lower than the previous year at R146,7 million. However, the weakening in the currency towards the year-end resulted in an increase in rand profit for the second half, a trend which has persisted up to the time of writing this report.

Turning to operational events, as in the previous year, international demand, spearheaded by China, was again the dominant influence exerted upon the markets in which the Assore group principally trades.

SALES VOLUMES

The market for iron ore remained strong throughout the year underpinned by the worldwide production of crude steel, which increased by 6% to 1,13 billion tons for calendar 2005, and the first six months of 2006 showed a continuation of this trend. China continued to be the main driver of this increase, producing 349 million tons in 2005, which was 24,6% above the previous year, as well as 199,5 million tons of the 598,5 million tons produced worldwide in the first six months of 2006.

Stainless steel production, which consumes the bulk of charge chrome produced in the world, also increased dramatically from the beginning of calendar 2006, reversing the significant cutbacks made by producers outside China in the second half of 2005. Production of stainless steel in the first half of 2006 was 13,3 million tons and total production for the year is likely to reach at least 27 million tons (2005: 24,6 million tons). Set against this background, sales volumes for Assmang products for the year were as follows:

	Tons '000		% increase/
	2006	2005	(decrease)
Iron ore	**5 926**	5 776	2,6
Manganese ore	**1 678**	1 811	(7,3)
Manganese alloys	**260**	197	32,0
Charge chrome	**210**	262	(19,8)
Chrome ore	**178**	34	423,5

RESULTS FOR THE YEAR

In contrast to the strong growth from almost all divisions in the previous year, markets in the current year produced a mixed performance with profit attributable to Assore shareholders reducing by 10,2% to R457,4 million against an almost 200% increase in the previous year to R509,5 million. The results were significantly affected by the gradual decrease in US dollar prices for manganese ore, caused by the increase in supply which was triggered by the 63% increase in prices that occurred in the last quarter of the 2005 financial year. This oversupply saw manganese ore prices fall and a consequent reduction in volumes across the year.

In contrast, the robust carbon steel production referred to above resulted in a strong demand for manganese alloys. After the oversupply situation in early 2005, production cutbacks brought the market back into balance and manganese alloy prices firmed across the board during the year. However, the increased alloy profitability and volumes were unable to offset the lower ore price and volumes and the contribution for the year from the manganese division dropped substantially by 51,4% to R163,4 million (2005: R336,3 million).

Robust crude steel production also resulted in a strong demand for iron ore and the group benefited from the 71,5% increase in the international iron ore benchmark price effective from 1 April 2005. With a further increase of 19% for the period April 2006 to March 2007 and, the small increase in tonnage achieved from the already constrained railway capacity, the contribution from the iron ore business increased significantly to R199,5 million from R61,8 million in the previous year.

The adverse conditions, which prevailed for most of the year in the charge chrome market, caused Assmang to announce a reduction in charge chrome production to counter the oversupply which was causing instability in the market. As a result, charge chrome sales declined by 19,8% to 210 000 tons for the year and, while the initiative achieved its objective, it considerably affected profitability, resulting in a R29,6 million loss for the year against the previous year's R35,3 million profit. A combination of increased stainless steel production, a restoration in the balance of the charge chrome market and a weakening of the rand finally saw prices recover in the last quarter of the financial year after falling for the previous three quarters, a trend which is likely to last until at least the end of 2006.

While the increases in sales of chrome ore are significant in percentage terms, they are not significant in terms of tonnage, and are targeted only at the limited market which exists locally.

CHAIRMAN'S REVIEW

CONTINUED

Profit for the year included two extraordinary items which will not recur and which were significant to the year-end result. Profit for the year, was increased by a surplus on the disposal of listed investments of R145,8 million and, was decreased by a discount of R35,8 million which occurred in the BEE transaction referred to above. The discount which arose on the BEE transaction is equity neutral and is more fully explained in note 21 to the financial statements. The disposal of the listed investments arose as part of the initiative to finance the acquisition of the minority shareholders of Assmang which, including the shares acquired from ARM, cost the group R398 million. Taking advantage of strong trading conditions on the JSE Limited, investments which cost the group R68,9 million were sold, realising some R214,6 million and generating a profit of R145,8 million which was reduced by capital gains tax of R16,9 million. At year-end, the market value of the remaining portfolio was R169,6 million based on a cost of R47,5 million and the group will continue to build this portfolio in accordance with the long-term investment criteria which applied in the past.

Given the mixed performance of the group's markets, commissions and fees on marketing and shipping of group products reduced to R146,5 million (2005: R158,0 million) which is stated before the accounting adjustment which arose on the partial consolidation of Assmang and which is more fully explained in note 20 of the financial statements.

Net profit on investments also included interest received of R18,8 million (2005: R16,9 million), generated on cash in excess of current requirements which is invested on a short-term basis in the money market.

OUTLOOK

As I have commented above, markets for the principal products in which the group trades experienced considerable volatility in the year under review. Current indications are that the situation has stabilised, for the time being, but we do not ignore the significant role which Chinese demand has played and the need for this to be sustained if our markets are to continue to expand.

The manganese ore market, largely propelled by Chinese crude steel production, is showing some recovery from an oversupplied position in the previous year. Manganese alloys are primarily affected by carbon steel production, again strongly influenced by China. However, prices have now reached levels likely to attract marginal producers and supply is increasing to the extent that a reversal in the price trend may develop.

Stainless steel is enjoying a robust market and world sales for calendar 2006 are likely to reach at least 27 million tons against 24,6 million tons in calendar 2005, which augurs well for the charge chrome market.

The iron ore market is also performing well and seems likely to continue doing so into the current year. The seaborne iron ore trade is expected to increase to at least 730 million tons in 2006 from 670 million tons in 2005 as the growth in world crude steel production continues. However, the group's scope to participate more than modestly in this growth remains constrained by South African rail and harbour capacity and it is improbable that the group will enjoy any significant increases in iron ore sales volumes until the Khumani Mine becomes operational which is planned for the end of 2008.

The most promising short-term indicator of a better performance in the 2007 financial year remains the rand/US dollar exchange rate, particularly as the rand has significantly weakened against the dollar in recent weeks. However, the factors which influence the exchange rate, such as the oil price, emerging market issues, relative interest rates, current account performance and inflation are themselves particularly volatile at present, and it would be imprudent to attempt any reliable longer term forecasts.

CAPITAL EXPENDITURE

Capital expenditure during the year under review totalled R705,0 million and was spent as follows:

- Manganese division: R239,1 million (2005: R353,1 million) including R83,8 million which was spent on shaft development of the Nchwaning III project, with the balance spent mainly on replacement items.

- Chrome division: R119,8 million (2005: R152,7 million) including R57,2 million (2005: R82 million) spent on completion of the Dwarsrivier underground mine, which was achieved by the end of calendar 2005 at a total cost of R221,7 million.
- Iron ore division: R346,1 million (2005: R193,2 million) which included R64,3 million on the new Khumani iron ore mine and R143,7 million on waste stripping and replacement items at Beeshoek.

BORROWINGS

Assmang's borrowings were reduced at year-end to R87,6 million (2005: R156,8 million) due to strong cash flows during the year. The group cash position of Assore remains strong with cash resources of R148,9 million (2005: R275,6 million) and short-term borrowings of R253,5 million (2005: R226,7 million).

DIVIDENDS

An interim dividend of 80 cents (2005: 50 cents) per share was declared on 15 March 2006 and paid to shareholders on 10 April 2006.

An unchanged final dividend of 150 cents, making an increased total dividend of 230 cents (2005: 200 cents) per share, was declared on 30 August 2006 and was paid to shareholders on 26 September 2006.

APPRECIATION

The vagaries of the markets during the year placed additional pressure on management and staff and I would like to thank them for being equal at all times to the task. As always, I also extend our gratitude to all other stakeholders, including customers, suppliers, shareholders and bankers.

I would also like to take this opportunity to welcome Mr Cyril Ramaphosa and his alternate, Mr Rowan Smith, of Shanduka, onto the board. My directors and I look forward to building a long-standing relationship with the Shanduka Group as our empowerment partners in the years to come.

Desmond Sacco
Chairman

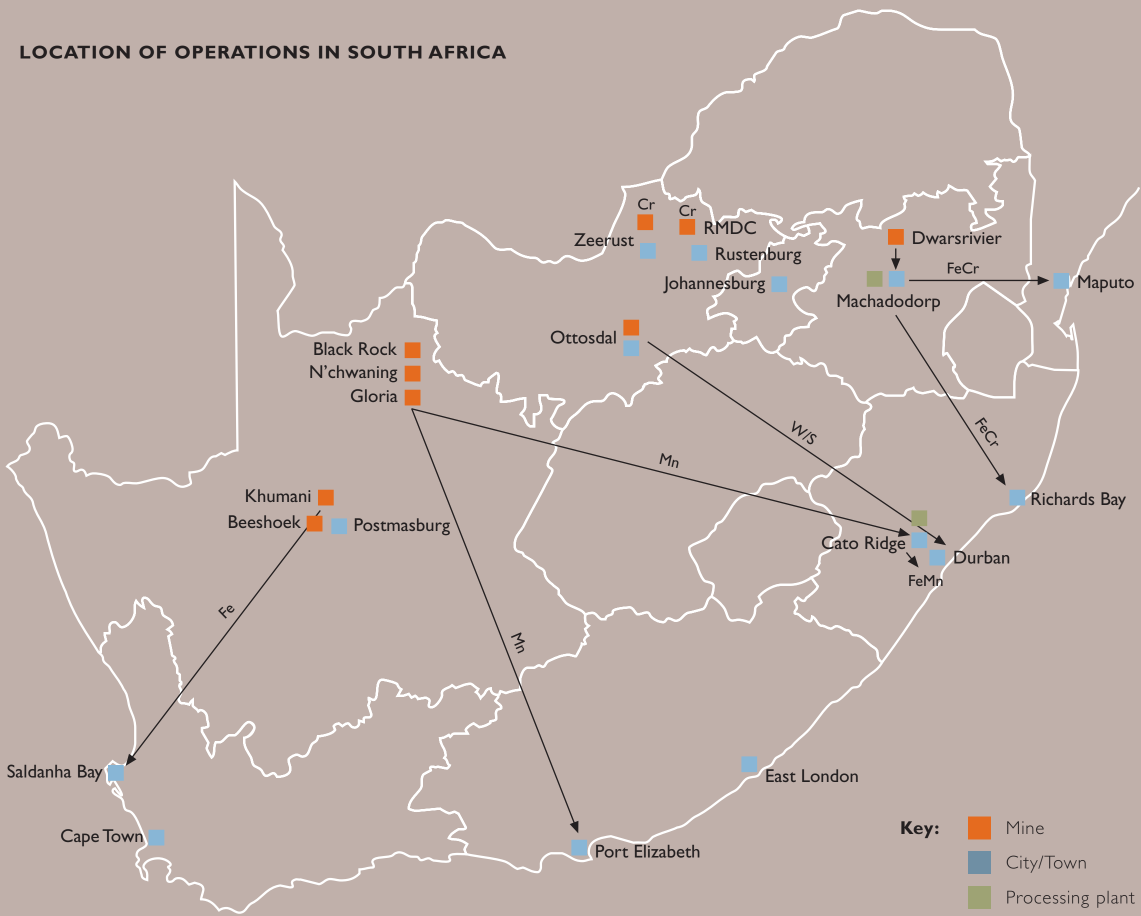
REVIEW OF OPERATIONS

The activities of the group were conducted through its jointly controlled entities and subsidiary companies which are illustrated in the group structure chart set out on page 3.

The profit contributions for the various classes of business of the group were as follows:

	2006	2005
	R 000	R 000
Mining and beneficiation	**310 868**	417 875
Marketing and shipping	**92 706**	94 618
Profit after taxation on disposal of available-for-sale investments	**129 086**	–
Other	**(52 838)**	28 569
Profit per income statement	**479 822**	541 062

LOCATION OF OPERATIONS IN SOUTH AFRICA



PRODUCTS PRODUCED

Cr – Chrome – see page 11
Fe – Iron ore – see page 13
Mn – Manganese – see page 11
FeCr – Ferrochrome – see page 12
FeMn – Ferromanganese – see page 11
W/S – Wonderstone – see page 13

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. Cato Ridge Alloys, a joint venture between Assmang, Mizushima Ferroalloys Company Limited and Sumitomo Corporation Limited, both of Japan, produces refined ferromanganese at the Cato Ridge Works. Feed for the Cato Ridge 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:

	2006 tons '000	2005 tons '000
Manganese ore (excluding deliveries to Cato Ridge Works)	**1 678**	1 811
Manganese alloys	**260**	197

World crude steel production continued to increase in the year under review and, for the 2005 calendar year, increased by 5,9% to a record 1 129,3 million tons (2004: 1 066,5 million tons) of which China produced 349 million tons representing an increase over the previous year of 24,6%. However, due to the substantial increase in prices for manganese ore in April 2005 the manganese ore market was oversupplied in the first half of the financial year and sales reduced on market weakness to 1 678 000 tons (2005: 1 811 000 tons). Prices also reduced significantly in the second half of the year as a result of the oversupplied position.

The robust carbon steel production did result, however, in strong demand for manganese alloys during the year under review. After the oversupply situation in early 2005, production cutbacks brought the market back into balance and prices for manganese alloys increased across the board. Unfortunately, they have now reached levels that are attractive to marginal producers and supply is increasing to the extent that prices could be negatively affected going forward.

High carbon ferromanganese sales volumes achieved record levels during the year and increased to 188 000 tons (2005: 134 000 tons). In addition, sales from the new metal recovery plant were 13 000 tons. The demand for refined ferromanganese was particularly strong and sales were a record 58 000 tons (2005: 47 000 tons).

Despite the increased sales achieved for manganese alloys the reduction in US dollar prices weighed heavily on the result of the division and the contribution to the profit for the year of Assore reduced to R163,4 million for the year (2005: R336,3 million).

Capital expenditure during the year on the manganese mines was R239,1 million (2005: R353,1 million) including R83,8 million which was spent on underground development of the Nchwaning 3 project with the balance spent mainly on replacement items.

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 the group's Machadodorp Ferrochrome Works. 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).




RUSTENBURG MINERALS DIRECTORS
Top (l to r): Frans Kalp, Phera Shongoane
Bottom (l to r): Willie Modise, Gabriel Mokgoko

The bulk of chrome ore mined worldwide is converted to ferrochrome and utilised in the production of stainless steel. Global stainless steel production increased dramatically from the beginning of calendar 2006, reversing the significant cutbacks made by producers outside China in the second half of 2005. The first half of calendar 2006 has seen very strong production of stainless steel at 13,3 million tons and total production for calendar 2006 is likely to reach at least 27 million tons (2005 calendar year: 24,6 million tons).

As announced during the year, Assmang deemed it advisable during the past financial year to temporarily reduce charge chrome production due to adverse market conditions resulting from oversupply. As a result charge chrome sales declined by 19,8% to 210 000 tons for the financial year (2005: 262 000 tons). However, as a result of strong stainless steel production, the subsequent balancing of the ferrochrome market and a strengthening rand, prices for ferrochrome finally increased in the last quarter of the financial year after falling for the previous three quarters.

While the group believes that the temporary reduction in production contributed to the restabilisation of the market, it also had an effect on profitability of this division and the result for the year was a loss of R29,6 million (2005: R35,3 million profit).

During the year R57,2 million (2005: R82 million) was spent on completion of the Dwarsrivier underground mine which was achieved by the end of calendar 2005 at a total expected cost of R221,7 million.

Approximately 313 389 tons (2005: 418 970 tons) of run of mine, lumpy and concentrate were produced by RMDC during the year which resulted in a net profit of R3,7 million (2005: R8,8 million). As the mine is operated using contractors, capex was negligible at R1,9 million (2005: R3,5 million).

Iron ore

Iron ore is mined by Assmang at the Beeshoek open cast operations which are located outside Postmasburg in the Northern Cape.

Sea borne iron ore trade in 2005 was 670 million tons and this is expected to increase to at least 730 million tons in 2006 as the growth in world crude steel production continues.

During the year the board approved the development of the new Khumani, open cast, iron ore mine near Kathu region of the Northern Cape at an estimated cost of R3,2 billion and commencing at an annual capacity of 8,4 million tons. Initial production from the new mine is expected to occur in the first half of 2008.

The group's sales of iron ore increased to 5,93 million tons during the year (2005: 5,78 million tons) and although a slight improvement in export volumes is expected in 2006 it is unlikely there will be any significant increases in sales volumes until the Khumani mine becomes operational.

As reported last year US dollar prices increased significantly by some 71,5% with effect from 1 April 2005. Prices were maintained at these levels for the first nine months after which a further 19% increase was achieved with effect from 1 April 2006. Based on the higher prices the contribution of the iron ore division to Assore profit was significantly higher at R199,5 million (2005: R61,8 million).

Capital expenditure for the year was R346,1 million (2005: R193,2 million) which included R64,3 million on the new Khumani iron ore mine and R143,7 million on waste stripping and replacement items at Beeshoek.

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 km west of Johannesburg, is of volcanic origin and displays unique corrosion, heat and abrasive resistant properties. The bulk of the material mined is exported to the United States of America, the United Kingdom and the Far East where it is 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 677,6 tons (2005: 951,8 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.



WONDERSTONE DIRECTORS
Top (l to r): Sam Matsimela, Richard Burnand
Bottom: John Connelly

REVIEW OF OPERATIONS

CONTINUED

Last year 1 242 000 (2005: 1 644 436) components were produced and sold on this basis. Wear tiles are produced by the company's technical ceramics division, Ceramox, which it acquired in 2002. Turnover has increased by 39% per annum since that date and should increase significantly following the capital expansion project scheduled for completion by the year-end. 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 benefit from the higher degree of technical support with regard to the material's performance characteristics and technical applications.

Turnover reduced to R26,4 million (2005: R32,3 million) due to reduced demand for natural pyrophyllite and the lower sales, increased overheads and the stronger South African rand resulted in a loss for the year of R2,5 million (2005: R4,5 million profit).

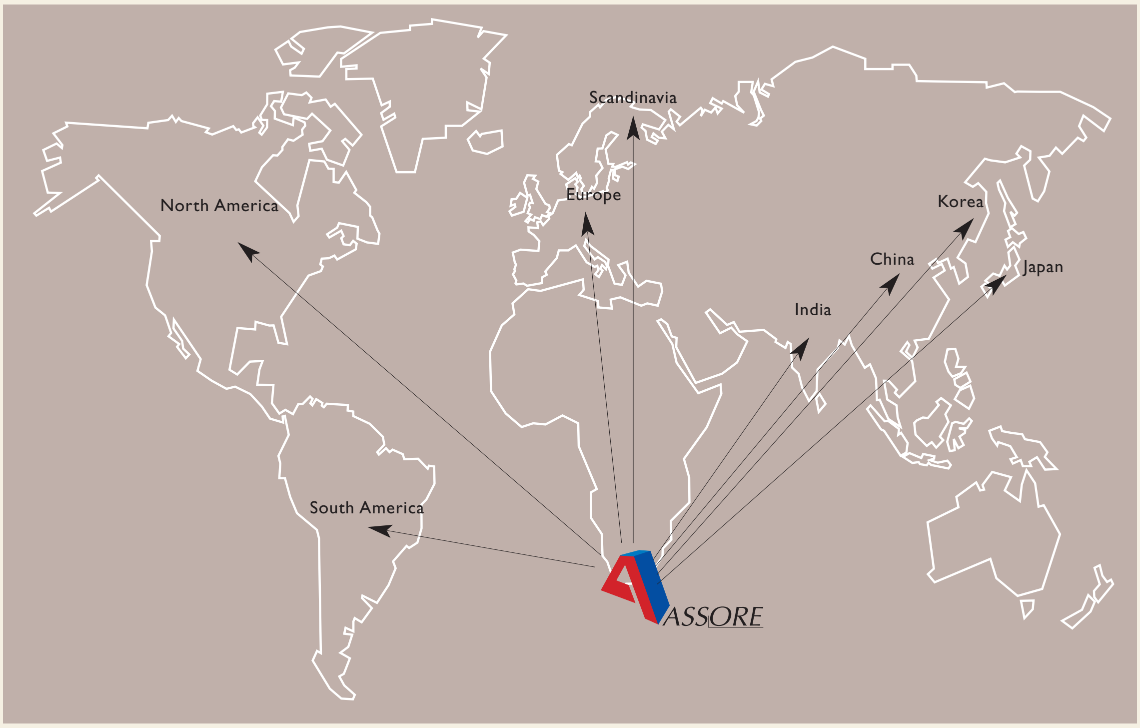
Both the mine and its manufacturing operations have been awarded ISO 9001: 2000 and ISO 14001 accreditation.

Capital expenditure for the year amounted to R9,0 million (2005: R11,8 million), most of which was spent on the expansion of the manufacturing operations.

Synthetic diamonds

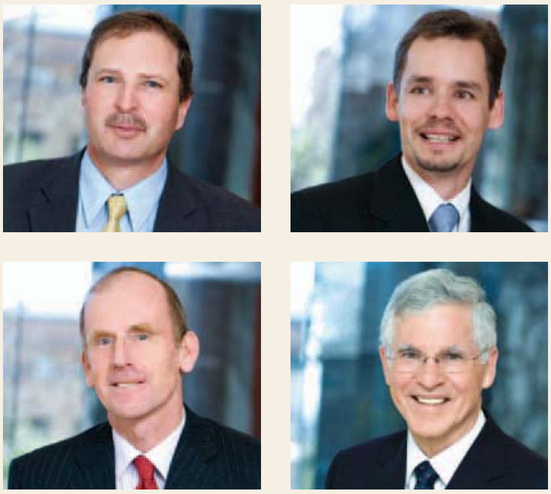
The group has also established a synthetic diamond production facility which operates from premises in Linbro Park on the outskirts of Johannesburg under the name of Xertech. Sales were concluded both locally and for export during the year and a sales agency agreement has been finalised with an established 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 acceptability. As sales are still not covering fixed costs, a loss of R19,8 million (2005: R15,8 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. Orders have been placed for two additional 14 000 ton presses which will be installed by February 2007 and will increase capacity significantly and reduce average cost of production but only with effect from 2007/8 year.

EXPORT DESTINATIONS OF GROUP PRODUCTS



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 R4,5 billion (2005: R4,4 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 and contribution to group net income after taxation reduced in line with the changes in selling prices of the group's commodities compared to the previous year.



ORE & METAL DIRECTORS
Top (l to r): Alistair McAdam, Jaco Venter
Bottom (l to r): Alastair Stalker, John Lewis

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 R15,3 million (2005: R17,4 million), reflecting the lower US dollar prices for alloys towards year-end.

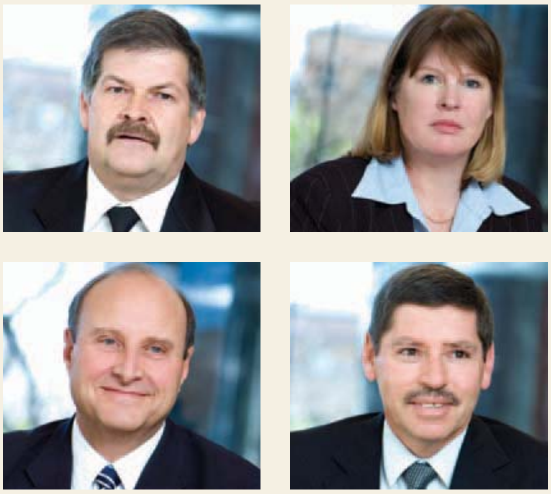
TECHNICAL ADMINISTRATION

African Mining and Trust Company Limited is technical adviser to Assmang and other group companies for which it receives fee income. As fee income is based on the levels of activity of group companies, both turnover and net profit after taxation figures increased on the previous year.

Investments

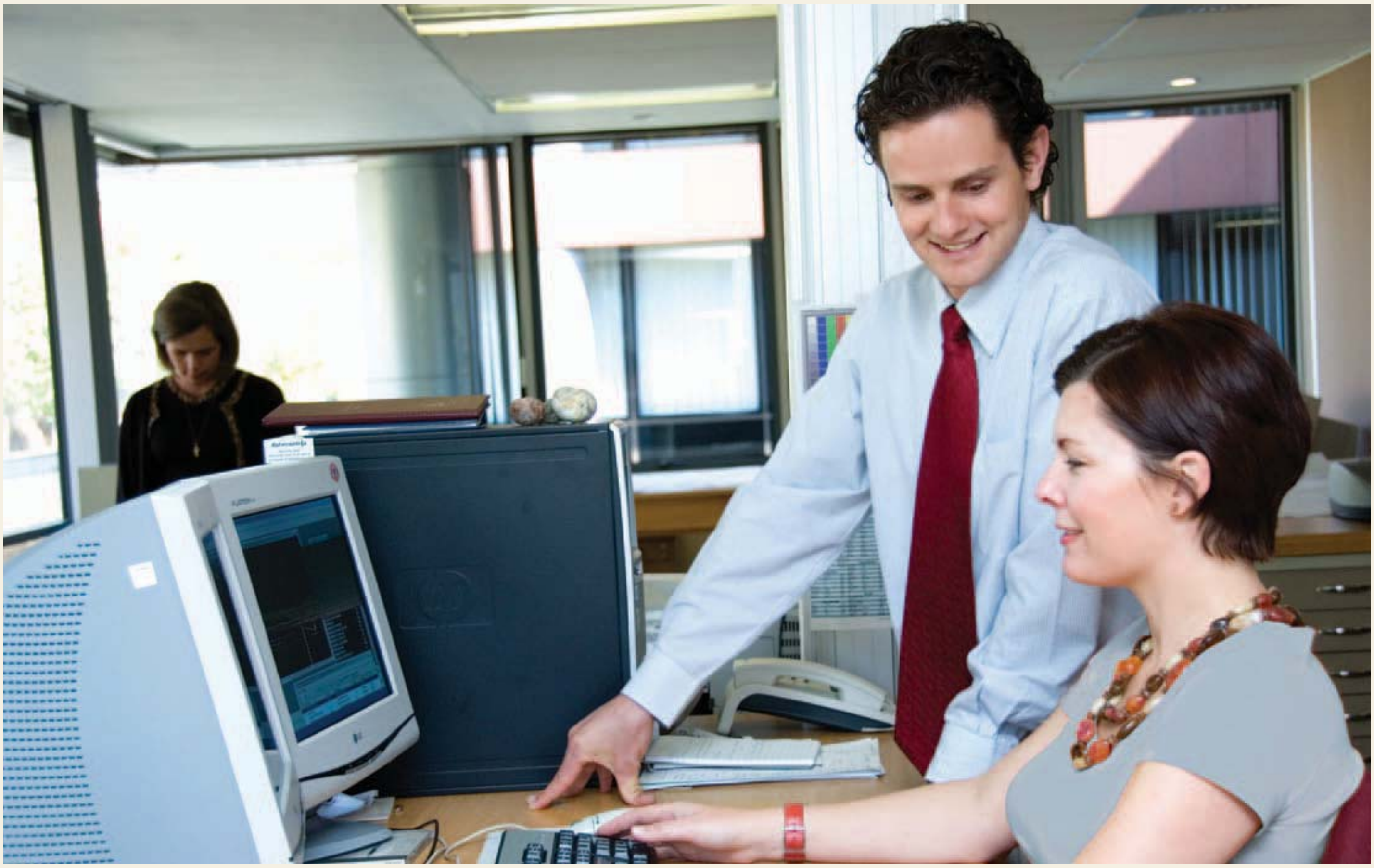
The group maintains a portfolio of listed shares which are selected and held in accordance with long-term investment criteria. No additional investment was made in the portfolio during the year but there were significant disposals of shares to fund the acquisition of the additional 3,34% investment in Assmang at a cost of R368 million (refer Directors' Report). The disposals generated a profit after capital gains tax of R129,1 million. The investments concerned had been accumulated over a number of years at a cost of R68,9 million and taking advantage of the recent strong trading conditions on the JSE Limited realised some R214,6 million on disposal. 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 R169,6 million (2005: R232,0 million) based on a cost of R47,5 million (2005: R116,3 million). Dividends received on the portfolio for the year were R3,9 million (2005: R5,4 million).

Other income also includes interest received of R18,8 million (2005: R16,9 million) generated from cash in excess of current requirements which is invested on a short-term basis in the money market.



AFRICAN MINING AND TRUST DIRECTORS
Top (l to r): Frans Olivier, Sally Venegas
Bottom (l to r): Andries Mouton, Tiaan van Aswegan

MINERAL RESOURCES AND RESERVES



Set out below are details of the groups mineral resources and reserves as required by section 8.62(m) of the JSE Listings Requirements. Based on materiality, disclosure for Assmang is presented in the form of a Competent Persons Report whereas details for other group companies are set out in summarised format.

ASSMANG – JOINT VENTURE ENTITY

General statement

Assmang's method in reporting of mineral resources and mineral reserves conforms to the South African Code for Reporting Mineral Resources and Mineral Reserves (SAMREC Code) and the Australian Institute of Mining and Metallurgy Joint Ore Reserves Committee Code (JORC Code).

The convention adopted in this report is that mineral resources are reported inclusive of that portion of the total mineral resource converted to a mineral reserve. Underground resources are *in situ* tonnages at the postulated mining width, after deductions for geological losses. Underground mineral reserves reflect milled tonnages while surface (dumps) mineral reserves are *in situ* tonnages without dilution. Both are quoted at the grade reporting to the mill. Consulting firms routinely audit the resources and reserves of most operations.

Underground resources are *in situ* tonnages at the postulated mining width, after deductions for geological losses. Underground mineral reserves reflect milled tonnages while surface (dumps) mineral reserves are *in situ* tonnages without dilution. Both are quoted at the grade fed to the plant. Open cast mineral resources are quoted as *in situ* tonnages and mineral reserves are tonnages falling within an economic pit-shell.

The evaluation method is generally ordinary "Kriging" with mining block sizes ranging from 10*10 m^2 to 100*100 m^2 to 250*250 m^2 in the 2-D plain. The blocks vary in thickness from 2,5 m to 50 m. Inverse distance is used in a few instances and with similar block sizes. The Sichel-t and log-mean estimation methods are occasionally used for global estimation of resources, so is the weighted polygonal method. The evaluation process is fully computerised and generally decentralised. The software package utilised is mostly Datamine with the resource/reserve volumes being wireframed.

In order to satisfy the requirements of the Minerals and Petroleum Resources Development Act, Assmang's operations will have to obtain new order Mining Rights for all of its properties required to support the planned operations over the next 30 years. The Act is effective from 1 May 2004 and the new Rights must be obtained within five years from then. The operations are at various stages of application.

The group consists of the following operating divisions and assets. A locality map showing the major producers is reflected on page 10 of the annual report.

Operating division	Operating assets	Type of operation
Iron ore division	Beeshoek Mine	Mines and concentrators
	Khumani Mine	Construction in progress
Manganese division	Nchwaning Mine	Mines and concentrator
	Gloria Mine	Mine and concentrator
	Cato Ridge Works	Ferromanganese smelter and metal recovery plant
	Cato Ridge Alloys (Proprietary) Limited	Ferromanganese refinery
Chrome division	Dwarsrivier Mine	Mine and concentrator
	Machadodorp Works	Charge chrome smelter and metal recovery plant

Maps, plans and reports supporting resources and reserves are available for inspection at the company's registered office and at the relevant mines.

MANGANESE ORE OPERATIONS

The manganese mines are situated in the Northern Cape province, Republic of South Africa, approximately 80 km west of the town of Kuruman. Located at latitude 27°07'50"S and longitude 22°50'50"E, the site is accessed via the national N14 route between Johannesburg and Kuruman, and the provincial R31 road.

In 1940, the company acquired a manganese ore outcrop on a small hillock known as Black Rock. Several large properties underlain by ore were subsequently found and acquired. Today the Black Rock area is considered the largest and richest manganese deposit in the world. Manganese ore operations were extended and today include the Gloria and Nchwaning underground mines. Manganese ore is supplied locally to Assmang-owned smelters, but is mainly exported through the port of Port Elizabeth to Asia and Europe.

MINERAL RESOURCES AND RESERVES

CONTINUED

Mining Authorisation

Nchwaning Mining Lease – The Nchwaning Mining Lease (ML10/76) comprises an area of 1 877,0587 hectares and is located on the farms Nchwaning (267), Santoy (230) and Belgravia (264). An application for the conversion to a new order mining right, will be submitted during the 2007 financial year.

Gloria Mining Lease – The Gloria Mining Lease (ML11/83) comprises an area of 1 713,1276 hectares and is located on portion 1 of the farm Gloria (266). An application for the conversion to a new order mining right, will be submitted during the 2007 financial year.

Geology

The manganese ores of the Kalahari Manganese field are contained within sediments of the Hotazel Formation of the Griqualand West Sequence, a subdivision of the Proterozoic Transvaal Supergroup. At Black Rock, Belgravia and Nchwaning, the Hotazel, Mapedi and Lucknow Formations have been duplicated by thrusting. The average thickness of the Hotazel Formation is approximately 40 m.

The manganese ore bodies exhibit a complex mineralogy and more than 200 mineral species have been identified to date. The hydrothermal upgrading has resulted in a zoning of the ore body with regard to fault positions. Distal areas exhibit a more original and low-grade kutnohorite+braunite assemblages, while areas immediately adjacent to faults exhibit a very high grade hausmannite ore. The intermediate areas exhibit a very complex mineralogy, which includes bixbyite, braunite and jacobsite amongst a host of other manganese bearing minerals. A similar type of zoning also exists in the vertical sense. At the top and bottom contacts it is common to have high iron (Fe) and low manganese (Mn) contents while the reverse is true towards the centre of the seam. This vertical zoning has given rise to a mining practice where only the centre 3,5 m high portion of the seam is being mined. At the Gloria Mine the intensity of faulting is much less, resulting in lower grades.

Resources/reserves

Measured Resources are classified as material available up to 50 m in front of the mining faces. Material situated further than 50 m from current development is classified as Indicated Resources. Geological losses are built into the grade model. Measured Resources are converted to Proved Reserves taking a 20% pillar loss (Nchwaning) into account (23% for Gloria). In the same way Probable Reserves are obtained from the Indicated Resources. The Manganese seam is up to 6 m thick, of which 3,5 m is mined, using a manganese marker zone for control. There is therefore minimum dilution.

The Nchwaning Mine was diamond drilled from surface at 330 m centres and the data captured in Excel spreadsheets. The core is logged and 0,5 m long half-core diamond-saw cut samples were submitted to Assmang's laboratory at Black Rock for XRF analyses. Mn and Fe values were checked by Wet Chemical analyses. Several standards were used to calibrate XRF equipment, and results were compared with other laboratories on a regular basis.

A total of 341 boreholes for the No. 1 Ore body and 372 holes for the No. 2 Ore body, as well as a total of 17 301 face samples were considered in the grade estimation. The available data for an area was optimised over a thickness of 3,5 m and exported into data files for computerised statistical and geostatistical manipulation to determine the average grades of manganese (Mn), iron (Fe), silica (SiO_2), calcium (CaO) and magnesium (MgO).

Ordinary Kriging interpolation within Datamine was used to estimate the grade of each 50 m x 50 m x 3,5 m block generated within the geological model. Subcell splitting of the 50 m x 50 m blocks was allowed to follow the geological boundaries accurately. The relative density of Nchwaning manganese ore was taken as 4,3 t/m^3.

The 2006 mineral reserves for the Nchwaning 1 Ore body changed slightly from 2005 to 116,8 Mt from 116,6 Mt as a result of the ore body being remodelled. The remodelling therefore compensated for the production drawdown. Similarly the mineral resources at Nchwaning 1 Ore body stayed approximately the same at 146,0 Mt (145,6 Mt). The mineral resources at Nchwaning 2 Ore body increased slightly to 184,7 Mt (182,9 Mt).

Procedures for drilling and assaying at Gloria Mine are the same as at Nchwaning. A total of 103 boreholes were considered in the evaluation of the Gloria Mine. The wide-spaced borehole interval puts some limitation on the evaluation in areas away from current mining faces. A total of 4 493 underground sampling values were used in evaluating areas close to current mining.

The boreholes were optimised over a stoping width of 3,5 m and the relative density was taken as 3,8 t/m^3. The seams were evaluated by means of statistical and geostatistical methods to determine the average grades of manganese (Mn), iron (Fe), silica (SiO_2), calcium (CaO) and magnesium (MgO).

Ordinary Kriging interpolation within Datamine was used to estimate the grade of each 50 m x 50 m x 3,5 m block generated within the geological model. Subcell splitting of the 50 m x 50 m blocks was allowed to follow the geological boundaries.

The 2006 mineral reserves at Gloria 1 Ore body increased by 2,7 Mt to 75,3 Mt (72,6 Mt in 2005). The 2006 evaluation reported a slightly higher tonnage after the block model was rebuilt. The Measured and Indicated mineral resources at Gloria 1 Ore body showed an increase from 94,3 Mt to 97,7 Mt. Only limited production took place at Gloria for the year under review. The mineral resources at Gloria 2 Ore body stayed the same at 138,2 Mt.

Trackless mechanised equipment is used in the bord-and-pillar mining method. Mining in the eastern extremity of Nchwaning occurs at a depth of 200 m while the deepest (current) excavations can be found at a depth of 519 m below surface. Gloria Mine is extracting manganese at depths that vary between 180 m and 250 m below surface.

Ore from Nchwaning 2 Mine is crushed underground before being hoisted to a surface stockpile via a vertical shaft. Similarly, ore from the Nchwaning 3 Mine is crushed underground before being conveyed to a surface stockpile via a declined conveyor system. Ore is withdrawn from the surface stockpile and forwarded to two stages of crushing, dry screening and wet screening to yield lumpy and fine products.

At the Gloria Mine, ore is crushed underground before being conveyed to a surface stockpile via a decline shaft. Ore is withdrawn from the surface stockpile and forwarded to crushing, dry screening and wet screening to yield lumpy and fine products.

At both plants the finer fractions are stockpiled while the coarser fractions are extracted from the respective product boxes into road haulers, sampled, weighed and stored on stacks ahead of despatch. Samples from each stack were analysed for chemical content and size distribution. This ensures good quality control and enables the ore control department to blend various stacks according to customer demand.

At current production rates and an annual increase of 1,5% the Nchwaning life of mine on No. 1 Ore body is expected to be 30 years. This will include blending in ore from the No. 2 Ore body, to supply a Fe-rich product. The Gloria life of mine on No. 1 Ore body is estimated at more than 30 years.

IRON ORE

The iron ore division is made up of the Beeshoek Mine located on the farms Beeshoek 448 and Olynfontein 475. The iron ore resources on the farms Bruce 544, King 561, and Mokaning 560, which were formerly known as the BKM Project, are now being developed into what in future will be known as the Khumani iron ore mine. All properties are in the Northern Cape approximately 200 km west of Kimberley. The Beeshoek open pit operations are situated 7 km west of Postmasburg and the new Khumani open pits will be adjacent to and south-east of the Sishen Mine, which is operated by Kumba Resources. Located at latitude 28°30'00"S/longitude 23°01'00"E, and latitude 27°30'00"S/longitude 22°20'00"E respectively, these mines supply iron ore to both the local and export markets. Exports are railed to the iron ore terminal at Saldanha Bay.

Mining of iron ore (mainly specularite) was undertaken as early as 40 000 BC on the farm Doornfontein, which is due north of Beeshoek. The potential of iron ore in this region was discovered in 1909, but due to lack of demand and limited infrastructure, this commodity was given little attention. In 1929 the railway line was extended from Koopmansfontein (near Kimberley) to service a manganese mine at Beeshoek. In 1935 the Associated Manganese Mines of South Africa Limited (Assmang) was formed, and in 1964 the Beeshoek iron ore mine was established, with a basic hand sorting operation and in 1975 a full washing and screening plant was installed and production increased to over a million tons per annum. Over the years, production has increased to the current level of approximately six million tons per annum.

Mining Authorisation

Beeshoek Mining Lease – The Beeshoek Mining Lease (ML3/93) comprises an area of 5 685,64 hectares and is located on the farms Beeshoek (448) and Olynfontein (475). An application for the conversion to a new order mining right will be submitted during the 2007 financial year.

Khumani Mining Lease – The Khumani Mining Lease comprises an area of 7 388,02 hectares and is located on the farms Bruce (544), King (561), Mokaning (560) and McCarthy (559). An application for mining rights was submitted in December 2005.

Geology

The iron ore deposits are contained within a sequence of early Proterozoic sediments of the Transvaal Supergroup deposited between 2 500 and 2 200 million years ago. In general two ore types are present, namely laminated hematite ore forming part of the Manganore Iron Formation and conglomerate ore belonging to the Doornfontein Conglomerate member at the base of the Gamagara Formation.

The older laminated ore types occur in the upper portion of the Manganore Iron Formation as enriched high-grade hematite bodies. The boundaries of high-grade hematite ore bodies crosscut primary sedimentary bedding, indicating that secondary hematitisation of the iron formation took place. In all of these, some of the stratigraphic and sedimentological features of the original iron formation are preserved.

The conglomeratic ore is found in the Doornfontein Conglomerate Member of the Gamagara Formation and is lenticular and not persistently developed along strike. It consists of stacked, upward fining conglomerate-gritstone-shale sedimentary cycles. The lowermost conglomerates and gritstones tend to be rich in subrounded to rounded hematite ore pebbles and granules and form the main ore bodies. The amount of iron ore pebbles decreases upwards in the sequence so that upper conglomerates normally consist of poorly sorted, angular to rounded chert and banded iron formation pebbles.

The erosion of the northern Khumani deposit is less than that in the southern Beeshoek area. The result is that Khumani is characterised by larger stratiform bodies and prominent hanging wall outcrops. The down dip portions are well preserved and developed, but in outcrop the deposits are thin and isolated. Numerous deeper extensions occur into the basins due to karst development. A prominent north-south strike of the ore is visible. The southern Beeshoek ore bodies were exposed to more erosion and are more localised and smaller. Outcrops are limited to the higher topography on the eastern side of the properties. Down dip to the west the ore is thin and deep. The strike of the ore bodies is also in a north-south direction, but less continuous.

Resources/reserves

In the iron ore operations the following table shows how the search ellipse (i.e. the ellipsoid used by the Kriging process to determine if a sample is used in the estimation of a block) is used to classify the mineral resource:

	Mineral Resource Classification Criteria		
	Minimum number of samples	Maximum number of samples	Search ellipse settings XYZ (m)
Measured	6	30	100x100x10
Indicated	5	30	200x200x20
Inferred	4	30	400x400x40

Only Measured and Indicated resources are converted to Proved and Probable reserves respectively. Modifying factors were applied to these resources and financially optimised. The financial outline is used to define the optimal pit by means of the Lersch-Grossman algorithm. The resources within this mining constraint are defined as reserves. These are categorised into different product types, destined for the different plant processes and scheduled for planning.

The methodology followed to identify targets is initiated with geological mapping, followed by geophysics (ground magnetics and gravity). Percussion drilling is used to pilot holes through overlying waste rock down to the iron ore bodies. Diamond drilling is the next phase, which is usually on a 200 m x 200 m grid. Further infill drilling is carried out at spacing ranging from 100 m x 100 m to 25 m x 25 m depending on the complexity of the structures. Numerous exploration programmes were completed in the last 40 years. A total of 2 832 holes (1 315 holes on Khumani and 1 517 holes on Beeshoek) were drilled. Core samples were logged and split by means of a diamond saw and the half core is sampled every 0,5 m. Before submission for assaying, the half cores were crushed, split and pulverised. Samples with values ≥ 60% are included in the definition of the ore bodies. Any lower grade samples inside the ore body are defined as internal waste and modelled separately. Each zone is modelled per section, and then wireframed to get a 3-dimensional model.

Ordinary Kriging interpolation within Datamine was used to estimate the grade of each 10 m x 10 m x 10 m block generated within the geological model. Density in the resource model is calculated using a fourth degree polynomial fit applied to the estimated Fe grade. Densities range from 4,38 t/m^3 (60% Fe) to 5,01 t/m^3 (68% Fe). A default density of 3,2 is used for waste.

At Beeshoek all blast holes are sampled per metre, but composited per hole. All holes are analysed for density and blast holes in ore are sampled and analysed for Fe, K_2O, Na_2O, SiO_2, Al_2O_3, P, S, CaO, MgO, Mn, BaO. Every fifth blast hole is geologically logged per metre, which is used to update the geological model. The chemical results of these holes are used to update the ore block model. Approximately 45 000 blast holes are drilled per annum and 9 000 blast holes annually are used to update the models. The major analytical technique for elemental analyses is XRF spectroscopy. Volumetric titration is used as verification method for the determination of total iron in the ore. International standards (e.g. SARM11) and in-house iron standards are used for calibration of the XRF spectrometer. The Beeshoek laboratory participates in a Round Robin group that includes seven laboratories for verification of assay results.

The 2006 mineral resources at Beeshoek Mine decreased from 153,3 Mt to 147,8 Mt, due to the annual production drawdown. The mineral reserves at Beeshoek decreased substantially mainly due to the now exclusion of the Village deposit. The high stripping ratio of 4,5 t waste to one ton ore militates against the inclusion of this in reserve. Ore reserves were also depleted at the GF, HH Ext, HL and West pits. Other pits such as East Pit and the BF pit were also drawn down heavily to meet production. Of the 37 Mt of mineral reserves available, only about 40% is suitable for the ordinary wash-and-screen process, limiting the life of mine at Beeshoek to approximately two to three years, for the current export ore qualities.

At Khumani Mine the 2006 Measured and Indicated mineral resources and ore reserves remain the same. The Inferred mineral resources increased from 671,5 Mt to 685,5 Mt due to an addition of resources on both the King and the Mokaning properties. The mineral reserves amount to 444,7 Mt at a Fe grade of 64,7%. Resources/reserves were audited and signed off by Snowden Mining Consultants in February 2005. Infrastructure construction is in progress, and production will start in 2008.

Mining operations are all open pit based on the conventional drill and blast, truck and shovel operations. Run of mine ore is crushed and stored as high or normal grade on blending stockpiles. Ore from the stockpiles is either sent to the wash and screen plant or if contaminated to the beneficiation plant. The washing and screening plant consists primarily of tertiary crushing, washing, screening, conveying and stacking equipment. The beneficiation plant consists of tertiary crushers, scrubbers, coarse and fine jigs or Larcodems, fine crushing, elutriators and upward flow classifiers, lumpy, fines and medium size product stockpiles and a rapid load-out facility. No chemical is being used in any of the treatment plants.

As stated previously the life of mine at Beeshoek is limited to three to seven years if the current product specification of a 65,5% Fe product is maintained. Investigations into marketing a lower grade Fe product are under way and if feasible would increase the life of mine. The new Khumani Mine has a life of mine of approximately 30 years.

CHROMITE

Chromite operations at Dwarsrivier Mine form part of the company's chrome division. The mine is situated on the farm Dwarsrivier 372KT, approximately 30 km from Steelpoort and 60 km from Lydenburg in the Mpumalanga province, South Africa. Located at latitude 30°05'00"S/longitude 24°59'00"E, Assmang purchased the farm from Gold Fields Limited, together with all surface and mineral rights in October 1998.

Neighbouring properties to the north and south of Dwarsrivier had existing chrome mining operations at the time of purchase. The feasibility study of the plant, tailings dam and designs for the open cast and underground mines then commenced. After the completion of the consolidated assessment, approval to proceed with the final design and construction work was given in July 1999.

Chromite was obtained from the open cast mining areas at a rate of approximately 0,9 Mt per annum and these areas were mined out within five years. Underground mining commenced in 2005 at a rate of 1,2 Mt per annum. Dwarsrivier Mine is specifically geared to deliver high quality metallurgical grade chromite to the Machadodorp Smelter. In addition, the plant has been designed to produce chemical and foundry grade products.

Mining Authorisation

An old order Mining Licence 21/99 was granted in October 1999. It was granted for the mining of chrome and platinum group metals. An application for the conversion to a new order mining right, will be submitted during the 2007 financial year.

Geology

Dwarsrivier Mine is situated in the eastern limb of the Bushveld Complex, which comprises persistent layers of mafic and ultramafic rocks, containing the world's largest known resources of platinum group metals, chromium and vanadium. The mafic rocks termed the Rustenburg Layered Suite, are approximately 8 km thick in the eastern lobe and are divided formally into five zones.

The rocks of the Marginal Zone at the base of the succession consist mainly of pyroxenites with some dunites and harzburgites. Above the Marginal Zone, the Lower Zone comprises mainly pyroxenites, harzburgites and dunite. The Lower Zone is present only in the northern part of the Eastern Lobe, and only as far south as Steelpoort. The appearance of chromitite layers marks the start of the Critical Zone, economically the most important zone. The layers are grouped into three sets termed the Lower, Middle and Upper Groups. The sixth chromitite seam in the Lower Group (LG6) is an important source of chromite ore and is the ore body being mined at Dwarsrivier Mine. In the Eastern Lobe, in the vicinity of Dwarsrivier, the strike is nearly north-south, with a dip of approximately 10° towards the west. Average thickness of the LG6 seam is about 1,86 m in the Dwarsrivier area. Pipe-like dunite intrusions are evident in the area, as well as dolerite dykes that on average strike northeast-southwest. No significant grade variation is evident, especially not vertically in the ore seam. Small (insignificant) regional variations do, however, exist.

Resources/reserves

Information was obtained from boreholes with a 300 m to 150 m grid spacing. Resources were determined with a decreasing level of confidence.

Measured resource (150 m drill grid spacing),
Indicated resource (300 m drill grid spacing), and
Inferred resource (drill grid spacing greater than 300 m)

All possible resources down to a mineable depth of 350 m below ground level have been considered.

A strategy to ensure the availability of adequate information ahead of mining activities is in place. The strategy is to ensure all mining areas, falling within the first five years of the life of mine plan contain Proved Reserves. Vertical diamond drilling holes are used, except where information is needed to clarify large scale fault planes. The mineral resource at Dwarsrivier Mine is based on a total of 219 diamond drill holes that have been used for grade estimation and ore body modelling purposes. The drill core is NQ size and is geologically and geo-technically logged. The collar position of the drill holes is surveyed, but no down-hole surveys are done, and the holes are assumed to have minimal deflection.

The chromitite seam is bounded above and below by pyroxenites. As such, the ore horizon is clearly defined. The core is sampled from the top contact downwards at 0,5 m intervals. The core is split and half is retained as reference material in the core sheds. The other half is crushed and split into representative samples, which are crushed and pulverised for chemical analysis. The samples are analysed fusion/ICP-OES for Cr_2O_3, SiO_2, FeO, Al_2O_3, MgO and CaO. Three laboratories, all ISO 17025 accredited for this method are used. Every tenth sample is analysed in duplicate. SARM 8 and SARM 9 standards as well as in-house reference material (CRI) are included every 20 to 30 samples in each batch. The density for each sample is measured using a gas pycnometer.

Datamine software is used to construct a 3-D geological model (wireframe) of the LG6 chromite seam, based on borehole and other geological data. A cut-off value of 35% Cr_2O_3 was used to distinguish between ore and waste. Mineral resources have been calculated using ordinary Kriging, where Cr_2O_3-, FeO-, Al_2O_3-, MnO and MgO-contents of the LG6 seam and densities were determined, using block sizes of 50 m x 50 m x 5 m.

When compared to 2005, the 2006 mineral reserves decreased by 0,8 Mt or 2,6% to 30,2 Mt (31,0 Mt) and the mineral resources show a limited decrease of 1 Mt or 1% to 87,3 Mt (88,3 Mt). The reason for the change is that no additional exploration drilling was conducted to increase the resource base, so the 2005 resources became depleted by the year's production.

During mining a slightly diluted run of mine ore is fed to the beneficiation plant. This decreases the average grade from approximately 40% Cr_2O_3 to 37% Cr_2O_3. An addition of approximately 9% waste material results in this 3% Cr_2O_3 grade decrease. In the dense media separation part of the plant, the coarse fraction is upgraded to 40% Cr_2O_3, with a yield of 80%. In the spiral section of the plant the finer fraction is upgraded to 44% Cr_2O_3 and 46% Cr_2O_3 respectively for metallurgical grade fines and chemical grade fines. Foundry sand is also produced with a similar grade to that of the chemical grade fines. A 67% yield is achieved in the spiral circuit.

The current life of mine of the Dwarsrivier Chrome Mine is 25 years. Excluded from this plan are the inferred mineral resources and material situated deeper than 350 m below the ground level.

P J van der Merwe, BSc (Hons) (Geology), PrSciNat

Competence

The competent person with overall responsibility for the compilation of the Mineral Reserves and Resources is Paul J van der Merwe, PrSciNat, an ARM employee. He consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Paul van der Merwe graduated with a BSc (Hons) in Geology from Free State University. He spent four years as an exploration geologist for Foskor. He then joined the Uranium Resource Evaluation Group of the then Atomic Energy Corporation of South Africa for 12 years. While employed there he studied geostatistics and spent some time at the University of Montreal, Canada. In 1991 he joined Anglovaal Mining (now ARM) in the Geostatistics Department and evaluated numerous mineral deposit types for this group in Africa. In 2001 he was appointed as Mineral Resource Manager for the group. He is registered by the South African Council for Natural Scientific Professions as a Professional Natural Scientist in the field of practice of geological Science, Registration Number 400498/83, and as such is considered to be a Competent Person.

All competent persons at the operations have sufficient relevant experience in the type of deposit and in the activity for which they have taken responsibility. Details of the ARM's competent persons are available from the company secretary on written request.

The following competent persons, who are employed by Assmang, were involved in the calculation of Mineral Resources and reserves: M Burger, PrSciNat – Iron; M Burger, PrSciNat – Chrome; A Pretorius, PrSciNat – Manganese.

OTHER ASSORE SUBSIDIARY COMPANIES' MINERAL RESOURCES AND RESERVES

Mine	*In situ* resource (millions – tons)				Reserve (millions)				
	Measured Tons	Indicated Tons	Inferred Tons	Total Resource	Proved Tons	Probable Tons	Total Reserve	*In situ* Rand/Ton	Value* (R million)
Rustenburg Minerals	2,27	2,14	3,86	8,27	1,25	1,05	2,30	5,71	25,18
Wonderstone Limited	5,03	–	107,60	112,63	3,92	–	3,92	8,80	44,26
Zeerust Chrome	1,22	–	5,84	7,06	0,20	–	0,20	3,75	4,58
Totals	**8,52**	**2,14**	**117,30**	**127,96**	**5,37**	**1,05**	**6,42**		

* *Measured and Indicated multiplied by rand/ton*

CORPORATE GOVERNANCE REPORT

The Assore Board believes that strong corporate governance not only enhances sustainable control of an organisation but is essential to preserving organisational reputation, investor confidence, access to capital, when required, and sustainable employee motivation.

Consequently the group subscribes, in all its activities, to a policy of best practice in business management and corporate governance for South African companies, which it implements in accordance with the following three dimensional framework:

- Installing a risk and control environment within its business entities where management is responsible for identifying, quantifying and managing risks to achieve the organisation's objectives on a sustainable basis;

- Creating a process which provides executive management, through the Audit Committee, with assurance over the adequacy of internal control within the organisation, i.e. that the risk and control environment in place is appropriate for the business concerned and is working as intended, and
- Establishing a challenge process to identify the effectiveness of both the risk management environment and the assurance processes. This is generally the role of the internal audit function and other independent technical assurance specialists used on a consultancy basis.

The company's shares are listed on the JSE which requires that all listed companies comply with the Code of Corporate Practices as set out in the King Report on Corporate Governance. The King Report was originally issued in November 1994 and updated in March 2002 as the "King Two Report". The objective of the King Reports is to formulate recommendations for the maintenance and improvement of standards of corporate governance in South African companies in accordance with international best practice.

The group's practices are already in line with all the material requirements of these reports and ongoing consideration is given to those peripheral practices recommended in the King Two Report which have not yet been implemented by the group. Where it is not possible or it is impractical for the group to comply with the recommendations, the instances are referred to in this report and mention is made of the alternative procedures which the board has agreed to implement.

BOARD OF DIRECTORS

The directors are committed to the principles of corporate discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.

Composition

The holding company has a unitary board structure comprising eight directors, four of which are executive and four non-executive.

Of the four non-executive directors Mr P N Boynton represents the Old Mutual Life Assurance Company (South Africa) Limited (Old Mutual), which has a significant interest in the group and Mr Cyril Ramaphosa represents the Shanduka Group which is one of Assore's Black Economic Empowerment partners. The other two non-executive directors are regarded as independent and hold directorships in other listed and unlisted companies resident in South Africa.

The non-executive directors do not receive any benefits from the company other than their fee for services as directors, which, in the case of the directors representing Shanduka and Old Mutual, are paid over to their respective employers.

The four executive directors are Messrs Desmond Sacco (Chairman), R J Carpenter (Deputy Chairman), C J Cory (Chief Executive Officer) and P C Crous (Group Technical Director) and each of these executives is also on the board of joint venture company, Assmang.

Remuneration

Details of emoluments paid to directors and directors' interests in shares of the company are disclosed in the Directors' Report on pages 40 and 42 and none of the executive directors have signed contracts of service with the company which specify either a paid notice period or additional compensation in the event of termination.

Election

In accordance with the company's Articles of Association, all directors are subject to retirement by rotation and re-election by shareholders at least once every three years. In addition all directors are subject to re-election by shareholders at the first annual general meeting following their initial appointment. A brief curriculum vitae of each director is set out on pages 4 and 5 of this report.

Meetings

The board meets at least four times per annum on predetermined dates with additional meetings convened when considered necessary. The board met on four occasions in the year under review and attendance at these meetings was as follows:

	Possible	Attended
Desmond Sacco	4	4
R J Carpenter	4	3
C J Cory	4	4
P C Crous	4	4
B M Hawksworth	4	4
P N Boynton	4	4
Dr J C van der Horst	4	4

Audit Committee

B M Hawksworth (Chair)
P N Boynton
C J Cory
Dr J C van der Horst

The Audit Committee is a subcommittee of the board and the Chairman of the Audit Committee reports on activities of the committee at each board meeting. The Audit Committee was established in terms of a charter approved by the board which, *inter alia,* sets out its duties and responsibilities and is reviewed on an annual basis to ensure it remains appropriate to the activities of the group.

The majority of the members of the Audit Committee, including the Chairman (who will make himself available to take questions at the AGM), are non-executive directors and the committee meets at least three times per annum.

The prime objectives of the Audit Committee are to:

- monitor the efficiency and effectiveness of the group's internal control environment;
- review and approve the drafts of financial reports prior to their issue;
- consider the appropriateness of the group's accounting policies; and
- provide a forum for the management of the external and internal audit functions and the resolution of issues which arise from audit activities.

All audit work is undertaken based on programmes prepared in accordance with an ongoing risk evaluation process which ensures that the focus of the audit effort is optimised (refer Risk Management and Internal Audit and Internal Control below).

Representatives of the internal and external auditors are invited to attend the regular meetings of the committee and, if necessary, have direct access to the Chairman of the committee throughout the year. The engagement partner of the external auditors is invited annually to address the full board on the audit relationship in general and any specific issues of concern arising from the annual audit.

Remuneration Committee

B M Hawksworth (Chair)
Desmond Sacco
Dr J C van der Horst

The majority of the members are non-executive directors, including the Chairman, and the committee meets at least once a year for the annual salary review which the Chief Executive Officer attends by invitation. Recommendations on the broad framework and cost of executive remuneration are made annually to the board for approval and in order to do so the committee is required to determine:

- the group's general policy on executive remuneration;
- specific remuneration packages for executive directors; and
- criteria where required to account for the suitable performance of executive directors.

The remuneration of non-executive directors is determined by the Assore executive and requires approval at a shareholders' meeting. Remuneration of other employees in the group is determined annually by the executive directors in conjunction with the human resources department.

Insider trading and closed periods

The group operates a closed period prior to the publication of its interim and final results. During this period directors, officers and designated persons who may have access to price sensitive information are precluded from dealing in the shares of the group. The closed period extends from the fifteenth of the month following the end of a financial reporting period and expires on the day on which the results are published. Where appropriate, dealing is also restricted during sensitive periods where major transactions are being negotiated and a public announcement is imminent.

RISK MANAGEMENT

Risk is an ever-present feature of business in general. It is exacerbated in the mining industry as a result of the remote locations of operations, the physical danger inherent in the day-to-day activities of mining and smelting operations and the volume and complexity of legislation with which the industry has to comply. The most prominent financial risks to which the group is exposed, namely fluctuations in exchange rates and world commodity prices, are to a large extent outside of the board's direct control.

Group risk management is achieved through the identification and control of all significant business risks including operational risks, which could adversely affect the achievements of the group's business objectives. Risk is managed at group level through the appointment of various risk management committees, which comprise representatives from senior management. The committees report to the board of directors through the Audit Committee. An independent formalised process of identifying, recording and reviewing the management of major risk exposures has been implemented, assisted by specialised external consultants where required. Independent risk engineering consultants grade each operation against international risk standards for fire, security, engineering, commercial crime, contingency planning and mining, as well as environmental risk to monitor whether current practices meet the set criteria and are being maintained. The risk management committees are also responsible for ensuring that appropriate financial and insurance mechanisms are integrated into the risk plan and the group is protected against catastrophic risk including failure of IT systems.

In addition, the group risk management process includes ongoing review of compliance with legislation in the areas of environmental rehabilitation, health and safety, and human resource management. This review is undertaken in conjunction with independent, specialist consultants and subjected to regular compliance audits. Reports emanating from these independent reviews are tabled at the Audit Committee, which monitors progress and raises unresolved issues at board level where considered appropriate.

HEALTH, SAFETY AND ENVIRONMENT

Health

The HIV/AIDS pandemic is without doubt the most important health concern for all businesses in South Africa. It does not only affect the productivity of all operations through illness, absenteeism and untimely death, but also has an impact on the working environment of employees and on the social implications for both their families and the communities within which they live.

Each of the larger operations in the group has devised a comprehensive strategy to control the impact of HIV/AIDS on its operations and on its global competitiveness, and to provide humanitarian support to affected employees and their families.

Current policies focus on the education of the workforce using an extensive HIV/AIDS education programme. This programme has also been taken to the schools and other institutions within the rural areas surrounding the group's operating divisions. Regular surveys are conducted to measure changing attitudes towards HIV/AIDS and voluntary education also takes place.

Participation in initiatives to address HIV/AIDS is ongoing. The HIV/AIDS Scorecard process has evolved over the past three years to measure the extent to which the operations are subscribing to the King Two Good Governance Principles, in terms of which the board of directors needs to:

- ensure they understand the social and economic impact that HIV/AIDS will have on the company's business activities;
- adopt an appropriate HIV/AIDS strategy, plan and policies to address and manage the potential impact;
- regularly monitor and measure performance using established indicators; and
- report to stakeholders on a regular basis.

Management of the HIV/AIDS pandemic is critical to sustainable development and, in order to achieve the goals set in the King Two Report after five years, the group will continue to improve its operational interventions by setting targets for each operation and reviewing achievement against plan on a regular basis.

Safety

Employees undergo stringent safety training on operating procedures, use of equipment and operation of machinery and furnaces. Attention is focused on supervision and direction in reducing workplace accidents and related occupational health and hygiene-related incidents. Activities in this regard include the application of regular measurement against legislated or regulatory requirements, analytical reviews of accidents which occur and compliance with current industry and international best practices.

Environment

The Assore group views its responsibility in terms of protecting the environment in a serious light and environmental management is regarded as a key performance area for all operations. Environmental management systems are based on internationally accepted standards and are implemented in conjunction with recognised consultants based on the following commitments:

- Recognition of rehabilitation as an essential part of the mining process;
- Ongoing maintenance and assessment of environmental conditions surrounding mining and smelting activities with the view to reducing to a minimum pollution, waste generation and other negative impacts on the environment in which operations are located;
- Developing awareness amongst staff of environmental issues through ongoing training programmes; and
- Maintaining positive relationships on environmental issues with stakeholders, including shareholders, employees, neighbours and regulatory authorities.

It is a requirement that all mining companies in the group undertake environmental impact assessments and complete restoration work with regard to areas that have been disturbed by mining and prospecting activities in accordance with these assessments. All companies in the group, which are currently involved with prospecting and mining activities, have submitted environmental management programmes to the relevant Regional Director of the Department of Minerals and Energy for approval and all the costs associated with the programmes are regarded as an integral part of the prospecting and mining operations concerned. These costs are either charged to the cost of mining when incurred or, where it is not possible to complete restoration work as an integral part of the mining operation, annual contributions are made to the Environmental Trust Funds (Trusts) which have been established for this purpose. Annual contributions to these Trusts are calculated, based on the remaining life of the mining operations and the final estimated cost concerned, which includes decommissioning costs and the cost of restoration as required by the Department of Minerals and Energy. Notwithstanding the transfers made to the Trusts, the full liability for rehabilitation is raised as a long-term provision and the investments of the Trusts are recognised as an asset in the group's balance sheet.

INTERNAL AUDIT AND INTERNAL CONTROL

The board, through its appointed Audit Committee, is accountable for the implementation of appropriate internal controls, which are reviewed regularly for efficiency and effectiveness. These controls are designed to manage the risk of failure, and provide reasonable assurance that there is an adequate system of internal control in place. As with all management systems the assurance provided is not absolute and the risk of failure cannot be eliminated entirely. The internal audit functions at the various operations in the group have been outsourced to the special services divisions of recognised professional auditing firms. Internal auditors monitor the operation of the internal control systems and, after discussion with management, report findings and recommendations to the Audit Committee. Corrective action is taken to address control deficiencies as and when they are identified. Nothing has come to the attention of the board to indicate that any material breakdown in the effective functioning of controls, procedures and systems has occurred during the year under review.

Representatives of the internal audit team are invited to attend Audit Committee meetings and, where areas of new risk are identified or capital projects completed, separate independent investigations take place on an *ad hoc* basis in addition to the programmed reviews referred to above.

EMPLOYEE PARTICIPATION AND SOCIAL INVESTMENT

For many years, collective bargaining procedures have been negotiated with workforce representatives but, where a workforce has elected not to be represented by a recognised union, it is encouraged to elect a Works Committee to achieve the same objectives. The forums so created are utilised in wage negotiations and to communicate information regarding operating performance and facilitate workforce participation in health, safety and educational issues.

The group is committed to promoting respect for the dignity of the individual, the maintenance of fair employment conditions and the development, through education, of competent and committed employees. The group, in conjunction with the Assore Chairman's Fund, provides financial assistance for study purposes to all members of staff, including their dependants, based on defined performance criteria. A substantial proportion of the donations made annually by the Fund is made to a wide range of educational institutions ranging from self-help programmes and adult literacy training to financial assistance for study at tertiary level. The Fund also supports and provides sponsorship for a variety of sporting events, in particular, providing financial assistance and incentives for the participation of young sportsmen and women from disadvantaged backgrounds who display significant sporting talent.

EMPLOYMENT EQUITY

The Employment Equity Act imposes obligations*, inter alia,* on all companies to meet certain employment quotas with regard to the various employee groupings which are designated by the Act.

The board is of the view that the advancement of new and existing employees by means of employment equity can only succeed if this forms part of carefully managed succession and workforce plans which do not compromise the high standards of efficiency sought by the group in the workplace.

Employment equity plans and reports for each operation were developed in consultation with the recognised unions at each of the operations and have been presented to the Department of Labour in accordance with legal requirements. An Employment Equity Committee, representing management and employees, exists at each of the operations and progress in implementing the equity plans and revising targets is monitored on a regular basis. The following equity principles have been employed within the legislative framework in formulating the policies referred to above:

- To ensure no unfair discrimination occurs in employment practices;
- To treat all persons equally, fairly, with dignity and respect;
- To achieve a diverse, efficient workforce which aims to be equitably representative of the population in its operational areas;
- To create opportunities for, and remove barriers to, human resource development;
- To involve employees and their representatives in employment equity matters; and
- To be an effective corporate partner of communities, government and other social stakeholders.

The development of skills is a critical issue, which is being implemented rapidly, but thoroughly, at each operation in order to address the widening gap between the supply of, and demand for, skilled labour.

CODE OF ETHICS, RESPONSIBILITIES TO STAKEHOLDERS AND SUSTAINABLE DEVELOPMENT

The group has not developed a comprehensive Code of Ethics but the following principles have been adopted to guide various aspects of corporate behaviour to ensure the group remains committed to the highest standards of integrity in dealing with its stakeholders and developing its business activities in a sustainable way.

Investors

Dealing properly with all stakeholders in order to serve the best interests of shareholders on a sustainable basis. Commitment to full compliance with relevant laws and rules, good corporate governance, transparency and fair dealing.

Employees

Employing only the most appropriately skilled individuals and investing in their development in a non-discriminatory environment.

Communities

Promoting strong relationships with, and raising the capacity of the communities in which the group's activities are located.

Customers and business partners

Seeking mutually beneficial long-term relationships with customers, business partners, contractors and suppliers based on fair and ethical practices.

Governmental bodies

Respect for laws of the countries in which the group operates, while seeking to observe within its operations the universal standards promulgated by leading inter-governmental organisations.

Non-governmental organisations

Maintenance of constructive relations with relevant non-governmental organisations.

BLACK ECONOMIC EMPOWERMENT

Assore is supportive of the broad-based economic imperatives contained in the Minerals and Petroleum Resources Development Act (the MRPD Act), and has embarked on initiatives aimed at meeting these requirements at its mining operations, as set out below.

The MRPD Act has changed the current common law and statutory position in South Africa whereby mineral rights can be held privately. Instead, with effect from 1 May 2004, the State has assumed sovereignty and custodianship of all mineral rights in South Africa and will grant prospecting rights and mining rights to applicants based on the merits of their applications (new order rights). A transitional period is provided during which holders of existing mineral and exploration rights (old order rights), upon meeting certain requirements, may convert existing in-use mining or prospecting rights to new order rights, or in the case of unused rights, may apply for new order rights.

The Act also provides for a broad-based socio-economic empowerment charter (the Charter) which is intended to facilitate the entry of historically disadvantaged South Africans (HDSAs) into the mining industry. The scorecard which the State has issued pursuant to the Charter requires, *inter alia,* that mining companies achieve 15% HDSA ownership of mining assets within five years (i.e. 1 May 2009) and 26% within ten years (i.e. 1 May 2014). The Charter also requires*, inter alia,* that mining companies provide plans and achieve employment equity at management level and procure 40% of their goods and services from black empowered organisations in accordance with the predetermined criteria set out in the plans.

In view of meeting the Charter's requirements Assore has:

- Completed an audit of current compliance with the requirements of the Charter.
- Commenced with the introduction of a preferential procurement policy at all its operations.
- Concluded empowerment transactions with Mampa in April 2004 and Shanduka and the Bokamoso Trust in February 2006 (refer below).
- Developed a social and labour plan for all its operations which supports the integrated development plan of the relevant local authorities. The plan, which has received the approval of the relevant departments, includes the construction of educational facilities, maintenance and upgrading of roads and presentation of programmes on adult education, health and safety and environmental awareness.

Following the introduction of the MRPD Act, Assore has entered into the following empowerment transactions:

1. In April 2004 an empowerment transaction was finalised with Mampa Investment Holdings (the commercial arm of The Mankwe Development Foundation) (Mampa) in terms of which Mampa acquired a 44% interest in Rustenburg Minerals Development Company (Proprietary) Limited (RMDC). RMDC mines chromitite in the Rustenburg area and was previously a wholly owned subsidiary of the Assore group. Mampa is represented on both the management committee and the board of RMDC and has an option to increase its stake in RMDC to 51%. In October 2005 RMDC was successful in its application to convert all of its mining rights to new order rights and on 29 June 2006 RMDC paid its maiden dividend in terms of the joint venture agreement, Mampa receiving R2,5 million.

2. In February 2006, the Assore group 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
   - A community trust (the community trust), which has been formed to benefit broad-based empowerment community groupings and which purchased a 3,26% equity interest in Assore, (collectively the BEE transaction).

Shanduka Resources

Shanduka Resources is a subsidiary of Shanduka, a black-owned and managed investment holding company founded by Cyril Ramaphosa, James Motlatsi and several other black professionals. Shanduka encompasses its own element of broad-based BEE through community development trusts that have equity ownership in Shanduka. These trusts are part of the Shanduka Foundation which was launched in 2004 as the vehicle through which Shanduka channels its social and community investment initiatives. Shanduka has committed to spend in excess of R100 million in upliftment programmes over the next ten years.

The Shanduka Foundation is committed to support initiatives aimed at:

- developing women-led small businesses and new entrepreneurs;
- providing scholarships for deserving, previously disadvantaged students at accredited tertiary institutions enabling them to continue their studies in business related courses; and
- assisting underprivileged schools to acquire basic facilities through the Adopt-a-School programme.

Shanduka Resources has a long-term strategy to develop a diversified resources house with operational capabilities and has investments in the coal, diamond, paper and gold industries. Shanduka Resources will provide leadership for Assore's BEE partners and strategic support to Assore in achieving its BEE objectives.

Community trust

The community trust has been established for the benefit of broad-based community groupings in the areas in which the mines and beneficiation plants are located. Assore has initiated a process through which it will identify and negotiate with certain community groupings for their participation as trustees and beneficiaries in the community trust in accordance with the Trust Deed.

Assore has concluded a relationship agreement with Shanduka Resources to regulate the relationships between the parties and, insofar as is possible, to ensure the continued compliance by Shanduka Resources with the direct ownership requirements of the Mining Charter. Assore has entered into a similar relationship agreement with the community trust.

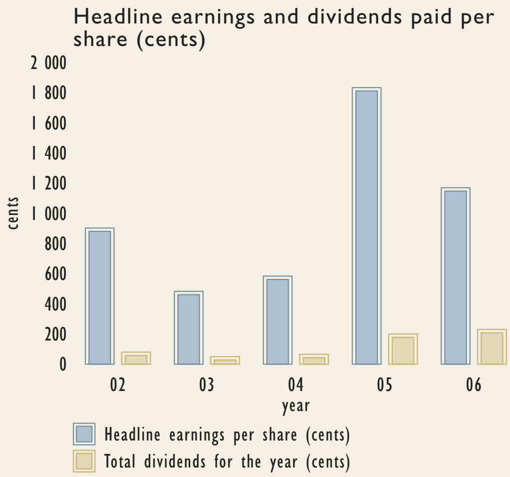
FIVE-YEAR SUMMARY

OF THE CONSOLIDATED FINANCIAL STATEMENTS

Income statements	2002[Δ] R 000	2003[Δ] R 000	2004 R 000	2005* R 000	**2006 R 000**
Turnover	1 514 406	1 753 027	2 228 091	3 093 944	**3 382 587**
Profit before exceptional items	385 951	217 859	309 029	793 607	**561 614**
Exceptional items	248 278	–	–	–	**145 777**
Taxation and State's share of profits	131 894	76 414	99 583	252 545	**227 569**
Profit for the year	502 335	141 445	209 446	541 062	**479 822**
Earnings attributable to:					
– Equity holders of the parent	501 954	136 372	169 843	509 445	**457 384**
– Minority interests	381	5 073	39 603	31 617	**22 438**
As above	502 335	141 445	209 446	541 062	**479 822**
Other information					
Dividends declared during the year	16 800	18 200	12 600	26 600	**64 400**
Number of ordinary shares in issue ('000)	28 000	28 000	28 000	28 000	**28 000**
Treasury shares	–	–	–	–	**(305)**
Weighted average number of shares outstanding	28 000	28 000	28 000	28 000	**27 695**
Earnings per share (cents)	1 793	487	607	1 819	**1 652**
Headline earnings per share (cents)	903	483	584	1 834	**1 170**
Dividends for the year (cents)					
– Interim (paid)	40	25	20	50	**80**
– Final (declared subsequent to year-end)	40	25	45	150	**150**
	80	50	65	200	**230**
Average exchange rates for the year					
SA rand to US dollar	10,12	9,00	6,84	6,18	**6,41**
SA rand to euro	9,06	9,37	8,16	7,84	**7,80**

Δ Years 2002 to 2003 are prepared in accordance with SA GAAP, thereafter in terms of IFRS

** Restated – refer changes in accounting policies*

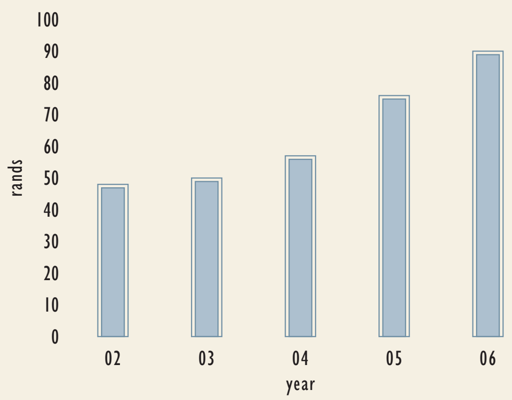


Balance sheets	2002Δ R 000	2003Δ R 000	2004 R 000	2005* R 000	**2006 R 000**
ASSETS					
Non-current assets					
Property, plant and equipment, investment properties and intangibles	956 950	1 056 281	1 206 428	1 391 931	**2 023 210**
Available-for-sale investments	179 051	147 152	165 715	232 093	**169 750**
	1 136 001	1 203 433	1 372 143	1 624 024	**2 192 960**
Current assets					
Other current assets	769 176	827 341	1 006 005	1 319 769	**1 544 173**
Cash resources	97 462	109 170	179 766	293 059	**171 835**
TOTAL ASSETS	2 002 639	2 139 944	2 557 914	3 236 852	**3 908 968**
EQUITY AND LIABILITIES					
Share capital and reserves					
Ordinary shareholders' interest	1 325 020	1 382 513	1 549 309	2 092 721	**2 475 316**
Minority shareholders' interest	13 796	12 701	42 560	39 363	**51 114**
Total equity	1 338 816	1 395 214	1 591 869	2 132 084	**2 526 430**
Non-current liabilities					
Deferred taxation	173 261	198 251	240 576	345 181	**544 844**
Long-term liabilities	32 032	34 865	55 425	65 333	**122 312**
	1 544 109	1 628 330	1 887 870	2 542 598	**3 193 586**
Current liabilities					
Non-interest bearing	105 129	202 992	290 878	467 514	**461 928**
Interest bearing	353 401	308 622	379 166	226 740	**253 454**
TOTAL EQUITY AND LIABILITIES	2 002 639	2 139 944	2 557 914	3 236 852	**3 908 968**
Net asset value per share (rand)	48	50	57	76	**90**
Exchange rates at year-end					
SA rand to US dollar	10,23	7,46	6,17	6,65	**7,11**
SA rand to euro	10,17	8,64	7,53	8,06	**9,10**

Δ Years 2002 to 2003 are prepared in accordance with SA GAAP, thereafter in terms of IFRS

** Restated – refer changes in accounting policies*

Net asset value per share (rand)



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.

Ernst + Young

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	2005
	R 000	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.

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
Assets		
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
Equity and liabilities		
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

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 Hawksworth 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
Directors' emoluments 2006						
Executive						
D Sacco *(Chairman)*	110	2 710	1 892	–	372	5 084
R J Carpenter *(Deputy Chairman)*	96	2 576	3 268	585	175	6 700
C J Cory *(Chief Executive Officer)*	96	2 352	3 172	535	217	6 372
P C Crous *(Group Technical Director)*	96	1 960	3 004	459	205	5 724
Non-executive						
P N Boynton*	60					60
B M Hawksworth	120					120
J C van der Horst	100					100
Alternate						
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
Directors' emoluments (continued)						
2005						
Executive						
D Sacco *(Chairman)*	110	2 419	1 868	–	249	4 646
R J Carpenter *(Deputy Chairman)*	96	2 300	2 240	522	815	5 973
C J Cory *(Chief Executive Officer)*	96	2 100	2 191	478	225	5 090
P C Crous *(Group Technical Director)*	96	1 750	2 103	411	194	4 554
Non-executive						
P N Boynton*	60					60
B M Hawksworth	120					120
J C van der Horst	100					100
Alternate						
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

1. Directors' fees for executives include fees receivable from Assmang Limited.
2. 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.
3. Other fringe benefits include medical aid contributions, car scheme allowances, life insurance contributions, leave paid out, study loan benefits and unemployment insurance fund contributions.

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
Executive directors				
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
Non-executive directors				
P N Boynton	**–**	–	**8 000**	8 000
B M Hawksworth	**–**	–	**–**	–
Dr J C van der Horst	**–**	–	**–**	–
Alternate director				
J W Lewis	**2 500**	2 500	**–**	–
	91 900	91 900	**40 000**	40 000

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 %
Shareholder spread		
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*

	2006 %	2005 %
Major shareholders		
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

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2006

	Note	2006 R 000	2005* R 000
ASSETS			
Non-current assets			
Property, plant and equipment	2	**1 960 665**	1 335 430
Investment properties	3	**59 077**	53 046
Intangible assets	4	**3 468**	3 455
Available-for-sale investments	6	**169 750**	232 093
		2 192 960	1 624 024
Current assets			
Inventories	7	**896 152**	695 600
Trade and other receivables	8	**648 021**	622 952
Prepaid taxation		**–**	1 217
Cash deposits held by environmental trusts	9	**22 941**	17 493
Cash resources	27.6	**148 894**	275 566
		1 716 008	1 612 828
TOTAL ASSETS		**3 908 968**	3 236 852
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	10	**700**	700
Share premium	11	**30 358**	–
Treasury shares	12	**(78 526)**	–
Retained earnings		**2 421 878**	1 993 142
Other reserves	13	**100 906**	98 879
		2 475 316	2 092 721
Minority shareholders' interest		**51 114**	39 363
Total equity		**2 526 430**	2 132 084
Non-current liabilities			
Long-term borrowings	14	**58 033**	6 035
Deferred taxation	15	**544 844**	345 181
Long-term provisions	16	**64 279**	59 298
		667 156	410 514
Current liabilities			
Trade and other payables	17	**385 077**	332 911
Taxation		**56 609**	106 358
Short-term provisions and accruals	18	**20 242**	28 245
Overdrafts and short-term borrowings	19	**253 454**	226 740
		715 382	694 254
TOTAL EQUITY AND LIABILITIES		**3 908 968**	3 236 852

* *Restated – refer changes in accounting policies*

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R 000	2005* R 000
Revenue	20	3 494 477	3 216 283
Turnover		3 382 587	3 093 944
Cost of sales		2 783 365	2 317 628
Gross profit		599 222	776 316
Profit on disposal of available-for-sale investments		145 777	–
Discount on BEE transaction	21	(35 752)	–
Other income		217 999	196 514
Other expenses		(204 571)	(157 502)
Finance costs	22	(15 284)	(21 721)
Profit before taxation and State's share of profits	23	707 391	793 607
Taxation and State's share of profits	24	227 569	252 545
Profit for the year		479 822	541 062
Earnings attributable to:			
Equity holders of the parent		457 384	509 445
Minority interests		22 438	31 617
As above		479 822	541 062
Earnings per share (cents)	25	1 652	1 819
Headline earnings per share (cents)	25	1 170	1 834
Dividends per share declared during the year (cents)	26	230	95

** Restated – refer changes in accounting policies*

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R 000	2005 R 000
Cash retained from operating activities		469 972	638 730
Cash generated by operations	27.1	792 472	950 907
Investment income	27.2	3 860	5 625
Movements in working capital	27.3	(183 714)	(206 502)
Cash generated by operating activities		612 618	750 030
Interest income		18 839	16 900
Finance costs		(15 284)	(21 721)
Taxation paid	27.4	(81 825)	(79 887)
Dividends paid	27.5	(64 376)	(26 592)
Cash utilised in investing activities		(683 605)	(336 535)
Acquisition of shares in the holding company by a subsidiary		(78 526)	–
Additions to property, plant and equipment			
– to maintain operations		(312 196)	(290 324)
– to expand operations		(397 912)	(52 937)
Arising on the acquisition of additional shares in joint venture entity		(120 514)	–
Additions to investment properties		(6 031)	–
Net movement in environmental rehabilitation trust funds		(5 448)	(3 990)
Proceeds on disposal of			
– property, plant and equipment		22 393	10 594
– available-for-sale investments		214 629	–
Proceeds on share repurchase		–	122
Cash generated by/(utilised in) financing activities		86 961	(192 892)
Repurchase of ordinary share capital		(162 749)	–
Net proceeds from the issue of ordinary share capital		193 107	–
Issue of preference shares by a subsidiary company		53 600	–
Increase/(decrease) in long-term borrowings		571	(2 311)
Increase/(decrease) in overdrafts and short-term borrowings		24 541	(152 426)
Dividends paid to minority shareholders		(22 109)	(38 155)
Cash resources			
– (decrease)/increase for the year		(126 672)	109 303
– at beginning of year		275 566	166 263
– at end of year	27.6	148 894	275 566

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R 000	2005 R 000
Share capital			
Share capital			
Balance at beginning of year		700	700
Issue of shares		55	–
Repurchase of shares		(55)	–
Balance at end of year	10	700	700
Share premium			
Balance at beginning of year		–	–
Repurchase of shares		(162 694)	–
Issue of shares		196 872	–
Share issue expenses on the above issues charged to share premium in terms of section 76 of the Companies Act		(3 820)	–
Balance at end of year	11	30 358	–
Treasury shares			
Treasury shares	12	(78 526)	–
Other reserves			
Balance at beginning of year		98 879	38 312
		2 027	60 567
Net increase in the market value of available-for-sale investments		6 508	66 501
Deferred capital gains taxation provided on revaluation of available-for sale investments to market value		(5 388)	(9 411)
Foreign currency translation reserve arising on consolidation		907	3 477
Balance at end of year	13	100 906	98 879
Retained earnings			
Balance at beginning of year		1 993 142	1 510 297
Profit for the year		457 384	509 445
Discount on BEE transaction (refer note 21)		35 752	–
Ordinary dividends declared during the year			
Final dividend No. 97 of 150 cents (2005: 45 cents) per share – declared on 30 August 2005		(42 000)	(12 600)
Interim dividend No. 98 of 80 cents (2005: 50 cents) per share – declared on 15 March 2006		(22 400)	(14 000)
Balance at end of year		2 421 878	1 993 142
Per balance sheet		2 475 316	2 092 721
Total income and expense recognised directly in equity			
Profit for the year (as above)		457 384	509 445
Income and expense items recognised in equity		2 027	60 567
Total income and expense for the year		459 411	570 012

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements of the group and company are prepared on the historical cost basis, modified by the revaluation of certain financial instruments to fair value. Details of the company and group's accounting policies are set out below which are consistent with those applied in the previous year except as stated under "Changes in accounting policies" below. The financial statements are presented in South African currency.

Statement of compliance

The consolidated financial statements of the group and company have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and interpretations of those standards, as adopted by the International Accounting Standards Board and applicable legislation.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that the group has adopted the following standards or changes to standards in response to changes in IFRS:

Standard	Description	Key effects of adoption on the group's financial statements
IAS 1	Presentation of Financial Statements	IAS 1 (revised) clarifies the presentation requirements of assets and liabilities as well as the classification of liabilities as current or non-current. IAS 1 (revised) requires the following new disclosures: • The judgements management has made in the process of applying the entity's accounting policies. • The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date. • Disclosure on the face of the income statement, of the entity's profit or loss for the period and the allocation of that amount between "profit or loss attributable to minority interest" and "profit or loss attributable to equity holders of the parent". • The statement of changes in equity requires a total of total income and expenses for the period.
IAS 2	Inventories	IAS 2 (revised) requires disclosure of the amount of any write-down of inventories recognised as an expense in the period.
IAS 8	Accounting Policies, Changes in Accounting estimates and Errors	IAS 8 (revised) requires,disclosure of an impending change in accounting policy when an entity has yet to implement a new Standard or Interpretation that has been issued but not yet come into effect.
IAS 17	Leases	IAS 17 (revised) requires the recognition of land and buildings as separate elements in the classification of a lease of land and buildings.

Standard	Description	Key effects of adoption on the group's financial statements
IAS 16	Property, Plant and Equipment	IAS 16 (revised) states that each part of an item of property, plant and equipment with a cost that is significant to the total cost of the item should be depreciated separately. Under IAS 16 (revised) the residual value of property, plant and equipment needs to be reviewed each year. In response to IAS 16 (revised), the group has re-estimated the expected useful lives of plant and equipment. The impact on current year earnings of this change in estimate amounts to an after tax increase in earnings of R6,9 million. It is expected that there will be an impact going forward from IAS 16 (revised).
IAS 21	The effects of changes in foreign exchange rates	The notion of "reporting currency" has been replaced with two notions: functional currency, and presentation currency. When a reporting entity prepares financial statements, IAS 21 (revised) requires each individual entity included in the reporting entity – whether it is a standalone entity, an entity with foreign operations (such as a parent) or a foreign operation (such as a subsidiary or branch) – to determine its functional currency and measure its results and financial position in that currency. If the presentation currency differs from the entity's functional currency, it translates its results and financial position into the presentation currency.
IAS 24	Related Party Disclosures	In IAS 24 (revised) the definition of related party has been expanded. In addition, IAS 24 (revised) prescribes minimum disclosure requirements for related party transactions.
IAS 27	Consolidated and Separate Financial Statements	IAS 27 (revised) requires an entity to present minority interests in the consolidated balance sheet within equity, separately from the parent shareholders' equity. IAS 27 (revised) requires the use of cost or IAS 39 for all investments in subsidiaries, associates or joint ventures included in separate financial statements.
IAS 31	Interests in Joint Ventures	No effect on the group.
IAS 33	Earnings per Share	No effect on the group.
IAS 39	Financial Instruments: Recognition and Measurement	No effect on the group.
IAS 40	Investment Property	No effect on the group.
IFRS 2	Share-based Payment	IFRS2 required the accounting of a discount of R35,8 million which arose on the issue of Assore shares, in terms of the empowerment transaction.

Standard	Description	Key effects of adoption on the group's financial statements
IFRS 5	Non-current Assets Held-for-Sale and Discontinued Operations	No effect on the group.
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	The objective of the interpretation is to determine the accounting in the financial statements of a contributor for interests arising from decommissioning funds that have the following features: (a) the assets are administered separately (either by being held in a separate legal entity or as segregated assets within another entity). (b) A contributor's right to access the assets is restricted. Adoption has had the effect that the environmental trust funds are consolidated and that the balances previously included in originated loans are now reflected in cash deposits held by the environmental trust funds.
IFRIC 8	Scope of IFRS 2	This interpretation applies to transactions when the identifiable consideration received (or to be received) by the entity, including cash and the fair value of identifiable non cash consideration (if any), appears to be less than the fair value of the equity instruments granted or liability incurred. IFRIC 8 required the empowerment transaction entered into by the group to be accounted for in terms of IFRS 2.

Early adoption

The additional disclosure requirements as a result of the Amendment to IAS 19 "Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures" have been included in the financial statements.

– IFRIC 4 "Determining whether an Arrangement contains a Lease" has been applied in the current year.

On 1 January 2006, the group adopted the requirements of IFRIC 4.This new policy has no impact on the current or prior year financial statements.

IFRS and IFRIC interpretations not yet effective

The group has not applied the following IFRS and IFRIC interpretations which have been issued but are not yet effective. As far as it is possible to determine, the adoption of these standards in the future will not have any material affect on the presentation of the financial statements.

Standard	Revised/Issued	Effective date	Description	Impact
IAS 39	April 2005	1 January 2006	Financial Instruments – Recognition and Measurement	This standard provides guidance on, *inter alia,* hedging the foreign currency risks of a forecast intragroup transaction, adjustments to the fair value of financial instruments after initial recognition and the issue of financial guarantees.

Standard	Revised/Issued	Effective date	Description	Impact
IFRS 6	December 2004	1 January 2006	Exploration for and Evaluation of Mineral Resources	This standard provides guidance on accounting for exploration expenditure, including the recognition of exploration and evaluation assets.
IFRS 7	August 2005	1 January 2007	Financial Instruments – Disclosures	The standard requires disclosure of: the significance of financial instruments for an entity's financial position and performance. Disclosure is also required of the qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk.
IFRIC 9	March 2006	1 June 2006	Reassessment of Embedded Derivatives	This interpretation clarifies certain aspects of the treatment of embedded derivatives.
IFRIC 10	July 2006	1 November 2006	Interim Reporting and Impairment	This interpretation provides clarification on impairments recognised in interim reporting periods in relation to goodwill, investments in equity instruments or financial assets carried at cost.

1.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its joint venture and subsidiary companies, which are prepared for the same reporting year as the parent company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits and losses arising from intragroup transactions, have been eliminated.

Subsidiary companies

Investments in subsidiaries are accounted for in the company at cost less impairments. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. All intragroup transactions and balances are eliminated on consolidation. Unearned profits and losses that arise between group entities are eliminated.

Joint ventures

Investments in jointly controlled entities are accounted for using the proportionate consolidation method. Entities are regarded as joint ventures where the group, in terms of contractual agreements, has joint control over the financial and operating policy decisions of the enterprise. The group's attributable share of the assets, liabilities, income and expenses of such jointly controlled entities is incorporated on a line-by-line basis in the group financial statements. The joint venture is proportionately consolidated until the date on which the group ceases to have joint control over the joint venture.

1.3 Significant accounting judgements and estimates

Judgements

In the process of applying the group's accounting policies, management has made the following judgements, apart from those involving estimations, which could have a significant effect on the amounts recognised in the financial statements:

Consolidation of special purpose vehicles

Management is of the opinion that the Bokamoso Trust, the broad-based community trust, is controlled by Assore as suitable beneficiaries which comply with the broad-based requirement set out in the Trust Deed have yet to be identified (refer note 21). Accordingly the trust has been consolidated.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The group ceased to amortise goodwill with effect from the required implementation date of, 1 July 2004. Goodwill is now tested for impairment annually or more frequently if events or changes in circumstances indicate a possible impairment. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2006 was R1,4 million (2005: R1,4 million). The goodwill relates to the acquisition of a foreign subsidiary and, based on current circumstances, no impairment is necessary.

Post-retirement medical aid liability

Independent actuaries determine the quantum of the provision and the related assumptions are disclosed in note 34.

Provisions for environmental rehabilitation

The group provides for the estimated costs of rehabilitation which include both restoration and associated decommissioning of assets. An independent environmental liability assessment is conducted on a regular basis to estimate the environmental rehabilitation provisions. Significant risk of material adjustment into the next financial year exists due to the inherent uncertainty surrounding the future life of the mines, the forward looking nature of the provision and the uncertainty regarding the underlying assumptions. The inflation rates applied to estimated costs used in the discounted cash flow calculation is 10% and the real discount rate is 5%.

1.4 Property, plant and equipment and depreciation

Plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met. The carrying amounts of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when future economic benefits are no longer expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

The costs to add to, replace part of or service an item following a major inspection is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Depreciation of the various types of assets is determined on the following bases:

Mineral and prospecting rights

Mineral rights which are being depleted are amortised over their estimated useful lives using the units-of-production method based on proven and probable ore reserves. Where the reserves are not determinable, due to their scattered nature, the straight-line method is applied. The maximum rate of depletion of any mineral right is 30 years. Mineral rights which are not being depleted are not amortised. Mineral rights which have no commercial value are written off in full. The excess purchase price over the fair value paid for mineral rights is recognised as being an amount paid for the acquisition of ore reserves. This amount is capitalised and amortised over the period during which future economic benefits are expected to be obtained from these mineral rights, up to a maximum period of 30 years.

Land, buildings and mine properties

Land is not depreciated. Owner occupied properties which are designed for a specific use are depreciated to an estimated residual value on a straight-line basis over their estimated useful lives. The annual depreciation rates used vary up to a maximum of 30 years.

Mine properties, including houses, schools and administration blocks, are depreciated to estimated residual values at the lesser of life of mine and expected useful life of the asset on the straight-line basis.

Plant and equipment

Mining plant and equipment is depreciated over the lesser of its estimated useful life, estimated at between 5 and 19 years, and the units-of-production method based on estimated proven and probable ore reserves. Where ore reserves are not determinable, due to their scattered nature, the straight-line method of depreciation is applied.

Industrial plant and equipment is depreciated on the straight line basis, over its useful life, up to a maximum of 25 years.

Prospecting, exploration, mine development and decommissioning

Costs to develop new ore bodies, to define further mineralisation in existing ore bodies and to expand the capacity of a mine, or its current production, are capitalised and depreciated over a maximum period of 30 years using the straight-line method of depreciation. Development costs to maintain production are expensed as incurred.

Exploration expenditure comprises expenditure incurred and advances made in respect of exploratory ventures, research programmes and other related projects. The costs of exploration programmes are expensed in the year in which they are incurred, except for expenditure on specific properties which have indicated the presence of a mineral resource with the potential of being developed into a mine, in which case the expenditure is capitalised and depreciated in the same way as mining assets (refer mineral and prospecting rights above). Where it is subsequently found that no potential exists to develop a mine, the capitalised costs are written off in full.

Mine development and decommissioning assets are depreciated using the lesser of its estimated useful life or the units of production method based on proven and probable ore reserves. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in future from known mineral deposits. These reserves are reassessed annually. Where the reserves are not determinable due to their scattered nature, the straight-line method of amortisation is applied based on the estimated life of the mine. The maximum period of amortisation using these methods is 30 years.

Vehicles, furniture and office equipment

Vehicles, furniture and office equipment are reflected at cost less accumulated depreciation calculated on the straight-line basis over their expected useful lives, to estimated residual values. Vehicles, furniture and office equipment are depreciated on the following bases:

Vehicles	– between 5 and 9 years
Furniture	– between 4 and 18 years
Office equipment	– between 2 and 11 years

1.5 Leased assets

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases of fixed and tangible assets where the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance leases are capitalised as property, plant and equipment at fair value of the leased assets at commencement of the lease, or, if lower, the present value of the minimum lease payments and the corresponding liability to the lessor is raised. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against operating profit, and the capital repayment which reduces the liability to the lessor. These assets are depreciated on the same basis as the fixed assets owned by the group.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

1.6 Capitalisation of borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or development of a qualifying asset which requires a substantial period of time to be prepared for its intended use, are capitalised until such time as the asset concerned is commissioned. Thereafter, these costs together with other borrowing costs are expensed. Discounts or premiums relating to borrowings are deferred and amortised over the terms of the respective borrowing.

1.7 Investment properties

The group applies the cost model for investment properties. Depreciation is raised over the remaining useful life of the property unless the residual value exceeds the historical cost of the asset in which case the property it is not depreciated.

1.8 Intangible assets

Intangible assets represent proprietary technical information, and goodwill. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic life on a straight-line basis up to a maximum of 20 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Research and development costs

Expenditure on research projects (or on the research phase of an internal project) is recognised as an expense when it is incurred. When the development phase of a project demonstrates that it is probable that future economic benefits will be generated, the related expenditure is recognised as an asset if all of the following conditions are present:

- the technical feasibility of completing the asset demonstrates that it will be available for use or sale;
- there is an intention to complete the asset, and either use or sell it;
- there is an ability to use or sell the asset;
- there are adequate technical, financial and other resources available to complete the development, and to use or sell the asset; and
- the expenditure attributable to the asset can be measured reliably.

Development costs are initially recognised at cost and amortised over the period of expected future sales from the related project. Following initial recognition it is carried at cost less any accumulated amortisation and accumulated impairment losses. The carrying amount of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the year.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or joint venture at date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired based on future income streams of the cash generating unit.

1.9 Impairment of assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

1.10 Environmental rehabilitation expenditure

The estimated cost of final rehabilitation, comprising liability for decommissioning and restoration, is based on current legal requirements and existing technology and is reassessed annually.

Decommissioning costs

The present value of estimated future decommissioning obligations at the end of the operating life of a mine is included in long-term provisions. The related decommissioning asset is recognised in property, plant and equipment when the decommissioning provision gives access to future economic benefits. The unwinding of the obligation is included in the income statement.

The estimated cost of decommissioning obligations is reviewed annually and adjusted for legal, technological and environmental circumstances that affect the present value of the obligation for decommissioning. Decommissioning costs capitalised are amortised using the lesser of its estimated useful life or units of production method based on estimated proven and probable ore reserves.

Restoration costs

The estimated cost of restoration at the end of the operating life of a mine is included in long-term provisions and charged to the income statement based on the units-of-production mined during the current year, as a proportion of the estimated total units which will be produced over the life of the mine. Cost estimates are not reduced by the potential proceeds from the sale of assets.

Ongoing rehabilitation costs

Expenditure on ongoing rehabilitation is charged to the income statement as incurred.

Environmental rehabilitation trust funds

The group makes annual contributions to the environmental rehabilitation trust funds, which have been created to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the lives of the group's mines. Annual contributions are determined in accordance with statutory requirements, on the basis of the estimated environmental obligation divided by the remaining life of a mine. Income earned on monies paid to the trust is accounted for as net investment income.

1.11 Financial instruments

The group's financial instruments consist primarily of cash on hand, balances with banks, deposits on call, money market instruments, derivative instruments, trade and other receivables, trade payables, borrowings and investments other than those in subsidiary or joint venture companies. The initial recognition of financial instruments is at cost and subsequent recognition is at fair value or amortised cost. Recognition methods adopted are disclosed in the policy statements for each item.

Available-for-sale investments

All investments are initially recognised at the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, other than investments in jointly controlled entities and subsidiary companies, are classified as available-for-sale investments and are disclosed at fair value which equates with market value. Gains and losses on subsequent measurement are recognised against other reserves until the investment is disposed of, or its original cost is considered to be impaired, at which time the cumulative gain previously reported in equity and the impairment of the cost, where considered permanent, is taken in the income statement.

The fair value of available-for-sale investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques.

Trade and other receivables

Trade and other receivables, which generally have 30 to 120 days' terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the group will not be able to collect the debts. Bad debts are written off when identified.

Trade and other payables

Trade and other payables are stated at amortised cost, being the initial recognised obligation less payments made and any other adjustments.

1.12 Foreign currency translation

The consolidated financial statements are presented in South African currency, which is the company's functional and presentation currency. Transactions in other currencies are dealt with as follows:

Foreign currency balances

Transactions in foreign currencies are converted to South African currency at the rate of exchange ruling at the date of these transactions. Monetary assets and liabilities denominated in a foreign currency at the end of the financial year are translated to South African currency at the approximate rates ruling at that date. Foreign exchange gains or losses arising from foreign exchange transactions whether realised or unrealised are included in the determination of profit.

Foreign entities

The assets and liabilities of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The income statements of overseas subsidiaries are translated at weighted average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the income statement as a component of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiring company and are recorded at the exchange rate at the date of the transaction.

1.13 Inventories

Inventories are valued at the lower of cost and estimated net realisable value with due allowance being made for obsolescence and slow moving items. The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost is determined using the following bases:
- Raw materials are valued at weighted average cost.
- Consumables and maintenance spares are valued at weighted average cost.
- Finished products are valued at weighted average cost including an appropriate allocation of direct overhead costs.
- Slow moving stocks are valued at the lower of actual cost of production and estimated net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

1.14 Derivative financial instruments and hedging

The group uses derivative financial instruments such as forward currency to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The group does not apply hedge accounting and any gains or losses arising from changes in fair value on derivatives are taken directly to profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

1.15 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired;
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the group's continuing involvement is the amount of the transferred asset that the group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

1.16 Impairment of financial assets

The group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired, which is determined on the following bases:

Assets carried at amortised cost

If there is objective evidence that an impairment loss on trade and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale investments

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

1.17 Taxation

Current tax

Tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred taxation

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises from goodwill impairment or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax assets and unused tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the unused tax assets and unused tax losses carried forward can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax (VAT) incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables are stated with the amount of value added tax included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Secondary taxation on companies

Secondary tax on companies (STC) is calculated on the declaration date of all dividends net of dividends received and is included in the taxation expense in the income statement. To the extent that it is probable that the entity with the STC credits will declare dividends of its own against which unused STC credits can be utilised, a deferred tax asset is recognised for such STC credits.

1.18 Provisions

Provisions are recognised when:

- a present legal or constructive obligation exists as a result of past events where it is probable that a transfer of economic benefits will be required to settle the obligation, and
- a reasonable estimate of the obligation can be made.

A present obligation is considered to exist when the group has no realistic alternative but to make the transfer of economic benefits. The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation. Only expenditure related to the purpose for which the provision was raised is charged to the provision. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

1.19 Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in profit or loss when the liabilities are derecognised or impaired, as well as through the amortisation process.

1.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sale of mining and beneficiated products

Sale of mining and beneficiated products represents the F.O.B. or C.I.F. sales value of ores and alloys exported and the F.O.R. sales value of ores and alloys sold locally. Sale of mining and beneficiated products are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Technical fees and commissions on sales
Revenue from technical fees and commissions on sales are recognised on the date when the risk passes in the underlying transaction.

Ores and alloys
Revenue from the sale of ores and alloys is recognised on the date when the significant risks and rewards of ownership in the goods have passed to the buyer.

Interest received
Interest received is recognised using the effective interest method i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net amount of the financial asset.

Dividends received
Dividends received are recognised when the shareholders' right to receive the payment is established.

Rental income
Rental income arising on investment properties is accounted for on a straight-line basis over the lease term of ongoing leases.

1.21 Post-employment benefits

Retirement benefit plans operated by the group are of both the defined benefit and defined contribution types. The cost of providing benefits under defined benefit plans are determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised using the "corridor method", i.e. as income or expense when the net cumulative unrecognised actuarial gains or losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation or the fair value of the plan assets at that date. These gains and losses are recognised over the expected average remaining working lives of the employees participating in the plans.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

1.22 Definitions

Earnings and headline earnings per share
The calculation of earnings per share is based on net income after taxation and State's share of profits, after adjusting for outside shareholders' interests divided by the weighted number of shares outstanding during the period.

Headline earnings comprise earnings for the year, adjusted for profits and losses on items of a capital nature. Headline earnings have been calculated in accordance with circular 7/2002 issued by the South African Institute of Chartered Accountants. Adjustments against earnings are made after taking into account attributable taxation and minority interests. The adjusted earnings figure is divided by the weighted average number of shares in issue to arrive at headline earnings per share.

Cash resources
The cash resources disclosed in the cash flow statement comprise cash on hand, deposits held on call with banks and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value. Bank overdrafts have been separately disclosed with current liabilities on the balance sheet. The book value of cash deposits with banks and money-market instruments approximate their fair value.

	Cost 2006 R 000	Accumulated depreciation 2006 R 000	Carrying amount 2006 R 000	Cost 2005* R 000	Accumulated depreciation 2005* R 000	Carrying amount 2005* R 000
2. PROPERTY, PLANT AND EQUIPMENT						
At year-end						
Mining assets						
Mineral and prospecting rights	436 869	35 479	401 390	68 819	14 983	53 836
Land, buildings and mine properties	166 704	44 349	122 355	205 597	46 747	158 850
Plant and equipment	1 152 384	440 381	712 003	721 373	268 425	452 948
Prospecting, exploration mine development and decommissioning assets	741 509	139 803	601 706	633 249	99 373	533 876
Vehicles, furniture and office equipment	179 315	85 649	93 666	172 218	98 389	73 829
Leased assets capitalised	10 663	4 417	6 246	9 795	2 306	7 489
	2 687 444	750 078	1 937 366	1 811 051	530 223	1 280 828
Other assets						
Township property	2 051	75	1 976	–	–	–
Industrial property	12 386	2 085	10 301	10 128	1 949	8 179
Plant and equipment	143	121	22	61 766	22 385	39 381
Vehicles, furniture and office equipment	34 305	23 305	11 000	22 126	15 084	7 042
	48 885	25 586	23 299	94 020	39 418	54 602
	2 736 329	775 664	1 960 665	1 905 071	569 641	1 335 430

Exchange differences

Exchange differences for the year arising on the translation at year-end of the property, plant and equipment of a foreign subsidiary amounted to R37 807 (2005: R31 012).

Leased assets

Vehicles with a carrying amount of R6,3 million (2005: R7,5 million) are encumbered as security for the finance lease agreements referred to in note 14.

Borrowing costs

Acquisitions of plant and equipment includes borrowing costs amounting to R1,4 million (2005: R1,7 million) that were capitalised during the year. Borrowing costs are capitalised at effective rates applicable to group borrowings during the year.

Capital work-in-progress

Included in mine development and plant and machinery above assess with a carrying amount of R45,7 million (2005: R121,2 million) which relate to projects in progress and from which no revenue is currently derived.

* *Restated – refer changes in accounting policies*

	Cost				Accumulated depreciation				
2006	Opening balance R 000	Acquisitions R 000	Increase in joint venture shareholding R 000	Reclassifications and disposals R 000	Opening balance R 000	Current charge R 000	Increase in joint venture shareholding R 000	Reclassifications and disposals R 000	Carrying amount R 000
2. PROPERTY, PLANT AND EQUIPMENT (continued)									
Movement for the year									
Mining assets									
Mineral and prospecting rights	68 819	361 142	6 497	248	14 983	19 394	1 384	(445)	401 390
Land, buildings and mine properties	205 597	50 544	18 941	(109 405)	46 747	7 572	4 074	(15 071)	122 355
Plant and equipment	721 373	127 772	65 759	218 222	268 425	89 484	23 743	39 471	712 003
Prospecting, exploration, mine development and decommissioning	633 249	124 894	59 332	(75 803)	99 373	60 872	8 692	(28 971)	601 706
Vehicles, furniture and office equipment	172 218	50 470	16 267	(59 642)	98 389	19 153	9 292	(41 187)	93 666
Leased assets capitalised	9 795	–	930	(62)	2 306	1 954	219	(62)	6 246
	1 811 051	714 822	167 726	(26 442)	530 223	198 429	47 404	(46 265)	1 937 366
Other assets									
Township property	–	–	–	2 051	–	17	–	58	1 976
Industrial property	10 128	2 600	–	(659)	1 949	(180)	–	(1)	10 301
Plant and equipment	61 766	1 096	–	(45 511)	22 385	575	–	(5 631)	22
Vehicles, furniture and office equipment	22 126	2 139	–	7 772	15 084	95	–	5 858	11 000
	94 020	5 835	–	(36 347)	39 418	507	–	284	23 299
	1 905 071	720 657	167 726	(62 789)	569 641	198 936	47 404	(45 981)	1 960 665

2005*	Cost: Opening balance R 000	Cost: Acquisitions R 000	Cost: Reclassi-fications and disposals R 000	Accumulated depreciation: Opening balance R 000	Accumulated depreciation: Current charge R 000	Accumulated depreciation: Reclassi-fications and disposals R 000	Carrying amount R 000
2. PROPERTY, PLANT AND EQUIPMENT (continued)							
Movement for the year							
Mining assets							
Mineral and prospecting rights	82 880	–	(14 061)	7 305	7 678	–	53 836
Land, buildings and mine properties	150 342	54 432	822	36 235	10 872	(361)	158 850
Plant and equipment	629 669	90 672	1 032	215 586	52 884	(45)	452 948
Prospecting, exploration, mine development and decommissioning	489 791	143 936	(478)	64 158	35 212	3	533 876
Vehicles, furniture and office equipment	134 384	40 611	(2 776)	75 197	24 219	(1 026)	73 829
Leased assets capitalised	9 877	–	(82)	432	1 941	(67)	7 489
	1 496 943	329 651	(15 543)	398 913	132 806	(1 496)	1 280 828
Other assets							
Township property	7 318	–	–	7 318	–	–	–
Industrial property	9 830	615	(316)	1 559	391	–	8 179
Plant and equipment	52 768	9 037	(39)	16 216	6 204	(35)	39 381
Vehicles, furniture and office equipment	19 060	3 698	(632)	12 089	3 406	(411)	7 042
	88 976	13 350	(987)	37 182	10 001	(446)	54 602
	1 585 919	343 001	(16 530)	436 095	142 807	(1 942)	1 335 430

* *Restated – refer changes in accounting policies*

		2006 R 000	2005* R 000
3.	**INVESTMENT PROPERTIES**		
	Land and buildings		
	Carrying amount at beginning of year	53 046	53 046
	Acquisitions	6 031	–
	Carrying amount at end of year	59 077	53 046
	A register containing details of investment properties is available for inspection during business hours at the registered address of the company by shareholders or their duly authorised agents.		

4. INTANGIBLE ASSETS

	Licences	Goodwill	Total
Intangible assets consist of proprietary licences, technical information and goodwill.			
Cost			
Balance at beginning of year	4 101	2 363	6 464
Arising on the acquisition of additional shares in joint venture entity	388	–	388
Balance at end of year	4 489	2 363	6 852
Accumulated amortisation			
Balance at beginning of year	2 064	945	3 009
Arising on the acquisition of additional shares in joint venture entity	196	–	196
Charge for the year	179	–	179
Balance at end of year	2 439	945	3 384
Carrying amount at end of year	**2 050**	**1 418**	**3 468**

* *Restated – refer changes in accounting policies*

	2006 R 000	2005* R 000
5. INVESTMENT IN JOINT VENTURE ENTITY		
50% (2005: 45,66%) interest in Assmang Limited, which is controlled jointly with African Rainbow Minerals Limited (ARM).		
The group financial statements include the following amounts relating to the Assmang, which were proportionately consolidated:		
Income statement		
Turnover	2 178 849	2 012 124
Cost of sales	(1 647 940)	(1 331 841)
Other operating income	39 625	13 458
Other operating expenses	(85 113)	(30 341)
Income from investments	3 700	1 074
Finance costs	(5 917)	(18 685)
Profit before taxation and State's share of profits	483 204	645 789
Balance sheet		
Property, plant, equipment and intangibles	1 880 222	1 268 836
Current assets	1 175 725	1 034 796
Current liabilities – interest bearing	45 950	73 428
– non-interest bearing	285 627	321 514
Long-term borrowings – interest bearing	4 433	6 035
Deferred taxation	524 032	333 629
Long-term provisions	52 593	44 472
Distributable reserves	1 675 159	1 463 746
Cash flows		
Cash retained from operating activities	369 765	576 377
Cash utilised in investing activities	330 094	295 867
Cash utilised in financing activities	36 628	263 683
Cash resources	35 755	29 872
Commitments		
Future capital expenditure:		
– contracted for	434 594	83 649
– not contracted for	1 641 352	123 835
	2 075 946	207 484
Contingent liabilities		
Contingent liabilities relating to the group's interest in the joint venture are referred to in note 31.		

** Restated – refer changes in accounting policies*

		2006 R 000	2005* R 000
6.	**AVAILABLE-FOR-SALE INVESTMENTS**		
	Listed – at market value	169 625	231 968
	Unlisted – at cost and directors' valuation	125	125
		169 750	232 093
	Listed – at cost	47 455	116 307
	A register containing details of investments held by the group is available for inspection at the registered office of the holding company.		
7.	**INVENTORIES**		
	Raw materials	355 956	315 571
	Consumable stores	45 075	35 922
	Finished goods	495 121	344 107
		896 152	695 600
	Cost of inventory written down to net realisable value and recognised in cost of sales	–	24 201
	Cost of inventory written down recognised in other expenses	4 079	9 279
8.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	525 813	557 075
	Other receivables	122 208	65 877
		648 021	622 952
	Trade and other receivables are non-interest bearing and are normally settled on 60 to 120-day terms.		
9.	**CASH DEPOSITS HELD BY ENVIRONMENTAL TRUSTS**		
	Balance at beginning of year	17 493	13 503
	Arising on the acquisition of additional shares in joint venture entity	1 108	–
	Contributions received during the year	3 928	2 963
	Interest received	412	1 027
	Balance at end of year	22 941	17 493
	These funds may only be utilised for purposes of funding liabilities which the group has for decommissioning and environmental restoration arising from existing mining and exploration activities.		

** Restated – refer changes in accounting policies*

	2006 R 000	2005 R 000
10. SHARE CAPITAL		
Authorised		
40 000 000 (2005: 40 000 000) ordinary shares of 2,5 cents each	1 000	1 000
Issued		
Balance at beginning of year (28 000 000 ordinary shares of 2,5 cents each)	700	700
Issue of 1 696 890 shares of 2,5 cents per share, at a premium of R84,98 per share and for a consideration of R144,2 million	42	–
Issue of 517 309 shares of 2,5 cents per share at a premium of R101,83 per share, and for a consideration of R52,7 million	13	–
Repurchase of 2 214 199 shares of 2,5 cents per share at R63,00 per share	(55)	–
Balance at end of year (28 000 000 ordinary shares of 2,5 cents each)	700	700
Refer to note 11 for details of the share premium and share issue expenses.		
11. SHARE PREMIUM		
Arising on the following issues refer note 10 above:		
– 1 696 890 shares at a premium of R84,98 per share	144 193	–
– 517 309 shares at a premium of R101,83 per share	52 679	–
Repurchase of 2 214 199 shares	(162 694)	–
Share issue expenses on the above issue of shares charged to share premium in terms of section 76 of the Companies Act	(3 820)	–
Balance at end of year	30 358	–
12. TREASURY SHARES		
913 710 Assore shares, or approximately 3,26% of Assore's issued share capital, acquired by Main Street 350 (Proprietary) Limited a wholly owned subsidiary of the Bokamoso Trust as part of the BEE transaction referred to in note 21.	77 665	–
Transaction costs on the above	861	–
Balance at end of year	78 526	–

	2006 R 000	2005 R 000
13. OTHER RESERVES		
Foreign currency translation reserve arising on consolidation	487	(420)
After tax fair value adjustment arising on the revaluation of available-for-sale investments	100 419	99 299
Gross fair value adjustment at year-end	122 170	115 662
Less: deferred capital gains taxation	(21 751)	(16 363)
	100 906	98 879
14. LONG-TERM BORROWINGS		
South African long-term borrowings		
Preference shares		
536 "A" preference shares of 1 cent each issued by Main Street 350 (Proprietary) Limited to a banker to finance the BEE transaction referred to in note 21.	53 600	–
Secured loans	4 433	6 035
Finance lease liabilities over vehicles with a carrying amount of R6,3 million (2005: R7,5 million) repayable in varying monthly instalments over 36 months (2005: 48 months) which bear interest at 1,75% (2005: 1,75%) below the prime overdraft rate	6 606	7 858
Less: repayable within one year included in short-term borrowings (refer note 19)	(2 173)	(1 823)
	58 033	6 035

	Balance at year-end Total borrowings	Repayable during the years ending 30 June			
2006	2006 R 000	2007 R 000	2008 R 000	2009 R 000	2010 R 000
Secured – finance lease liabilities	6 606	2 173	2 382	2 051	–
2005	2005 R 000	2006 R 000	2007 R 000	2008 R 000	2009 R 000
Secured – finance lease liabilities	7 858	1 823	1 990	2 171	1 874

14. LONG-TERM BORROWINGS (continued)

Interest payable and repayments

The group has finance leases over mining vehicles, which have no terms of renewal or purchase options and escalation clauses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2006		2005	
	Minimum payments R 000	Present value of payments R 000	Minimum payments R 000	Present value of payments R 000
Within one year	2 686	2 164	2 461	1 823
After one year but not more than five years	4 839	4 442	6 864	6 035
Total minimum lease payments	7 525	6 606	9 325	7 858
Less: amounts representing finance charges	919	–	1 467	–
Present value of minimum lease payments (as above)	6 606	6 606	7 858	7 858

	2006 R 000	2005 R 000
15. DEFERRED TAXATION		
At year-end		
Raised on the following:		
Accelerated capital allowances	539 040	350 620
Provisions raised	(15 749)	(17 699)
Revaluation of inventories	(334)	(4 371)
Revaluation of available-for-sale investments	21 751	16 363
Other	136	268
	544 844	345 181
Movements		
Balance at beginning of year	345 181	240 577
– Deferred tax assets	6 134	12 736
– Deferred tax liabilities	351 315	253 313
	199 663	104 604
Accelerated capital allowances	156 732	104 280
Assessed losses	–	1 323
Provisions raised/(reversed)	1 950	(1 585)
Revaluation of inventories	4 037	(3 341)
Revaluation of available-for-sale investments	5 388	9 411
Arising on the acquisition of additional shares in joint venture entity	31 688	–
Reduction due to change in tax rate	–	(6 765)
Other	(132)	1 281
Balance at end of year	544 844	345 181
– Deferred tax assets	4 621	6 134
– Deferred tax liabilities	549 465	351 315

	2006 R 000	2005 R 000
16. LONG-TERM PROVISIONS		
Environmental obligations		
Provision for cost of decommissioning assets	25 416	26 537
Balance at beginning of year	26 537	13 026
Arising on the acquisition of additional shares in joint venture entity	2 010	–
Provisions raised during the year	246	3 138
(Credited)/charged to interest paid	(3 377)	1 282
Other	–	9 091
Provision for cost of environmental restoration	28 406	20 046
Balance at beginning of year	20 046	13 314
Arising on the acquisition of additional shares in joint venture entity	1 399	–
Provisions raised during the year	6 315	6 523
Charged to interest paid	646	209
Balance at end of year – gross	53 822	46 583
Post-retirement healthcare benefits (refer note 34)		
Balance at beginning of year	12 715	22 562
Arising on the acquisition of additional shares in joint venture entity	815	–
Investments made during the year on behalf of employees	(13 931)	–
Provision raised during the year	13 627	2 718
	13 226	25 280
Less: payable within one year (refer note 18)	(2 769)	(12 565)
Balance at end of year	10 457	12 715
	64 279	59 298
Environmental obligations before funding (as above)	53 822	46 583
Less: amounts contributed to the environmental trust funds	21 999	17 493
Obligation provided for, but not yet funded	31 823	29 090

17. TRADE AND OTHER PAYABLES

	2006 R 000	2005 R 000
Trade payables	307 113	321 133
Other payables	77 964	11 778
	385 077	332 911

Trade and other payables are non-interest bearing and are normally settled on 30-day terms.

(Refer to note 33 for the terms and conditions of transactions with related parties.)

	2006 R 000	2005 R 000
18. SHORT-TERM PROVISIONS AND ACCRUALS		
Balance at beginning of year	28 245	15 735
Arising on the acquisition of additional shares in joint venture entity	796	–
Provisions raised for the year	3 676	4 464
Payments made during the year	(15 244)	(4 519)
Payable within one year transferred from long-term provisions (refer note 16)	2 769	12 565
Balance at end of year	20 242	28 245
Made up as follows:		
Bonuses		
Balance at beginning of year	1 632	1 520
Provisions raised	1 909	1 632
Payments made during the year	(1 632)	(1 520)
Balance at end of year	1 909	1 632
Leave pay		
Balance at beginning of year	13 248	11 665
Arising on the acquisition of additional shares in joint venture entity	796	–
Provisions raised	2 568	2 832
Payments made during the year	(1 048)	(1 249)
Balance at end of year	15 564	13 248
Pension fund contributions		
Balance at beginning of year	800	2 550
Provisions reversed	(800)	–
Payments made during the year	–	(1 750)
Balance at end of year	–	800
Post-retirement healthcare benefits		
Balance at beginning of year	12 565	–
Payments made during the year	(12 565)	–
Short-term portion of long-term provision (refer note 16)	2 769	12 565
Balance at end of year	2 769	12 565
	20 242	28 245

	2006 R 000	2005* R 000
19. OVERDRAFTS AND SHORT-TERM BORROWINGS		
Overdrafts and short-term borrowings (unsecured)	251 281	224 917
Current portion of long-term borrowings (refer note 14)	2 173	1 823
	253 454	226 740
Overdrafts and short-term borrowings are repayable on demand and interest rates are linked to the prime overdraft rate.		
20. REVENUE		
Revenue comprises:		
Sales of mining and beneficiated products	3 382 587	3 093 944
Net technical fees and commission on sales	78 742	94 910
Gross technical fees and commission on sales	146 508	157 965
Eliminated on consolidation	(67 766)	(63 055)
Interest received	18 839	16 900
Dividends received from available-for-sale investments	3 860	5 408
Other operating income	10 449	5 121
	3 494 477	3 216 283

21. BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION

On 10 November 2005 shareholders were advised that agreements had been concluded which, subject to certain conditions precedent, would facilitate the acquisition of 15,02% of Assore's ordinary share capital by two parties (the empowerment partners) which qualified as historically disadvantaged South Africans in terms of the Charter to the Mineral and Petroleum Resources Act (refer Black Economic Empowerment report). In order to facilitate the financing of the transaction, a special purpose vehicle (SPV) would be used by each empowerment partner to hold its shares, details of which are set out below:

Effective holder	Relationship	SPV	Number of ordinary shares	% of issued share capital
Shanduka Resources (Proprietary) Limited (Shanduka)	Subsidiary of the Shanduka Group	Main Street 343 (Proprietary) Limited (Shanduka BEE Co)	3 292 890	11,76
The Bokamoso Trust (The Trust)	Broad-based community trust	Main Street 350 (Proprietary) Limited (Community BEE Co)	913 710	3,26
			4 206 600	15,02

* *Restated – refer changes in accounting policies*

21. BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION (continued)

The proposed transactions were approved, in the form set out in the circular, at an extraordinary meeting of shareholders held on 1 February 2006 and, once unconditional, were implemented by the end of February 2006 as follows:

	Number of ordinary shares Shanduka	The Trust	Total
Acquired from third parties in exchange for cash or equity in the third party	1 596 000	396 401	1 992 401
Acquired by subscription for a fresh issue of Assore ordinary shares of 2,5 cents each at a premium of R196,9 million	1 696 890	517 309	2 214 199
As above	3 292 890	913 710	4 206 600

Consolidation of SPV

As suitable beneficiaries, which comply with the broad-based requirements set out in the Trust Deed, have yet to be identified, the shares owned by the trust are still under the control of Assore and the SPV which holds the shares on behalf of the trust has therefore been consolidated and the shares are accounted for as treasury shares under share capital (refer note 12).

Issue of shares

In order to facilitate the transaction Assore made the following share issues (refer note 10).

Number of ordinary shares	Price	Par value R 000	Share premium R 000	Proceeds R 000
1 696 890	R85 per share	42	144 193	144 235
517 309	R101,86* per share	13	52 679	52 692
2 214 199**		55	196 872	196 927

* *Shares acquired by the trust from third parties were acquired at a price which ensured that the average cost of acquisition for the trust of its Assore holding was R85 per share.*

** *Post completion of the transaction Assore repurchased an equivalent number of shares from Standard Bank and cancelled them so that once the transaction was complete the share capital of Assore remained unchanged at 28 million shares.*

Discount to fair value: R35 752 000

As the shares issued by Assore constitute a share-based payment as contemplated by IFRS 2, the income statement includes a discount of R35,8 million on the issue, being the difference between issue price and fair value as determined using Assore's 180-day volume weighted average share price (VWAP) on the date of the transaction. A 180 day VWAP was considered appropriate to measure fair value as the shares have a history of being thinly traded on the JSE Limited. The discount is however equity neutral in that the charge raised in the income statement sets off against a corresponding credit which is raised in equity on the statement of changes in equity in accordance with IFRS requirements.

21. BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION (continued)

Funding of the transactions

The transactions were funded by capitalising the SPVs as follows:

• Shanduka transaction

Standard Bank subscribed for "A" preference shares to the value of R193,0 million in the share capital of Shanduka BEE Co, the key terms of which are as follows:

- Standard Bank is entitled to receive a cumulative preference cash dividend equalling 75% of the prime rate (nacm) on each date on which Shanduka BEE Co receives an ordinary dividend, distribution or payment from Assore.
- The abovementioned dividend rate will reduce to 72,5% of prime (nacm) should the outstanding balance on the preference shares concerned be redeemed to below 50% of the original issue price.
- The preference shares are redeemable, in full, either:
  - after the expiry of eight years from date of allotment;
  - at the election of Standard Bank but only after expiry of a period of three years from date of issue and subsequent to the occurrence or deemed occurrence of an event of default (refer below);
  - at the election of Shanduka, at any time, following the provision of written notice.

• The Community transaction

Standard Bank subscribed for "A" preference shares to the value of R53,6 million in the share capital of Community BEE Co on terms which are similar to those referred to above.

Assore subscribed for "B" preference shares to the value of R25,0 million in Community BEE Co the key terms of which are as follows:

- Assore is entitled to receive a cumulative preference cash dividend at a rate of 75% of prime (nacm) on each date that Community BEE Co receives an ordinary dividend, distribution or payment from Assore
- The cumulative preference cash dividend will reduce to 72,3% of prime (nacm) should the outstanding balance on the preference share be redeemed to below 50% of the original issue
- The redeemable preference shares are redeemable, in full, either:
  - at the election of Assore subsequent to the occurrence or deemed occurrence of an event of default (refer below), but only after the Community BEE Co "A" preference shares have been redeemed in full, in favour of Standard Bank.
  - on the date the Community BEE Co "A" preference shares are redeemed
  - at the election of the Community BEE Co on the provision of written notice to Assore, but only after the Community BEE Co "A" preference shares have been redeemed in full.

21. BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION (continued)

Events of default

An event of default is described fully in the circular to shareholders referred to above and would occur principally if any one of the following events occurred:

– the determination by Standard Bank that the net asset value of the Assore group is less than R1,783 billion (equivalent to approximately R64 per share);

– the preference share balance on the "A" preference share exceeds the following values;

Shanduka BEE Co	R230 million
Community BEE Co	R65 million

– the preference share balance on the "B" preference shares exceeds:

Community BEE Co	R25 million

– any material change in the nature of business of any party including:
  - – being placed in liquidation, judicial management or seeking a compromise with creditors;
  - – Assore ceasing to hold a 25% of the share capital of Assmang;
  - – Assore ceasing to have the right to control Assmang, either alone or jointly.

Assore facilitation (put and call options)

In addition to the vendor financing which Assore provided of R25 million by way of subscribing for the "B" preference shares in Community BEE Co, Assore has also undertaken in favour of Standard Bank as follows:
In the event of either a default, as referred to above, or failure by either SPV to redeem the "A" or "B" preference shares in accordance with the terms of their respective preference share funding agreements, then:

1 Assore will repurchase from Shanduka BEE Co, Assore shares representing 7,98% of Assore's share capital (Shanduka put option);

2 Assore will repurchase from Community BEE Co, Assore shares representing 3,2% of Assore's share capital (Community put option).

Assore and Standard Bank have further agreed that in the event that Standard Bank is able to exercise its rights under the put options and, wishes to do so, it will trigger the provisions of the call options which will allow Assore to call the preference shares concerned from Standard Bank. In each case Assore has the right to call the preference shares concerned at a price equal to the outstanding capital amount plus any arrear preference share dividends and any related costs and taxes.

	Note	**2006 R 000**	2005 R 000
22. FINANCE COSTS			
Finance costs incurred		**16 711**	23 396
Less: amounts capitalised	2	**(1 427)**	(1 675)
		15 284	21 721

	2006 R 000	2005* R 000
23. PROFIT BEFORE TAXATION AND STATE'S SHARE OF PROFITS		
Profit before taxation and State's share of profits is stated after taking into account the following items of income and expenditure:		
Income		
Profit on disposal of property, plant and equipment	5 570	1 460
Net foreign exchange gains		
– realised	41 888	34 955
– unrealised	25 784	33 159
Reversal of impairment of property	16	–
Expenditure		
Amortisation of intangible assets	179	354
Auditors' remuneration	2 749	2 466
– Audit fees	2 865	2 378
– Other services	65	88
– Reversal of over provision in prior years	(181)	–
Cost of inventories written down	4 079	9 279
Depreciation of mining assets	198 429	132 806
– Mineral and prospecting rights	19 394	7 678
– Land, buildings and mining properties	7 572	10 872
– Plant and machinery	89 484	52 884
– Prospecting, exploration, mine development and decommissioning	60 872	35 212
– Vehicles, furniture and office equipment	19 153	24 219
– Leased assets capitalised	1 954	1 941
Depreciation of other assets	507	10 001
– Township and industrial property	(163)	391
– Plant and machinery	575	6 204
– Vehicles, furniture and office equipment	95	3 406
Exploration expenditure	442	743
Loss on disposal and scrapping of property, plant and equipment	1	5 460
Operating lease expenses	600	559
Professional fees	7 241	3 788
Provision for impairment of debtors and bad debts written off	34	358
Transfer secretary fees	212	183
Staff costs (refer note 34)		
– Salaries and wages (including directors' emoluments)	312 230	246 032
– healthcare costs	13 775	11 798
– pension fund contributions	21 537	18 647

** Restated – refer changes in accounting policies*

	2006 R 000	2005 R 000
24. TAXATION AND STATE'S SHARE OF PROFITS		
South African normal taxation		
– current year	110 302	138 346
– under/(over) provisions relating to prior years	4 055	(2 690)
Capital gains tax	16 942	–
State's share of profits	18 869	16 530
Deferred taxation		
– temporary differences	65 112	102 070
– rate adjustment	–	(6 876)
Secondary tax on companies	12 289	5 165
	227 569	252 545

The current tax charge is affected by non-taxable investment income, capital redemption allowances and assessed tax losses in certain subsidiary companies and trading losses in other subsidiary companies for which there was no tax relief in the current year.

	2006 R 000	2005 R 000
Estimated losses available for the reduction of future taxable income arising in certain joint venture and subsidiary companies at year-end	52 188	39 458
Estimated unredeemed capital expenditure available for reduction of future taxable income on mining operations in certain joint venture and subsidiary companies	83 435	111 707

The group has unused credits in respect of secondary tax on companies of R76,8 million (2005: R51,6 million). No deferred tax asset has been raised on these amounts as the unused credits are unlikely to be utilised in the foreseeable future.

Reconciliation of tax rate (%)

	2006	2005
Nominal tax rate	29,00	29,00
Adjusted for:		
Dividend income	(0,16)	(0,20)
Exempt income	(6,13)	(0,09)
Over/(under) provisions relating to prior years	0,57	(0,34)
Capital gains tax	2,39	–
State's share of profits	2,67	2,08
Disallowable expenditure	1,49	0,20
Secondary tax on companies	1,74	0,65
Reduction in tax rate	–	(0,87)
Other	0,60	1,39
Effective tax rate	32,17	31,82

	2006 R 000	2005 R 000
25. EARNINGS AND HEADLINE EARNINGS PER SHARE		
Earnings per share (cents)	1 652	1 819
Headline earnings per share (cents)	1 170	1 834
Calculation of earnings, and headline earnings per share were determined using the following information:		
Earnings		
Profit for the year	457 384	509 445
Headline earnings		
Earnings as above	457 384	509 445
Adjusted for:		
Profit (after tax) on disposal of:		
– property, plant and equipment	(4 367)	(1 460)
– listed investments	(129 085)	–
Loss on disposal and scrapping of property, plant and equipment	1	5 460
Headline earnings	323 933	513 445
Weighted number of ordinary shares outstanding (R 000)		
Ordinary shares in issue	28 000	28 000
Treasury shares (note 12)	(305)	–
Weighted average number of shares outstanding	27 695	28 000
26. DIVIDENDS		
Dividends declared during the year		
Final dividend No. 97 of 150 cents (2005: 45 cents) per share – declared on 30 August 2005	42 000	12 600
Interim dividend No. 98 of 80 cents (2005: 50 cents) per share – declared on 15 March 2006	22 400	14 000
	64 400	26 600
Per share (cents)	230	95
Dividends for the year		
Interim dividend No. 98 of 80 cents (2005: 50 cents) per share – declared on 15 March 2006	22 400	14 000
Final dividend No. 99 of 150 cents (2005: 150 cents) per share – declared on 30 August 2006	42 000	42 000
Ordinary – paid	64 400	56 000
Per share (cents)	230	200

	2006 R 000	2005* R 000
27. NOTES TO THE CASH FLOW STATEMENT		
27.1 Cash generated by operations		
Profit before taxation and State's share of profits	707 391	793 607
Adjusted for:	85 081	157 300
– Dividends received	(3 860)	(5 408)
– Interest received	(18 839)	(16 900)
– Profit on disposal of property, plant and equipment	(5 570)	(1 460)
– Profit on disposal of available-for-sale investments	(145 777)	–
– Net unrealised foreign exchange gains	(25 784)	(33 159)
– Reversal of impairment of property	(16)	–
– Amortisation of intangibles	179	354
– Cost of inventories written down	4 079	9 279
– Depreciation on property, plant and equipment	198 936	142 807
– Discount on BEE transaction	35 752	–
– Finance costs	15 284	21 721
– Foreign currency translation reserve	1 777	6 819
– Loss on disposal and scrapping of property, plant and equipment	1	5 460
– Movements in long-term provisions	24 412	22 961
– Movements in short-term provisions	4 473	4 464
– Provision for impairment of debtors and bad debts written off	34	358
– Other non-cash flow items	–	4
	792 472	950 907
27.2 Dividend income		
Dividends receivable at beginning of year	–	217
Credited to the income statement	3 860	5 408
	3 860	5 625
27.3 Movements in working capital		
Increase in inventories	(204 631)	(183 987)
Decrease/(increase) in trade and other receivables	683	(105 144)
Increase in trade and other payables	52 140	87 148
Payments against long-term provision	(16 662)	–
Payments against short-term provisions	(15 244)	(4 519)
	(183 714)	(206 502)

** Restated – refer changes in accounting policies*

	2006 R 000	2005 R 000
27. NOTES TO THE CASH FLOW STATEMENT (continued)		
27.4 Taxation paid		
Unpaid at beginning of year	(105 141)	(27 676)
Charged to the income statement	(227 569)	(252 545)
Movement in deferred taxation	194 276	95 193
Unpaid at end of year	56 609	105 141
	(81 825)	(79 887)
27.5 Dividends paid		
Unpaid at beginning of year	(76)	(68)
Paid during the year	(64 400)	(26 600)
Unpaid at end of year	100	76
	(64 376)	(26 592)
27.6 Cash resources at end of year		
Cash resources	148 894	275 566

The cash resources disclosed in the cash flow statement comprise cash on hand, deposits held on call with banks and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value over time. Bank overdrafts have been separately disclosed as current liabilities in the balance sheet.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The group is exposed to various financial risks related to the use of financial instruments in the normal course of its operations, however it does not acquire, hold or issue any derivative instruments for speculative purposes.

A treasury risk management committee has been established by the group which manages these risks in accordance with the policies itemised below:

28.1 Currency risk

The group's markets are predominantly priced in US dollars which exposes the group's cash flows to foreign exchange currency risks. The group is also exposed to currency risk relating to the purchase of certain products and assets during the ordinary course of its business. Where considered appropriate, these risks are hedged using forward exchange contracts.

The extent to which foreign currency receivables and payables are covered by forward exchange contracts is continuously reviewed in the light of changes in operational forecasts and market conditions and the group's hedging policy.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

28.1 Currency risk (continued)

The group's exposure in this regard at year-end was as follows:

Forward exchange contracts open at year-end	R 000	Foreign currency '000	Average exchange rate	Maturity date
2006				
Sales	**35 800**	**US$5 000**	**7,16**	**1 July 06 – 20 November 06**
2005				
Sales	90 453	US$13 705	6,60	1 July 05 – 30 March 06

Foreign debtors included in trade and other receivables at year-end

	2006 R 000	2005 R 000
US dollar denominated	**295 341**	331 139
Euro denominated	**176 714**	170 714
	472 055	501 853

28.2 Credit risk

Credit risk arises from possible defaults on payments by customers or, where letters of credit have been issued, by bank counter parties. The group minimises credit risk by careful evaluation of the ongoing credit worthiness of the customers and bank counterparties before transactions are concluded. Certain customers who have well established credit accounts are allowed to transact on open account, however customers are generally required to raise letters of credit in which only banking institutions with acceptable credit ratings are considered.

At year-end, the group did not consider that there was any significant concentration of credit risk which had not been adequately provided for in this regard.

28.3 Fair value risk

The estimated fair value of the group's financial instruments which is based on relevant market information is compared with the carrying amount on an ongoing basis, and as at 30 June 2006, their carrying amount approximated fair value. As market information is involved in making assumptions, estimated fair value is determined as accurately as the relevant market information will permit.

28.4 Interest rate risk

Interest rate risk arises through the impact which interest rate fluctuations have on the return on short-term cash investments and the cost of financing activities. Interest rates are continually monitored based on relevant updated information. Cash is managed to ensure that surplus funds are invested in a manner which is aimed at achieving maximum returns, while minimising risks, and borrowing rates are compared across the larger retail banking institutions.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

28.4 Interest rate risk (continued)

The group was exposed to the following interest rate risks at year-end:

	Carrying amount at year-end R 000	Maturity date	Effective interest rate
Financial assets			
2006			
Cash on deposit – financial institutions	**148 894**	Current	Overnight call deposit
2005			
Cash on deposit – financial institutions	275 566	Current	Overnight call deposit

	Note	US dollar '000	Carrying amount at year-end R 000	Maturity date	Effective interest rate
Financial liabilities					
2006					
Long-term borrowings Local – finance leases	14	**–**	**58 033**	Year 2011	1,75% below prime
Short-term borrowings	19		**253 454**		
Local – financial institutions		**–**	**45 950**	Current	Linked to money market
Foreign – financial institutions		**29 200**	**207 504**	Current	Linked to LIBOR
		29 200	**311 487**		
2005					
Long-term borrowings Local – finance leases	14	–	6 035	Year 2010	1,75% below prime
Short-term borrowings	19		226 740		
Local – financial institutions		–	73 428	Current	Linked to money market
Foreign – financial institutions		23 050	153 312	Current	Linked to LIBOR
		23 050	232 775		

28.5 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet a financial commitment in whichever location or currency it occurs. This risk is controlled and monitored by the preparation of detailed cash flow forecasts and budgets which are regularly reviewed by management. Banking facilities are established in advance with reputable banks to ensure that any forecast cash flow shortfalls can be met from borrowings.

		2006 R 000	2005 R 000
29.	**COMMITMENTS**		
	Capital		
	Expenditure authorised but not contracted for	**1 641 825**	129 404
	Expenditure authorised and contracted for	**475 106**	88 727
		2 116 931	218 131
	Commitments extend over a three-year period and will be financed from operating cash flows, available borrowing resources and project funding. The anticipated cash outflows are as follows:		
	2006	**–**	218 131
	2007	**987 931**	–
	2008	**729 500**	–
	2009	**399 500**	–
		2 116 931	218 131
	Operating lease commitments		
	Future minimum rentals payable under non-cancellable operating leases over premises and equipment which are payable as follows:		
	Within one year	**614**	575
	After one year but not more than five years	**3 296**	785
		3 910	1 360
	Other		
	Forward commitments of a foreign subsidiary with regard to its inventory of ores, alloys and metals:		
	Purchases US$10 300 (2005: US$15 500)	**70 852**	99 333
	Sales US$66 700 (2005: US$45 600)	**458 816**	292 230
30.	**BORROWING CAPACITY**		
	The borrowing capacity of the holding company, certain of its subsidiary companies and joint venture entities is limited by their respective Articles of Association and is based on their aggregate issued and paid up share capital, share premium and retained earnings, as set out below:		
	Assore Limited		
	Authorised in terms of the Articles of Association	**200 000**	200 000
	External borrowings at year-end	**–**	–
	Unutilised borrowing capacity	**200 000**	200 000

	2006 R 000	2005 R 000
30. BORROWING CAPACITY (continued)		
Assmang Limited		
Authorised in terms of the Articles of Association	1 906 877	1 524 557
Less: External borrowings at year-end		
– long-term borrowings	(4 433)	(6 035)
– overdrafts and short-term borrowings	(45 950)	(73 428)
Unutilised borrowing capacity	1 856 494	1 445 094
Minerais U.S. LLC		
Authorised in terms of the Articles of Association	213 189	199 539
Less: External borrowings at year-end		
– overdrafts and short-term borrowings	(207 504)	(153 312)
Unutilised borrowing capacity	5 685	46 227
31. CONTINGENT LIABILITIES		
Holding company		
Holding company guarantees issued to bankers as security for banking facilities provided to subsidiary companies	262 933	246 098
Performance guarantees issued to customers by subsidiary companies	40 694	38 663
	303 627	284 761

The holding company has also issued guarantees to bankers to secure a short-term export finance agreement facility of R180 million (2005: R180 million). The facility is primarily utilised for and on behalf of Assmang in which the group holds a 50% interest and which in turn has provided a back-to-back guarantee against any claims made by bankers in terms of this facility.

Joint venture entity

The termination account of a contractor that went into liquidation in 2004 before contract completion, is in dispute. This account deals with claims and counterclaims between Assmang and the contractor in liquidation. As the matter is currently in mediation, the ultimate outcome cannot presently be determined, but the directors are of the opinion that no provision needs to be made in this regard at year-end.

BEE transaction

"A" and "B" preference shares were issued as part of the BEE transaction entered into during the year. If an event of default is triggered in relation to the "A" and "B" preference shares, the provisions of the relevant put option and call agreements entered into will apply as explained in note 21.

32. SEGMENT INFORMATION

The group's primary segment reporting format is by business segment and its secondary reporting format by the geographical location of customers. This reflects the predominant risks and rates of return that affect the group.

Business segments

The business of the group is principally mining of ore and benefication of alloys. In addition, the group earns revenue from other sources which have been consolidated under a separate heading for one of the following reasons:
– the majority of its revenue is earned from internal sales and
– its revenue from total sales is less than 10% of the total revenue, external and internal, of all segments or
– its segment result is less than 10% of the combined result of all segments in profit or loss whether on absolute amounts or
– its assets are less than 10% of the total assets of all segments.

R 000	Joint venture mining and beneficiation Iron ore division	Manganese division	Chrome division	Subtotal	Marketing and Shipping	Other mining and beneficiation	Adjustments arising on consolidation	Total
Primary segmental information								
Year to 30 June 2006								
Income statement								
Revenue	705 318	1 004 122	469 409	2 178 849	1 390 695	113 531	(188 598)	3 494 477
Contribution to earnings	199 468	163 429	(29 579)	333 318	303 544	(18 332)	(138 708)	479 822
Contribution to headline earnings	199 452	163 813	(31 939)	331 326	172 084	(18 333)	(161 144)	323 933
Balance sheet								
Consolidated total assets	704 523	1 206 663	831 268	2 742 454	1 734 293	331 278	(899 057)	3 908 968
Consolidated total liabilities	139 008	81 223	615 347	835 578	826 851	239 654	(519 545)	1 382 538
Other information								
Capital expenditure	173 061	119 571	59 883	352 515	4 323	8 768	350 533	716 139
Depreciation and amortisation	60 273	63 738	56 126	180 137	1 961	7 049	9 968	199 115
Net cash inflow/(outflow) from operating activities	263 363	62 019	44 383	369 765	69 607	(16 737)	47 337	469 972
Cash outflow from investing activities	(169 127)	(118 013)	(42 954)	(330 094)	(219 160)	(17 817)	(116 534)	(683 605)
Cash (outflow)/inflow from financing activities	(13 608)	(11 920)	(11 100)	(36 628)	14 831	41 151	67 607	86 961

32. SEGMENT INFORMATION (continued)

R 000	Joint venture mining and beneficiation Iron ore division	Manga-nese division	Chrome division	Subtotal	Marketing and Shipping	Other mining and benefi-ciation	Adjust-ments arising on consoli-dation	Total
Primary segmental information (continued)								
Year to 30 June 2005								
Income statement								
Revenue	397 155	1 142 180	549 854	2 089 189	1 121 402	227 933	(222 241)	3 216 283
Contribution to earnings	61 750	336 255	35 323	433 328	102 880	15 918	(11 064)	541 062
Contribution to headline earnings	61 394	337 064	39 493	437 951	102 880	15 296	(42 682)	513 445
Balance sheet								
Consolidated total assets	501 129	1 018 407	795 287	2 314 823	672 873	661 627	(412 471)	3 236 852
Consolidated total liabilities	166 833	52 351	571 083	790 267	337 881	339 887	(363 267)	1 104 768
Other information								
Capital expenditure	88 231	161 254	69 725	319 210	727	23 324	–	343 261
Depreciation and amortisation	51 432	42 462	36 217	130 111	543	12 507	–	143 161
Net cash inflow/(outflow) from operating activities	99 444	437 474	39 459	576 377	(20 626)	32 563	50 416	638 730
Cash outflow from investing activities	(87 875)	(156 914)	(54 238)	(299 027)	(687)	(27 897)	(8 924)	(336 535)
Cash inflow/(outflow) from financing activities	9 592	(253 189)	(20 086)	(263 683)	(5 000)	6 806	68 985	(192 892)

32. SEGMENT INFORMATION (continued)

Geographical segment by location of customers

An analysis of the geographical locations to which product is supplied is set out below:

	Group revenue by segment		Group receivables by segment	
	2006	2005*	**2006**	2005*
	R 000	R 000	**R 000**	R 000
Customers by locations				
USA	**1 338 855**	1 321 431	**133 230**	156 227
Far East	**711 316**	558 135	**124 722**	144 705
Europe	**733 318**	669 257	**176 714**	170 714
South Africa	**353 444**	304 665	**175 966**	121 099
Other – foreign	**357 544**	362 795	**37 389**	30 207
	3 494 477	3 216 283	**648 021**	622 952

Majority of the group's property, plant and equipment is located in South Africa.

33. RELATED PARTY TRANSACTIONS

Transactions with related parties are concluded at arm's length and under terms and conditions that are no less favourable than those arranged with third parties.

The following significant related party transactions occurred during the year:

	2006	2005*
	R 000	R 000
Joint venture entity		
Assmang Limited		
– gross commissions received	**146 508**	157 965
– amounts payable to related parties at year-end	**9 194**	2 905
– amounts receivable from related parties at year-end	**10 321**	10 412
Refer to note 5 for details of the joint venture entity		
Foreign subsidiary		
Minerais U.S. LLC		
– commissions received	**10 727**	19 369
– amounts receivable from related party transactions at year-end	**15 586**	15 293

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, and trades in various commodities related to the steel making industry.

Refer to note 31 for details of security and guarantees provided on behalf of related parties. Details of the remuneration of key management personnel is included in the Directors' Report.

* *Restated – refer changes in accounting policies*

34. RETIREMENT BENEFIT INFORMATION

34.1 Pensions

The group sponsors a defined benefit pension fund and a defined contribution plan.

In addition Assmang has made provision for pension plans covering all employees which comprise a defined contribution pension fund and two defined contribution provident funds administered by employee organisations within the industries in which members are employed.

Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to a pension plan, past service costs is recognised immediately.

Defined benefit plans

The most recent statutory actuarial valuation of the defined benefit pension fund (the Assore Pension Fund) was performed as at 1 July 2005 and revealed a 93,2% funding level as set out below:

	1 July 2005 R 000
Actuarial present value of assets	121 918
Actuarial present value of liabilities	130 749
Shortfall	(8 831)
Funding level	93,3%

Based on a funding check prepared on 25 August for the 12 months subsequent to 1 July 2005, it has been agreed with the fund actuaries that no specific funding of the deficit is required at this stage. During this period the fund has moved from a R9 million deficit to a R11 million surplus due mainly to better than expected investment returns, which yielded approximately R27 million in the period.

Contributions to the fund by the group which were expensed during the year amounted to R6,8 million (2005: R7,0 million)

The principal actuarial assumptions include:

Economic:

– Investment returns per annum	7,5%
– Salary inflation per annum	6,0%
– Pension increases per annum	3,75%

Other

- Active mortality – Nil
- Pensioner mortality PA (90) – Ultimate table
- Merit salary increases as per sliding scale depending on age starting at 5% per annum below age 25, and reducing to zero above age 50.
- Spouse's benefits for active members – on average, husbands are assumed to be two years older than their wives, and married at date of retirement.
- For current pensioners, their actual marital status and, where applicable, the exact age of their spouse has been taken into account.

Defined contribution plans

The benefits provided by the defined contribution plans are determined by accumulated contributions and returns on investment.

Reviews of the plans are carried out by independent actuaries at regular intervals. Members contribute 7,5% and the company 12,5% of pensionable salaries to the funds.

The amount expensed in the current year was R14,7 million (2005: R11,6 million).

34. RETIREMENT BENEFIT INFORMATION (continued)

34.2 Medical aid

Subsidiary companies

Subsidiary companies within the group have obligations to fund the medical aid costs of certain employees and pensioners. Agreement has been reached with the pensioners and applicable members of staff in terms of which these obligations have been converted to either purchased annuities or a series of lump sum payments into the defined benefit pension fund on their behalf. The payments or premiums concerned were calculated by an independent actuary and have resulted in the liabilities arising from these obligations being settled.

Medical aid contributions paid on behalf of current members of staff and pensioners by subsidiary companies amounted to R2,8 million (2005: R3,1 million).

Joint venture entity

The joint venture entity has obligations to fund a portion of certain retiring employees' medical aid contributions based on the cost of benefits. The anticipated liabilities arising from these obligations have been actuarially determined using the projected unit credit method, and a corresponding liability has been raised.

The following table summarises the components of the net benefit expense recognised in the income statements of the joint venture entity.

	2006 R 000	2005 R 000
Current service cost	1 034	975
Interest of cost on benefit obligation	1 091	1 701
Net actuarial gain recognised during the year	–	(824)
Net benefit movement for the year	2 125	1 852

The liability is assessed periodically by an independent actuarial survey based on the following principal actuarial assumptions:

- a discount rate of 2,0% per annum;
- an increase in health care costs at a rate of 5% per annum;
- assumed rate of return on assets at 5% per annum.

The liabilities raised are based on the present values of the post-retirement benefits and have been recognised in full. The most recent actuarial valuation was conducted on 27 September 2004 for the year ended 30 June 2004.

Provisions in respect of post-retirement health care benefits amounted to R20,9 million (2005: R18,8 million) at the end of the year. Of this amount R2,1 million (2005: R1,9 million credit) was charged against income in the current year.

Medical aid contributions paid on behalf of current members of staff and pensioners by the joint venture entity during the year amounted to R22,0 million (2005: R19,0 million).

COMPANY BALANCE SHEET

AT 30 JUNE 2006

	Note	2006 R 000	2005 R 000
ASSETS			
Non-current assets			
Investment in group companies	2	**495 593**	63 250
Available-for-sale investments	3	**169 750**	232 093
Loans to group companies		**28 000**	–
		693 343	295 343
Current assets			
Amounts due from group companies		**20 528**	22 975
Prepaid taxation		**–**	24
Cash resources		**220**	11
		20 748	23 010
TOTAL ASSETS		**714 091**	318 353
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	4	**700**	700
Share premium	5	**30 358**	–
Retained earnings		**316 768**	157 454
Other reserves	6	**100 419**	99 299
Total equity		**448 245**	257 453
Non-current liabilities			
Loans from group companies		**226 651**	44 000
Deferred taxation	7	**21 751**	16 363
		248 402	60 363
Current liabilities			
Trade and other payables		**178**	124
Taxation		**16 854**	–
Amounts due to group companies		**412**	413
		17 444	537
TOTAL EQUITY AND LIABILITIES		**714 091**	318 353

COMPANY INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R 000	2005 R 000
Revenue	8	99 588	46 744
Profit on disposal of available-for-sale investments		145 777	–
Income from investments		99 589	46 744
Discount on BEE transaction		(35 752)	–
Administrative expenses		(3 783)	(1 064)
Finance costs		(985)	–
Profit before taxation	9	204 846	45 680
Taxation	10	16 884	6
Profit for the year		187 962	45 674
Dividends declared per share (cents)	11	230	95

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R 000	2005 R 000
Cash retained from/(utilised in) operating activities		32 914	(117)
Cash utilised in operations	12.1	(3 782)	(1 064)
Investment income	12.2	98 930	46 940
Movements in working capital	12.3	2 475	(19 365)
Cash generated by operating activities		97 623	26 511
Interest income		658	21
Finance costs		(985)	–
Taxation paid	12.4	(6)	(57)
Dividends paid	12.5	(64 376)	(26 592)
Cash (utilised in)/generated from investing activities		(217 714)	122
Acquisition of additional shares in and joint venture company	12.6	(407 343)	–
Acquisition of preference shares in subsidiary company		(25 000)	–
Proceeds on disposal of listed investments		214 629	–
Proceeds on share repurchase		–	122
Cash generated by financing activities		185 009	–
Repurchase of ordinary share capital		(162 694)	–
Net proceeds from the issue of ordinary share capital at a premium		193 052	–
Movement in group company balances		154 651	–
Cash resources			
– increase for the year		209	5
– at beginning of year		11	6
– at end of year		220	11

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R 000	2005 R 000
Share capital			
Balance at beginning of year		700	700
Issue of shares		55	–
Repurchase of shares		(55)	–
Balance at beginning and end of year	4	700	700
Share premium			
Balance at beginning of year		–	–
Issue of shares		196 872	–
Share issue expenses on the above issues charged to share premium in terms of section 76 of the Companies Act		(3 820)	–
Repurchase of shares		(162 694)	–
Balance at end of year	5	30 358	–
Other reserves			
Balance at beginning of year		99 299	42 209
		1 120	57 090
Net increase in the market value of available-for-sale investments		6 508	66 501
Deferred capital gains taxation provided on revaluation of available-for-sale investments to market value		(5 388)	(9 411)
Balance at end of year	6	100 419	99 299
Retained earnings			
Balance at beginning of year		157 454	138 380
Profit per income statement		187 962	45 674
Discount on BEE transaction		35 752	–
Ordinary dividends declared during the year			
Final dividend No. 97 of 150 cents (2005: 45 cents) per share – declared on 30 August 2005		(42 000)	(12 600)
Interim dividend No. 98 of 80 cents (2005: 50 cents) per share – declared on 15 March 2006		(22 400)	(14 000)
Balance at end of year		316 768	157 454
Per balance sheet		448 245	257 453

1. INTEREST OF COMPANY IN ITS SUBSIDIARY COMPANIES

		Issued share capital 2006 R	Issued share capital 2005 R	Direct interest in share capital 2006 %	Direct interest in share capital 2005 %	Shares at cost 2006 R 000	Shares at cost 2005 R 000	Amounts due from/(to) subsidiary companies 2006 R 000	Amounts due to subsidiary companies 2005 R 000
Incorporated in South Africa									
Ordinary shares									
African Mining and Trust Company Limited		1 000 000	1 000 000	100	100	1 200	1 200	46 933	(6 025)
Bokamoso Trust		–	–	100	–	–	–	–	–
Ceramox (Proprietary) Limited		100	100	100	100	1 124	1 124	(404)	(404)
General Nominees (Proprietary) Limited	^	4	4	100	100	–	–	–	–
Erven 40 and 41 Illovo (Proprietary) Limited		1 000	1 000	100	100	–	–	–	–
Erven 27 and 28 Illovo (Proprietary) Limited		1 000	1 000	100	100	–	–	–	–
Erf 1263 Parkview Extension 1 (Proprietary) Limited		1 000	–	100	–	–	–	–	–
Ore and Metal Company Limited		100 000	100 000	100	100	105	105	(226 652)	(15 000)
Rustenburg Minerals Development Company (Proprietary) Limited		130 000	130 000	100	100	–	–	(7)	(7)
Wonderstone Limited		10 000	10 000	100	100	10	10	1 595	(2)
Wonderstone 1937 Limited	^	45 940	45 940	100	100	35	35	–	–
Zeerust Chrome Mines Limited		1 300 000	1 300 000	100	100	1 114	1 114	–	–
Incorporated in Namibia									
Krantzberg Mines Limited	^	500 000	500 000	100	100	–	–	–	–
Incorporated in Mozambique									
Amhold Limitada	^	2	2	100	100	–	–	–	–
Incorporated in United States of America									
Minerais U.S. LLC		17 756 100	17 756 100	51	51	11 418	11 418	–	–
Preference shares									
Main Street 350 (Proprietary) Limited		–	–	–	–	25 000	–	–	–
						40 006	15 006	(178 535)	(21 438)
Less – held indirectly						(11 452)	(11 452)		
– provided against						(1 114)	(1 114)		
Per note 2						27 440	2 440	(178 535)	(21 438)

^ Dormant companies

		2006 R 000	2005 R 000
2.	**INVESTMENT IN GROUP COMPANIES**		
	Joint venture entity	468 153	60 810
	Subsidiary companies (per note 1)	27 440	2 440
		495 593	63 250
	Investment in joint venture entity		
	Assmang Limited		
	1 774 103 (2005:1 620 214) ordinary shares at cost and directors' valuation	468 153	60 810
	Investment in subsidiary companies (refer to note 1)		
	Shares at cost	27 440	2 440
	Loan accounts receivable	28 000	–
	Current accounts receivable	20 528	22 975
	Loan accounts payable	(226 651)	(44 000)
	Current accounts payable	(412)	(413)
		(178 535)	(21 438)
	The loans due to and from subsidiary companies are interest free and have no fixed repayment dates.		
3.	**AVAILABLE-FOR-SALE INVESTMENTS**		
	Listed – at market value	169 625	231 968
	Unlisted – at cost and directors' valuation	125	125
		169 750	232 093
	Listed – at cost	47 455	116 307
	A register containing details of investments held by the group is available for inspection at the registered office of the holding company.		

	2006 R 000	2005 R 000
4. SHARE CAPITAL		
Authorised		
40 000 000 (2005: 40 000 000) ordinary shares of 2,5 cents each	**1 000**	1 000
Issued		
Balance at beginning of year (28 000 000 ordinary shares of 2,5 cents each)	**700**	700
Issue of shares 1 696 890 shares of 2,5 cents per share at a premium of R84,98 per share and for a consideration of R144,2 million	**42**	–
Issue of shares 517 309 shares of 2,5 cents per share at a premium of R101,83 per share, and for a consideration of R52,7 million	**13**	–
Repurchase of 2 214 199 shares of 2,5 cents per share at R63,00 per share	**(55)**	–
Balance at end of year (28 000 000 ordinary shares of 2,5 cents each)	**700**	700
Refer to note 5 for details of the share premium and share issue expenses.		
5. SHARE PREMIUM		
Balance at beginning of year	**–**	–
Issue of 1 696 890 shares at a premium of R84,98 per share	**144 193**	–
Issue of 517 309 shares at a premium of R101,83 per share	**52 679**	–
Repurchase of 2 214 199 shares	**(162 694)**	–
Share issue expenses on the above transactions	**(3 820)**	–
Balance at end of year	**30 358**	–
6. OTHER RESERVES		
After tax fair value adjustment arising on the revaluation of available-for-sale investments		
Fair value adjustment surplus on the revaluation of available-for-sale investments	**122 170**	115 662
Less: deferred capital gains taxation	**(21 751)**	(16 363)
	100 419	99 299

	2006 R 000	2005 R 000
7. DEFERRED TAXATION		
At year-end		
Raised on the following differences:		
Valuation of available-for-sale investments	21 751	16 363
Movements		
Deferred liability balance at beginning of year	16 363	6 952
Revaluation of investments	5 388	9 411
Deferred liability balance at end of year	21 751	16 363
8. REVENUE		
Revenue comprises:		
Dividends received	98 930	46 723
Interest received	658	21
	99 588	46 744
9. PROFIT BEFORE TAXATION AND STATE'S SHARE OF PROFITS		
Profit before taxation is stated after taking into account the following items of income and expenditure:		
Income		
Dividends received	98 930	46 723
Joint venture entity	95 802	41 315
Available-for-sale investments	3 128	5 408
Interest received	658	21
Profit on disposal of listed investments	145 777	–
Expenditure		
Auditors' remuneration – audit fees	56	46
Directors' remuneration	26 782	22 834
– directors' fees	678	678
– other services	26 104	22 156
Finance costs	985	–
Transfer secretary fees	212	183
10. TAXATION		
South African normal tax – current year	191	6
Capital gains tax	16 693	–
	16 884	6

The company has unused credits in respect of secondary tax on companies of R76,8 million (2005: R51,6 million).

	2006 R 000	2005 R 000
10. TAXATION (continued)		
Reconciliation of tax rate (%)		
Nominal tax rate	29,00	29,00
Adjusted for:		
Dividend income	(14,01)	(29,66)
Exempt income	(20,64)	–
Capital gains tax	8,15	
Disallowable expenditure	5,06	0,58
Other	0,68	0,09
Effective tax rate	8,24	0,01
11. DIVIDENDS		
Dividends declared		
Final dividend No. 97 of 150 cents (2005: 45 cents) per share – declared on 30 August 2005	42 000	12 600
Interim dividend No. 98 of 80 cents (2005: 50 cents) per share – declared on 15 March 2006	22 400	14 000
Ordinary – declared	64 400	26 600
Per share (cents)	230	95
Dividends for the year		
Interim dividend No. 98 of 80 cents (2005: 50 cents) per share – declared on 15 March 2006	22 400	14 000
Final dividend No. 99 of 150 cents declared on 30 August 2006	42 000	42 000
Ordinary – paid	64 400	56 000
Per share (cents)	230	200
12. NOTES TO THE CASH FLOW STATEMENTS		
12.1 Cash utilised in operations		
Profit before taxation and State's share of profits	204 846	45 680
Adjusted for:	(208 628)	(46 744)
– Dividends received	(98 930)	(46 723)
– Interest received	(658)	(21)
– Profit on disposal of available-for-sale investments	(145 777)	–
– Discount on BEE transaction	35 752	–
– Finance costs	985	–
	(3 782)	(1 064)
12.2 Investment income		
Dividends receivable at beginning of year	–	217
Credited to the income statements	98 930	46 723
	98 930	46 940

	2006 R 000	2005 R 000
12. NOTES TO THE CASH FLOW STATEMENTS (continued)		
12.3 Movements in working capital		
Decrease in trade and other receivables	–	946
Increase/(decrease) in amounts owing by group companies	2 445	(19 914)
Increase/(decrease) in trade and other payables	30	(397)
	2 475	(19 365)
12.4 Taxation paid		
Prepaid/(unpaid) at beginning of year	24	(27)
Charged to the income statements	(16 884)	(6)
Unpaid/(prepaid) at end of year	16 854	(24)
	(6)	(57)
12.5 Dividends paid		
Unpaid at beginning of year	(76)	(68)
Paid during the year	(64 400)	(26 600)
Unpaid at end of year	100	76
	(64 376)	(26 592)
12.6 Acquisition of additional shares in a joint venture company		
Purchase consideration	407 343	–
Less: cash excluded in assets acquired	(2 837)	–
Net cash paid	404 506	–

13. BORROWING CAPACITY

The borrowing capacity of the company, its joint venture and subsidiaries, in terms of its Articles of Association are as follows:

	2006 R 000	2005 R 000
Authorised in terms of the Articles of Association	200 000	200 000
External borrowings at year-end	–	–
Unutilised borrowing capacity	200 000	200 000

14. CONTINGENT LIABILITIES

Guarantees

	2006 R 000	2005 R 000
Guarantees issued to bankers as security for facilities provided to subsidiary companies	262 933	246 098

Joint venture entity

The company has issued guarantees to bankers to secure a short-term export finance agreement facility of R180 million (2005: R180 million). The facility is primarily utilised for and on behalf of Assmang in which the group holds a 50% interest and which in turn has provided a back-to-back guarantee against any claims made by bankers in terms of this facility.

BEE transaction

"A" and "B" preference shares were issued as part of the BEE transaction entered into during the year. If an event of default is triggered in relation to the "A" and "B" preference shares, the provisions of the relevant put option and call agreements entered into will apply as more fully explained in note 21 of the consolidated annual financial statements.

NOTICE TO MEMBERS

Notice is hereby given that the fifty-sixth Annual General Meeting of members of Assore Limited ("Assore" or "the company") will be held at 15 Fricker Road, Illovo Boulevard, Johannesburg on Friday, 24 November 2006 at 10h30 for the following purposes:

1. To receive and consider the annual financial statements for the year ended 30 June 2006.
2. To elect directors in place of those retiring in accordance with the provisions of the company's Articles of Association (refer to footnotes for a short curriculum vitae of the directors concerned).
3. To consider, and if deemed fit, to pass with or without modification the resolutions set out below.
4. To transact any other business which may be transacted at an Annual General Meeting.

Ordinary and Special Resolutions:

Ordinary Resolution Number One

"RESOLVED THAT, the directors of Assore Limited ("Assore" or "the company") be and are hereby authorised in accordance with the provisions of article 92(a) of the Articles of Association of the company to, from time to time and at their discretion, borrow any sum of money for the purposes of the company, such that the aggregate amount at any time owing in respect of the monies so borrowed, raised or secured by the company and all subsidiaries of the company for the time being (excluding borrowing between the company, its holding company and any subsidiary of the company) may exceed the sum of R200 000 000, as set out in the above mentioned article 92(a)."

Special Resolution Number One

"RESOLVED THAT, pursuant to and in terms of section 89 of the Companies Act No. 61 of 1973 and the Listings Requirements of the JSE Limited, Main Street 460 (Proprietary) Limited, registration number 2006/021404/07 ("Main Street 460"), a wholly owned subsidiary of Assore Limited ("Assore" or "the company"), be and is hereby authorised, in accordance with article 8.2 of its Articles of Association, by way of a specific authority to purchase 59 791 ordinary shares or approximately 0,21% of the issued ordinary share capital of Assore from The Standard Bank of South Africa Limited ("Standard Bank"), at a maximum cash consideration of R124.00 per ordinary share on 1 December 2006 or so soon there afterwards as is possible, and that any of the directors of Main Street 460 be and are hereby authorised to sign all documents and perform all acts on behalf of Main Street 460 that may be required to give effect to this special resolution."

The reason and effect of Special Resolution Number One

The reason for and effect of Special Resolution Number One is to provide specific authority under section 89 of the Companies Act for Main Street 460 to purchase from Standard Bank approximately 0,21% of the issued ordinary share capital of Assore, of which Main Street 460 is a wholly owned subsidiary. The ordinary shares repurchased under Special Resolution Number One constitute Standard Bank's entire shareholding in Assore and Standard Bank will not vote such shares at the Annual General Meeting.

The effect on earnings per share, headline earnings per share, net asset value and tangible net asset value per share of the proposed repurchase under Special Resolution Number One are not material.

Special Resolution Number Two

"RESOLVED THAT, pursuant to and in terms of section 89 of the Companies Act No. 61 of 1973 and the Listings Requirements of the JSE Limited, Main Street 460 (Proprietary) Limited, registration number 2006/021404/07 ("Main Street 460"), a wholly owned subsidiary of Assore Limited ("Assore" or "the company"), be and is hereby authorised, in accordance with article 8.2 of its Articles of Association, by way of a general authority to purchase ordinary shares in the issued share capital of Assore, to a maximum of 10% in the aggregate of the number of issued shares of Assore, upon such terms and subject to such conditions as may be determined by the directors of Main Street 460 from time to time, and that any of the directors of Main Street 460 be and are hereby authorised to sign all documents and perform all acts on behalf of Main Street 460 that may be required to give effect to this special resolution."

In terms of the Listings Requirements of the JSE Limited ("the JSE"), Assore undertakes that, in terms of Special Resolution Number Two above:

- any such acquisition of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any proper understanding or arrangement between Assore and the counter party;
- any such acquisition of ordinary shares is authorised by Assore's Articles of Association;
- this general authority shall be valid until Assore's next Annual General Meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
- acquisitions of ordinary shares in the aggregate in any one financial year may not exceed 10% of Assore's issued ordinary share capital as at the date of passing of this special resolution;
- in determining the price at which ordinary shares are acquired by Assore or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average of the market value at which such ordinary shares are traded on the JSE as determined over the five business days immediately preceding the date of repurchase of such ordinary shares by Assore or any of its subsidiaries;
- at any point in time, Assore may only appoint one agent to effect any repurchase on its behalf;
- Assore, after any repurchase, still complies with the minimum shareholder spread requirements of the Listings Requirements of the JSE; and
- Assore and/or its subsidiaries may not repurchase any ordinary shares during a prohibited period as defined in the Listings Requirements of the JSE.

The reason and effect of Special Resolution Number Two

The reason for and effect of Special Resolution Number Two is to provide general authority under section 89 of the Companies Act for Main Street 460 to purchase ordinary shares in the issued share capital of Assore, of which Main Street 460 is a wholly owned subsidiary.

Additional information

The following additional information, certain of which may appear elsewhere in the annual report, of which this notice forms part, is provided in terms of the Listings Requirements of the JSE for purposes of the specific authority in the aforementioned Special Resolution Number One and the general authority contained in the aforementioned Special Resolution Number Two:

Directors – pages 4 to 5;
Directors' interests in ordinary shares – page 42;
Major beneficial shareholders – page 43; and
Share capital of the company – page 69.

Announcements

Upon cumulatively repurchasing 3% of the initial number of ordinary shares in issue and for each 3% of ordinary shares repurchased in aggregate thereafter, Assore will make an announcement to such extent not later than 08h30 on the second business day following the day on which the relevant threshold is reached or exceeded.

Working capital

The directors of Assore, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of Special Resolution Number One and Special Resolution Number Two, are satisfied that for a period of 12 months after the date of the notice of Annual General Meeting at which these special resolutions will be considered:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the assets of the company and the group will exceed the liabilities of the company and the group. For this purpose the assets and liabilities will be measured in accordance with the accounting policies used in the audited group annual financial statements for the year ended 30 June 2006; and

– the share capital, reserves and working capital of the company and the group will be adequate for ordinary business purposes.

Directors' responsibility statement

The directors, whose names appear on pages 4 and 5 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to the aforementioned Special Resolution Number One and Special Resolution Number Two and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by law and the Listings Requirements of the JSE.

Material changes

Other than the facts and developments reported on in the annual report, which this notice accompanies, there have been no material changes in the affairs or financial position of the company and the group since the date of the audited consolidated annual financial statements for the year ended 30 June 2006 up to the date of this notice of Annual General Meeting.

Litigation statement

Other than for that disclosed in note 31 to the financial statements, the company and the group is not, and, in the past 12 months, has not been involved in any legal or arbitration proceedings, nor is it aware of any proceedings that are pending or threatened which may have, or have had, a material effect on the financial position of the company and the group.

Voting and proxies

Members holding certificated shares and members who have dematerialised their shares and have elected own name registration in the sub-register maintained by their Central Securities Depository Participant (CSDP), may attend, speak and vote at the Annual General Meeting or may appoint one or more proxies (who need not be members of the company) to attend, speak and vote at the Annual General Meeting on behalf of such shareholder. A proxy form is attached to this notice of Annual General Meeting. Duly completed proxy forms must be returned to the transfer secretaries of the company or the registered office of the company to be received by no later than 10h30 on Wednesday, 22 November 2006.

Members who have dematerialised their shares through a CSDP or broker and who have not elected own name registration in the sub-register maintained by a CSDP and who wish to attend the Annual General Meeting, should instruct their CSDP or broker to issue them with the necessary authority to attend, or if they do not wish to attend the Annual General Meeting, but wish to be represented thereat, they may provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP or broker.

By order of the Board
African Mining and Trust Company Limited
Secretaries

Johannesburg
18 October 2006

Footnote to item 2 of the agenda

Directors retiring by rotation and available for re-election:

B M Hawksworth
CA(SA), CFA
Appointed to the Assore Board as an independent non-executive director in 1996 and currently chairs the Audit and Remuneration Committees of Assore.

A former senior partner of Ernst & Young, and a member of the South African Institute of Chartered Accountants serving on both its Council and Executive Committee. A Fellow of the Institute of Directors which he chaired in the early 1990s and holds appointments on the boards of several other companies including the Financial Services Board (the FSB).

M C Ramaphosa
BProc
Appointed to the Assore Board as a non-executive director in July 2006. Executive chairman and a significant shareholder of Shanduka Group (Proprietory) Limited. Non-executive chairman of MTN Group Limited, the Bidvest Group and SASRIA Limited. Non-executive director of SAB Miller plc, Macsteel Holdings (Proprietary) Limited, Alexander Forbes Limited and Standard Bank Group Limited.

He was the first deputy chairman of the Commonwealth Business Council and sits on the United Nations' Secretary-General's advisory panel on international support to Nepad. He is a member of the International Business Council of the World Economic Forum and has received several honorary doctorates.

Dr J C van der Horst
BA, LLD
Former senior executive of Old Mutual, served on the Assore Board between 1989 and 1997, and again since January 2003 when he was appointed as an independent non-executive director. He serves on the group's Audit and Remuneration Committees and also on the boards of Reunert Limited and Wooltru Limited, both of which are listed on the JSE Limited.

FORM OF PROXY

ASSORE LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1950/037394/06)
Share code: ASR ISIN: ZAE 000017117
("Assore" or "the company")

For use only by members holding certificated shares and members who have dematerialised their share certificates and have elected own name registration in the sub-register maintained by the Central Securities Depository Participant (CSDP), at the Annual General Meeting to be held at 10h30 on Friday, 24 November 2006.

Members who have dematerialised their share certificates through a CSDP or broker and who have not elected own name registration in the sub-register maintained by a CSDP who wish to attend the Annual General Meeting, should not complete this form of proxy, but should instruct their CSDP or broker to issue them with the necessary authority to attend, or if they do not wish to attend the Annual General Meeting, but wish to be represented thereat, they may provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP or broker.

I/We

(Name in block letters)
of

(Address)
being the holder/s of ordinary shares

in the company, hereby appoint (see note 1)
1.

of or failing him

2.

of or failing him

3. the chairman of the company, or failing him, the chairman of the Annual General Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the company to be held at 15 Fricker Road, Illovo Boulevard, Johannesburg on Friday, 24 November 2006 at 10h30 or at any adjournment thereof.

I/We desire to vote as follows (see note 2):

	For	Against	Abstain
Adoption of annual financial statements			
Election of retiring directors:			
– B M Hawksworth			
– M C Ramaphosa			
– J C van der Horst			
Ordinary Resolution Number One: Approval to exceed borrowing restrictions			
Special Resolution Number One: Specific authority to purchase Assore shares			
Special Resolution Number Two: General authority to purchase Assore shares			

Signed at on 2006

Signature

Assisted by me (where applicable)

Please see notes overleaf

NOTES TO FORM OF PROXY

1. A member is entitled to appoint one or more proxies (none of whom need be a member of the company) to attend, speak and vote in the place of that member at the Annual General Meeting. A member may therefore insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting "the chairman of the company, or failing him, the chairman of the Annual General Meeting". The person whose name stands first on the proxy form and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A member's instructions to the proxy must be indicated by the insertion of an "X" in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the Annual General Meeting, if he is the authorised proxy, to vote in favour of the resolutions at the Annual General Meeting, or any other proxy to vote or abstain from voting at the Annual General Meeting as he deems fit, in respect of the member's total holding.

3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

4. Every member present in person or by proxy and entitled to vote shall, on a show of hands, have only one vote and, upon a poll, every member shall have one vote for every ordinary share held.

5. In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders for which purpose seniority will be determined by the order in which the names stand in the register of members in respect of joint holding.

6. Documentary evidence establishing the authority of the person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the Annual General Meeting.

7. Forms of proxy must be lodged at, or posted to the registered office of the company or the transfer secretaries, Computershare Investor Services 2004 (Proprietary) Limited, 70 Marshall Street, Johannesburg (PO Box 61051, Marshalltown 2107) to be received by not later than 10h30 on Wednesday, 22 November 2006.

ASSORE

GRAPHICOR
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