

*Iron Manganese Chrome Wonderstone*



Integrated Annual Report 2011





Overburden drilling at Khumani.

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Integrated report

Reviews and reports

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## Scope and boundary

### Profile

Assore Limited's ("Assore" or "group") first integrated annual report (IR) covers the period 1 July 2010 to 30 June 2011. 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 iron, manganese and chrome ores together with other industrial minerals and the production of manganese and chrome alloys. The group is also responsible for marketing all products produced by the group, 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.

26,07% of the company's shares are controlled by black economic empowerment entities: the Bokamoso Trust (14,28%), a broad-based black economic empowerment community trust, and Shanduka Resources (Proprietary) Limited (11,79%)\*. The Minerals and Petroleum Resources Development Act requires that 26% of mining companies' shares are controlled by historically disadvantaged South Africans by 2014.

\* Subsequent to the year-end, Shanduka's interest has been acquired by the group in a share-warehousing vehicle prior to its anticipated disposal into a broad-based BEE structure.



## Organisational overview and activities

### Business model

Assore is a mining holding company engaged principally in ventures involving base minerals and metals to take advantage of opportunities, either on its own or in joint ventures, in a profitable, responsible and sustainable manner. Assore, including its subsidiary companies and joint-venture entities (the group) is committed to the requirements of black economic empowerment (BEE) as contemplated by the Mining Charter.

The group seeks to align the exploitation of its mineral deposits and alloy production capacity with customer requirements, in accordance with its programme of capital expenditure. The sections "Group at a glance", "Group structure of operating companies" and "Location of operations" on pages 6 to 9 provide more detail of the group's holdings and its operations.

The group's principal investment is a 50% interest in Assmang Limited (Assmang) which it controls jointly with African Rainbow Minerals Limited (ARM) through an operations committee. Assmang's operations encompass the mining, distribution and sale of iron, manganese and chrome ores, and the distribution and sale of its produced manganese and chrome alloys. In terms of the joint-venture agreement with ARM, Assore, through its wholly owned subsidiary, Ore & Metal Company Limited (Ore & Metal), is the sole marketing and distribution agent for Assmang, while ARM manages the production and the domestic logistical arrangements of the material sold. In this capacity Ore & Metal, through its global network of agents and customers, provides essential input into the strategy of Assmang, which is based on market research and understanding of customers' needs. In terms of International Financial Reporting Standards (IFRS), the financial results of Assmang are proportionately consolidated in the group's results covered in this report. Summarised financial information for Assmang on a stand-alone basis is contained in the "Directors' report" (refer page 83) and further insight into the management of Assmang is provided under "Governance structure" (refer page 10).

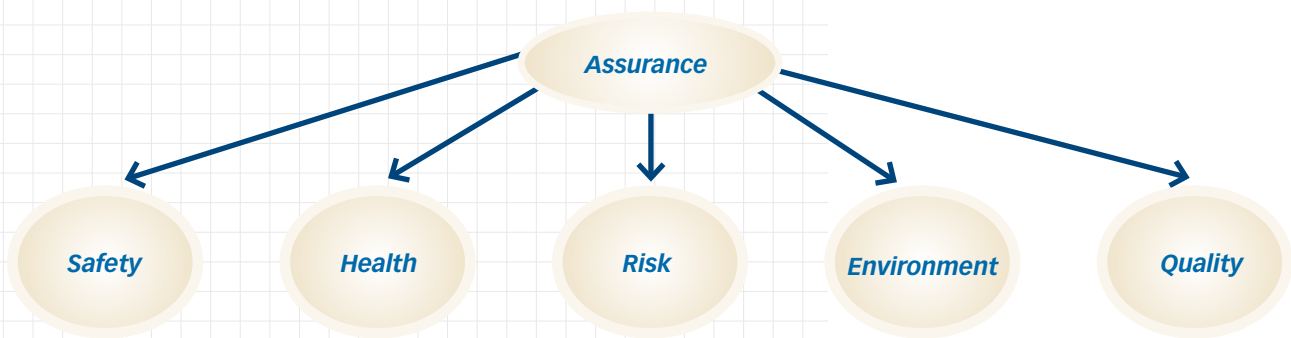
Besides the Assmang operations, the group also has interests in other chrome deposits and industrial minerals and maintains a portfolio of investments in other mining companies listed on the JSE Limited.

The IR has been prepared on the basis of the group's consolidated financial statements, prepared in accordance with IFRS, relevant facts, issues and risks that are pertinent to the group's operations. Guidelines used in compiling the separate elements of the IR include:

REPORT ELEMENT	GUIDELINES	REFERENCE
Annual financial statements	IFRS, South African Companies Act and JSE Limited Listings Requirements	Pages 79 to 147
Mineral resources and reserves report	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)	Pages 28 to 47
Corporate Governance and Risk Management report	King Code on Corporate Governance, issued in September 2009 (King III).	Pages 48 to 54 and throughout
Black Economic Empowerment Status report	Mineral and Petroleum Resources Development Act and the Broad-based Socio-economic Empowerment Charter for the South African Mining Industry issued thereunder (the Mining Charter)	Pages 55 to 57 and throughout
	Codes of Good Practice, issued by the Department of Trade and Industry (DTI)	
Sustainability report	Various relevant guidelines, as well as those contained in the global reporting initiative (GRI) G3 indicators	Pages 58 to 73 and throughout

## Assurance

The Assore group subscribes to a combined assurance model, which attempts to limit or control risks inherent in the business of the group by making use of assurance providers, both third party and in-house, in conjunction with Assmang's Risk Management department (referred to as "internal management"). Assurance is addressed across the areas of:



collectively referred to as SHREQ, and the assurance provided is reflected in the table below:

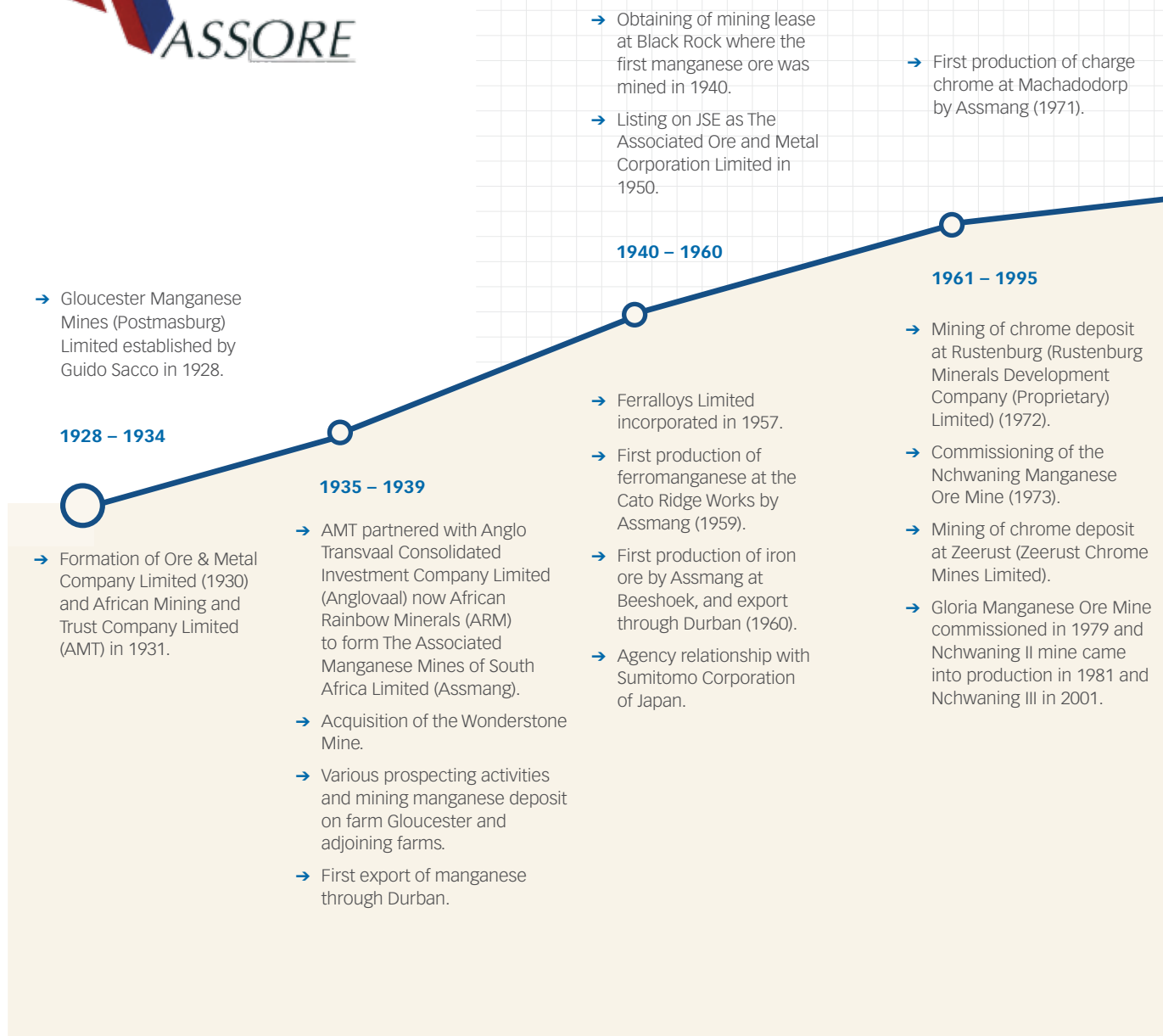
AREA	ASSORE	ASSMANG	STANDARD(S) AND COMMENT
	<b>Provider</b>	<b>Provider</b>	
<b>Safety and Health</b>	Environmental Resource Management Southern Africa (Proprietary) Limited (ERM)	Internal management and Sustainability Services CC (Sustainability Services)	Per provider and the Department of Mineral Resources (DMR). Limited assurance for Assore is provided in the form of bi-annual audits on legal compliance. Assmang has received assurance on specified elements of Safety and Health from Sustainability Services
<b>Risk</b>	Sizwe Ntsaluba Gobodo	KPMG	COSO framework
<b>Environment</b>	ERM and TUV Rheinland Inspection Services (Proprietary) Limited (TUV Rheinland)	Internal management	ISO 14001 (2004). Limited assurance for Assore is provided in the form of bi-annual audits on legal compliance by ERM and certification by TUV Rheinland. Assmang has received assurance on specified elements of Safety and Health from Sustainability Services
<b>Quality</b>	TUV Rheinland	Internal management	ISO 9001 (2008). Limited assurance for Assore is provided in the form of certification by TUV Rheinland

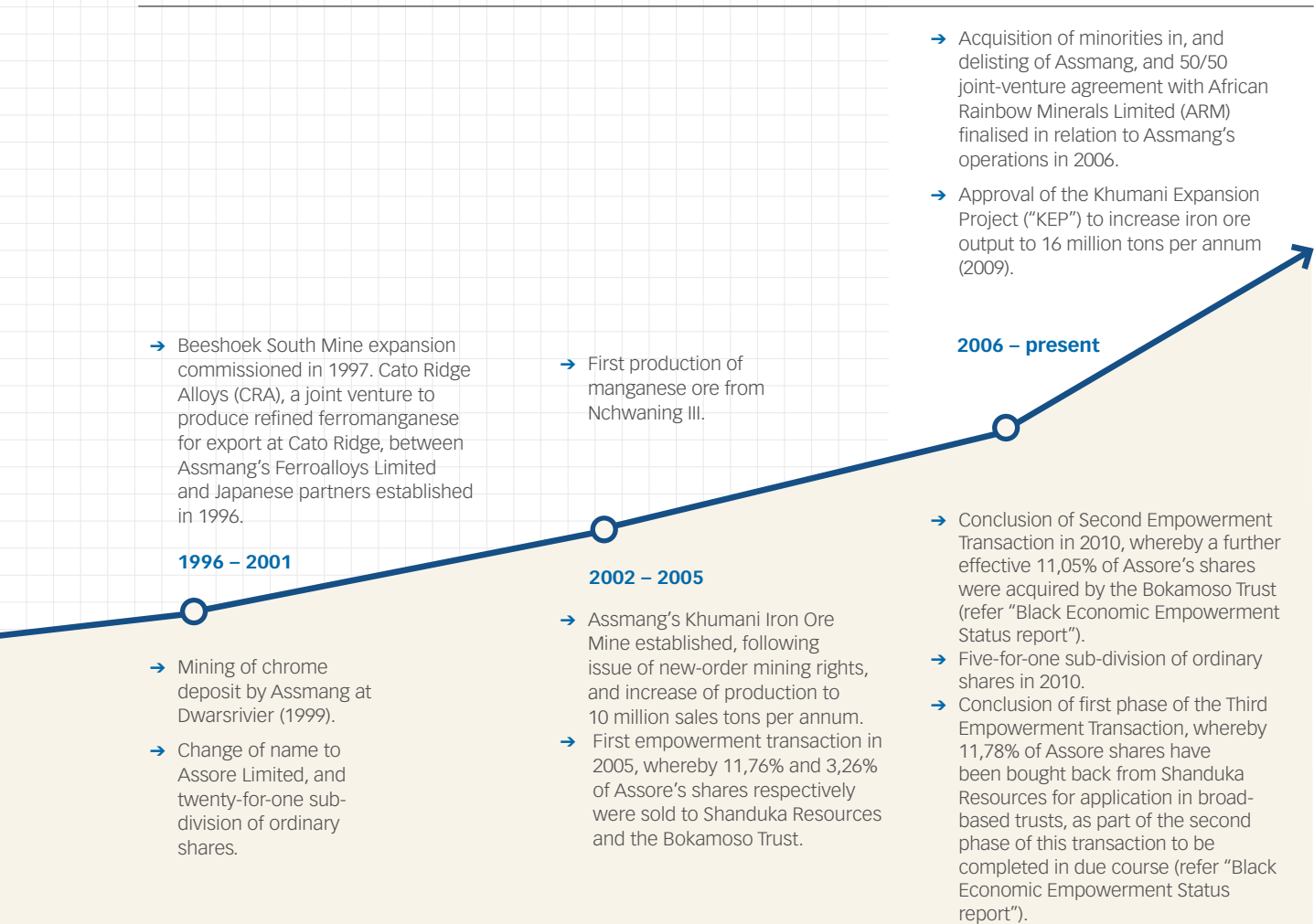
Assurance pertaining to financial controls and reporting is achieved by conducting extensive internal auditing across the Assore group by Sizwe Ntsaluba Gobodo, who reports to Assore's Audit and Risk Committee on their findings, while in Assmang, KPMG reports related findings to Assmang's Audit and Risk Committee. The Audit and Risk Committee (in Assmang, the Audit Committee) ensures a close working relationship between external audit and internal audit, to ensure that the assurance provided by Ernst & Young, for both Assmang and the Assore group, on their respective financial statements provides reasonable assurance for the external audit opinion.

## Organisational overview and activities continued

### History of the group

Strong relations have been established with customers in Europe, North America, South America, India, the Middle and Far East, and products with a market value of approximately R17,8 billion (2010: R13,5 billion) were marketed and distributed in these regions during the year.





**Location of markets**



## Organisational overview and activities continued

### Group at a glance

OPERATING ENTITIES	COMMODITY MINED	TYPE OF OPERATION
<b>Joint-venture entity (Assmang)</b>		
<b>IRON ORE DIVISION</b>	Iron ore <i>(see page 14)</i>	Mining, crushing, screening and dense medium jigging
<b>MANGANESE DIVISION</b>	Manganese <i>(see page 16)</i>	Mining, washing and screening of ore Smelting of ferromanganese Production of refined ferromanganese
<b>CHROME ORE DIVISION</b>	Chrome ore <i>(see page 17)</i>	Mining and concentrating of ore Pelletising of ore and smelting and production of ferrochrome

### Subsidiary companies

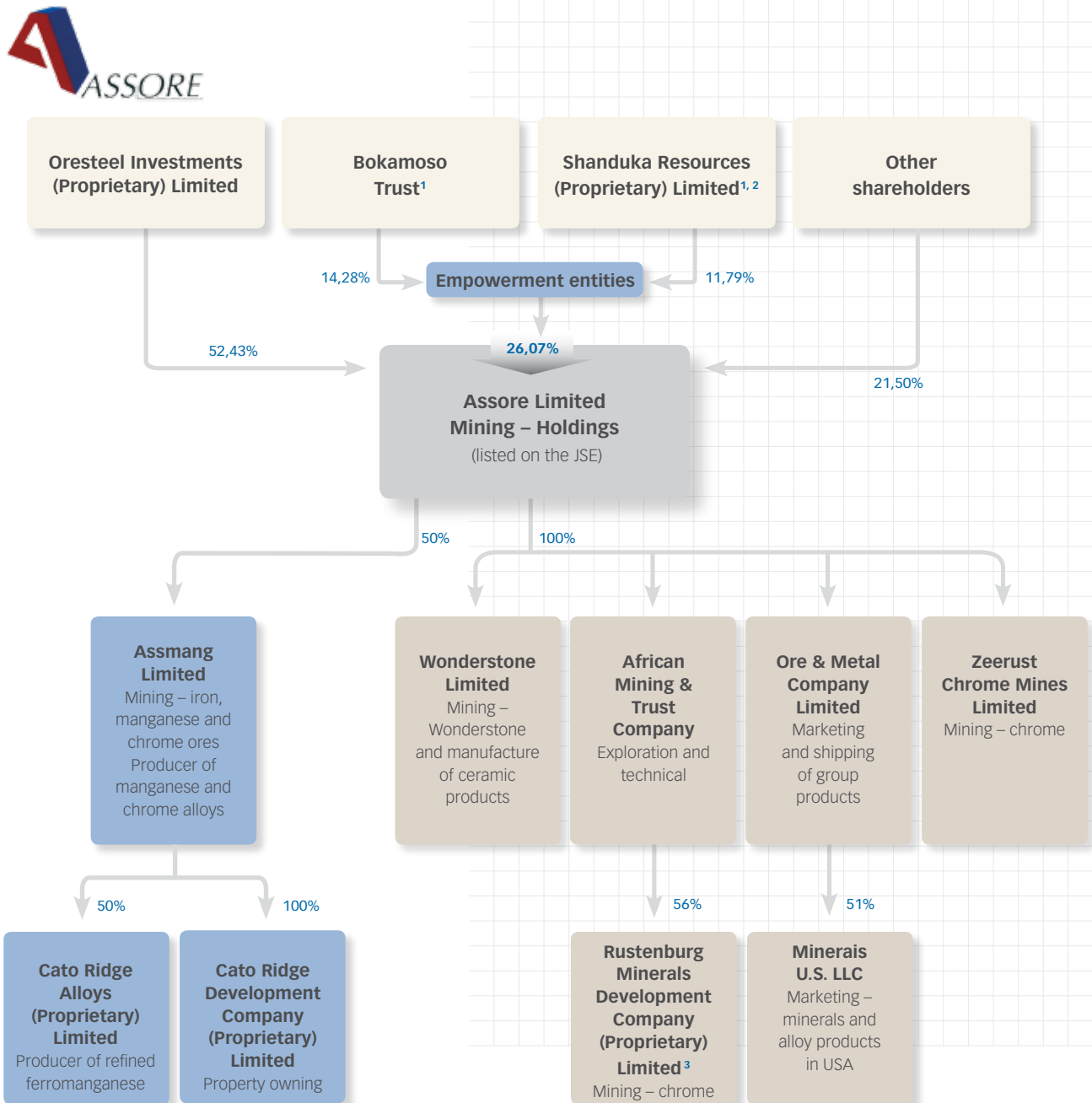
<b>RUSTENBURG MINERALS DEVELOPMENT COMPANY</b>	Chrome ore <i>(see page 17)</i>	Mining and concentrating of ore
<b>ZEERUST CHROME MINES</b>	Chrome ore <i>(see page 17)</i>	Mining and concentrating of ore of chrome
<b>WONDERSTONE</b>	Wonderstone <i>(see page 18)</i>	Mining and beneficiation of Wonderstone and manufacture of ceramic products
<b>ORE &amp; METAL COMPANY</b>	Non-mining operation	Marketing, sales and shipping of products <i>(see page 19)</i>
<b>MINERAIS U.S. LLC</b>	Non-mining operation	Marketing of minerals and alloys in USA <i>(see page 19)</i>
<b>AFRICAN MINING AND TRUST COMPANY</b>	Non-mining operation	Operational management, exploration and technical adviser <i>(see page 19)</i>



DESCRIPTION	ATTRIBUTABLE PROFIT/(LOSS) Rmillion
Iron ore is mined in the Northern Cape in open-cast operations at the Khumani Iron Ore Mine which is located near Kathu in the Northern Cape and at the Beeshoek Iron Ore Mine which is located outside Postmasburg. The bulk of the ore is exported.	2011: R2 325,5 2010: R718,3
Various grades of manganese ore are mined at the Nchwaning and Gloria mines, located 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 with Japanese partners, 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.	2011: R684,9 2010: R740,1
Chrome ore is mined at the Dwarsrivier Mine near Lydenburg in Mpumalanga province and is either supplied to the Machadodorp Ferrochrome Works or exported.	2011: (R116,9) 2010: (R92,3)
Chrome ore is mined near Rustenburg in open-cast operations and production is supplied mainly to the local market. The company has recently completed one of two planned decline shafts with the other shaft expected to be commissioned at the end of 2011. The underground operations will replace the existing open-cast operations.	2011: R31,0 2010: R8,2
Chrome ore is mined at the Zeerust Chrome Ore Mine, located in the vicinity of Zeerust in the North West province.	2011: (R8,4) 2010: (R3,2)
The company mines a type of pyrophyllite, which, for trade purposes, is referred to as Wonderstone. The bulk of the material mined is beneficiated to produce high-precision components manufactured to customers' specification which are exported to the United States of America and the United Kingdom. The company also produces a range of wear and acid-resistant tiles and ceramic products used mainly for chute liners in the local mining industry.	2011: R2,6 2010: (R4,3)
Ore & Metal Company Limited is responsible for the marketing, sales 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.	2011: R187,5 2010: R126,9
Minerais U.S. LLC is a trading company, and responsible for marketing and sales administration of the group's products in the USA, in particular manganese and chrome alloys, and trades in various related commodities.	2011: R11,4 2010: R17,3
African Mining and Trust Company Limited is technical adviser to Assmang and other group companies and provides operational management to group mines and plants.	2011: R134,1 2010: R81,6

## Organisational overview and activities continued

### Group structure of operating companies



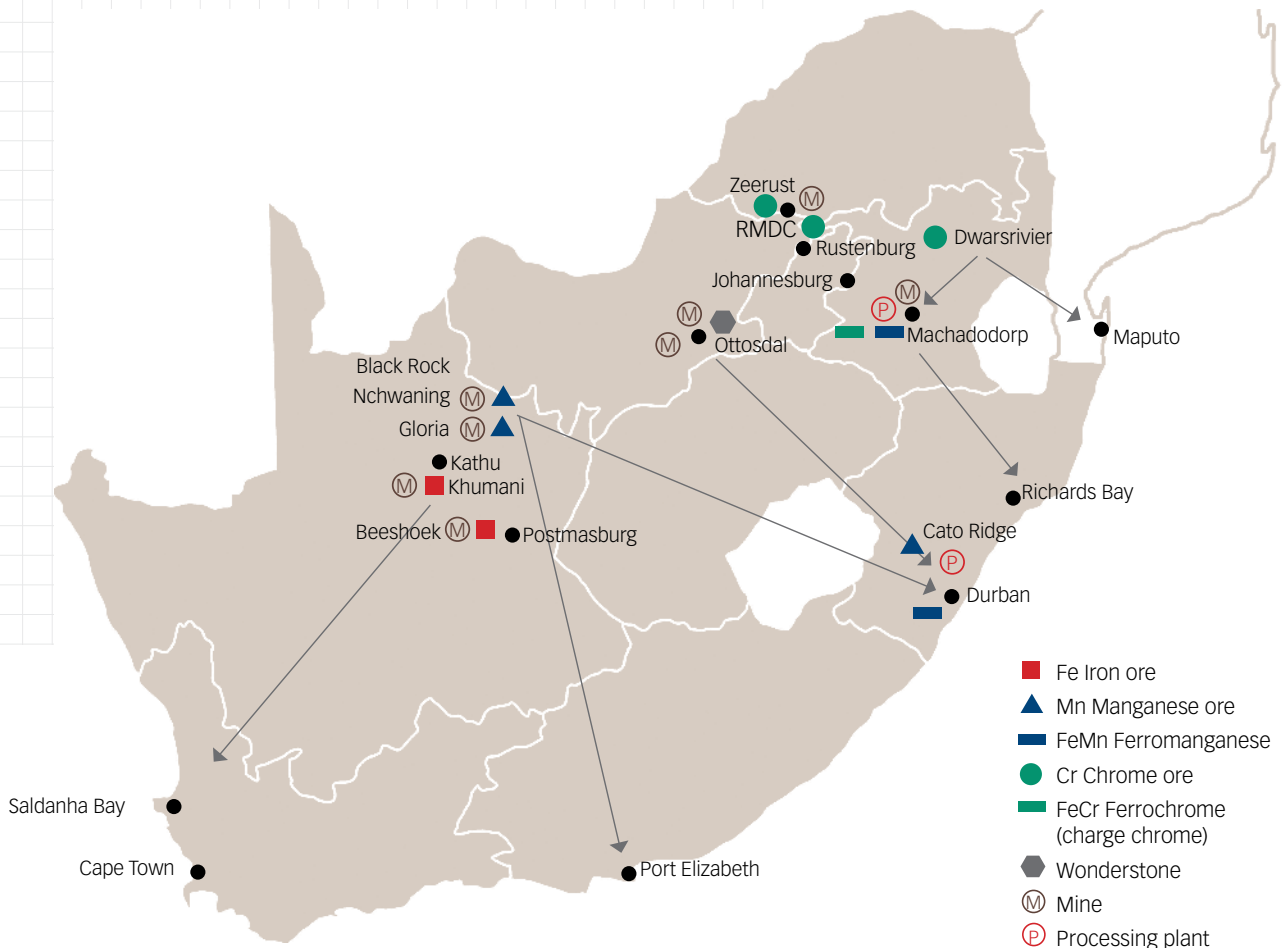
<sup>1</sup> Black economic empowered entity.

<sup>2</sup> Subsequent to the year-end, Shanduka's interest was acquired by a special-purpose vehicle, in which the shares are warehoused, prior to being disposed of into a broad-based BEE structure (refer "Black Economic Empowerment Status report", and "Directors' report", pages 55 to 57 and 87 respectively).

<sup>3</sup> A black economic empowerment entity, Mampa Investment Holdings (Proprietary) Limited has a 44% equity interest in Rustenburg Minerals Development Company (Proprietary) Limited.

## Location of operations

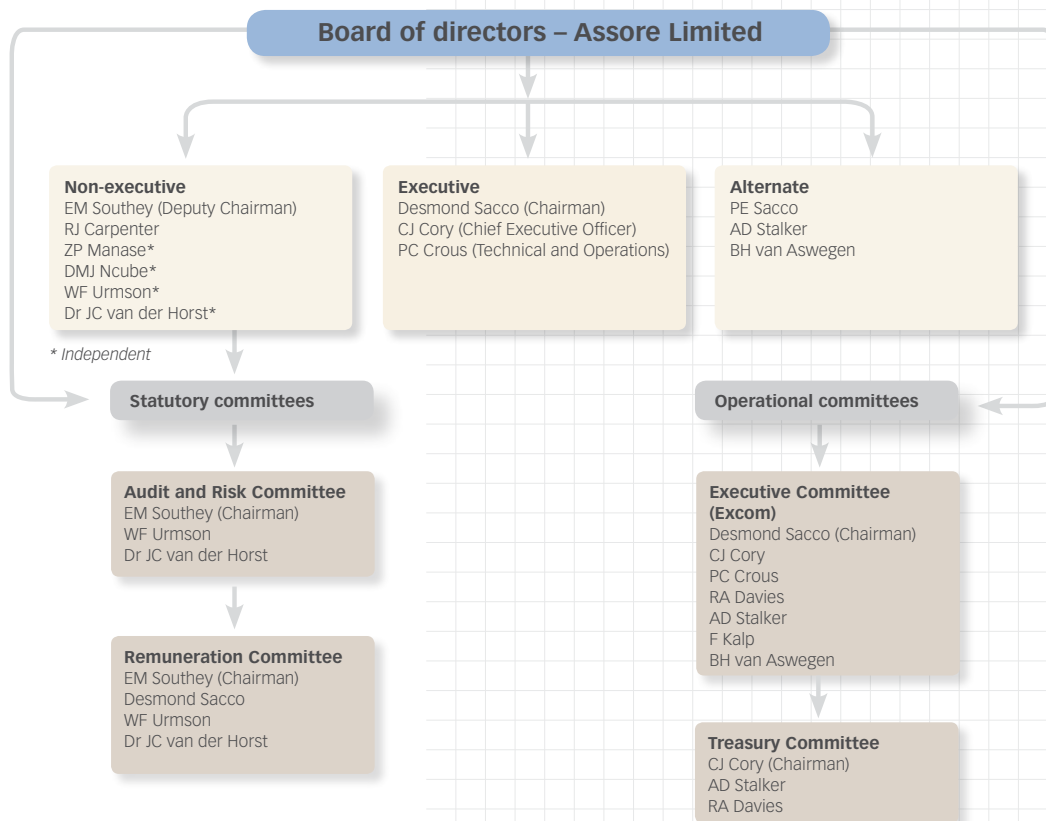
DESCRIPTION
<p><b>■ Fe</b></p> <p><b>▲ Mn</b></p> <p><b>■ FeMn</b></p> <p><b>● Cr</b></p> <p><b>■ FeCr</b></p> <p><b>● Cr</b></p> <p><b>● Wonderstone</b></p>
<p>Iron ore is mined in the Northern Cape open-cast operations at the Khumani Iron Ore Mine which is located near Kathu in the Northern Cape and at the Beeshoek Mine which is located outside Postmasburg. The bulk of the ore is exported.</p> <p>Manganese ore is mined 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 with Japanese partners, 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.</p> <p>Chrome ore is mined at the Dwarsrivier Mine near Lydenburg in Mpumalanga province and production is used mainly to supply Assmang's Machadodorp Ferrochrome Works.</p> <p>Chrome ore is mined near Rustenburg and near Zeerust, both in the North West province, in open-cast operations and production is supplied mainly to the local market. The company has recently completed one of two planned decline shafts with the other shaft expected to be commissioned at the end of 2011. The underground operations will replace the existing open-cast operations.</p> <p>The company mines a type of pyrophyllite, which, for trade purposes, is referred to as Wonderstone. The bulk of the material mined is beneficiated to produce high-precision components manufactured to customers' specification. The company also produces a range of wear and acid-resistant tiles and ceramic products for the local market.</p>



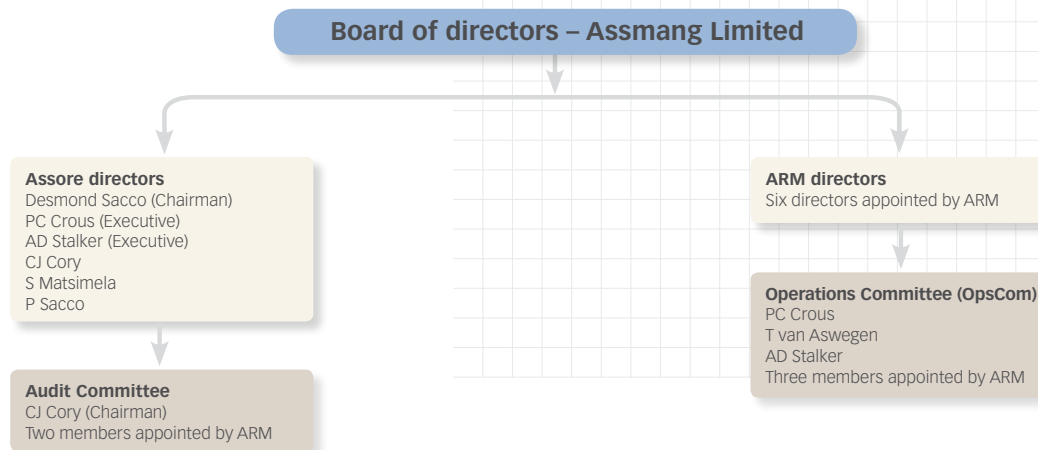
## Organisational overview and activities continued

### Governance structure

The governance structure for the group is set out below:



Note: Mr MC (Cyril) Ramaphosa (and his alternate, Mr RM Smith) resigned from the board on 19 August 2011, following the buyback of Shanduka's black-empowered interest in Assore (refer "Black Economic Empowerment Status report" (page 55)).



Assore's subsidiary operations (refer "Group structure of operating companies" on page 8) have their own boards of directors, who are appointed in terms of their respective memoranda of incorporation, and shareholder agreements where Assore's interest is less than 100%.

The board of directors of Assmang has a unitary structure, with six directors appointed by each of the parties to the joint venture. Assore has the right to appoint the chairman of Assmang (who is Assore's chairman), while ARM is entitled to appoint its deputy chairman. Assmang is regulated by a joint-venture agreement covering all aspects of its operation, and is managed by its Operations Committee (OpsCom), which is chaired by ARM's representative (the Presiding Officer). The OpsCom has six members, with three representatives each from Assore and ARM. In addition, Assmang has an Audit Committee, chaired by Assore's CEO, with two additional representatives from ARM.



## Risks and opportunities

### Operating context

The performance of the Assore group is largely dependent on global economic growth and the state of the global economy as a whole, as almost all its commodities are used in the production of crude and stainless steel, the consumption of which is intimately related to the incidence of global capital spend. Global economic growth in turn, drives *inter alia* US dollar prices for commodities and exchange rates, which are the two single most important factors underlying the group's performance. In assessing the group's risks and analysing its performance, it is essential to understand that changes to global supply and demand occur over long periods. Factors that influence this timeline include:

- The ability and cost competitiveness of existing facilities, taking planned capital improvements into account, to meet global demand;
- Exploration for and development of new mineral deposits;
- The establishment of new, technologically advanced facilities;
- The existence of, or establishment of, efficient overland logistics;
- The cost and availability of ships, and the efficiency and capacity of the South African and overseas ports;
- Global inventory levels of inputs into steelmaking processes; and
- Political conditions in the countries of ore and material production.

While ensuring that every reasonable opportunity is pursued to add value to shareholders' returns, management is aware of the impact of the group's activities on other stakeholders as well as on the environment. The manner in which the group interacts with its stakeholders and its impact on the environment is addressed in the "Sustainability Report" on pages 58 to 73. The table below sets out the most significant material risks to which the group is exposed and describes the mitigation measures adopted:

Risk description	Impact	Mitigating measures
<b>Financial risks</b>		
Fluctuations in exchange rates	Since most sales are denominated in foreign currency, fluctuations in exchange rates (the level of the rand against the US dollar and the euro) can have a significant impact on the group's earnings	Assore has an established Treasury Committee, whose purpose is to limit exposure to exchange rate fluctuations. A limited degree of hedging occurs, given that some capital expenditure occurs in foreign currency as well
Changes in international commodity prices	Most iron ore sales are priced on a quarterly basis, while manganese ore is priced quarterly, monthly or on a shipment-by-shipment basis. Most other commodities are priced quarterly in advance. Fluctuations in these prices have a significant impact on the profitability of the group	Market prices of commodities are continually monitored by Ore & Metal, and the diversified portfolio of commodities does provide a degree of hedging against variable commodity prices
<b>Operational risks</b>		
World economic growth	Since most of the group's commodities are used as inputs in the steel industry, the group's ability to continue to distribute and sell its commodities is largely dependent on the level of demand for steel, which in turn emanates from economic growth	Management continually monitors developments in the steel industry, and ensures that ore reserves are exploited in a manner that ensures suitable sustainable supply of material to our customers
South African logistical infrastructure	The available channels for the export of commodities from the mines to the ports, and the facilities in South Africa's ports, are both dependent on the level of infrastructural investment by the State. The level of maintenance and quality of management of the logistical facilities has a direct bearing on the group's sales volumes	Assmang management, and representatives of Ore & Metal meet regularly with all levels of Transnet's port and rail management to ensure optimum use of the existing channels and to explore expansion of these channels

## Risks and opportunities continued

Risk description	Impact	Mitigating measures
<b>Operational risks continued</b>		
Reserves and resources	The quality of orebodies can vary over the course of the life of the mine, and depending on commodity prices, their lives can either increase or decrease, given that mining deeper becomes increasingly more costly. Customer choices and preferences, therefore, have a direct bearing on the economic lives of the deposits	Orebodies are continually monitored, and are exploited in conjunction with market demand. Customer relationships are carefully managed in order to ensure that customer requirements are met within physical, chemical and economic constraints. (For a detailed analysis of our orebodies, refer "Mineral Resources and Reserves report" (pages 28 to 47))
Mining Charter	The Mining Charter places onerous requirements on the operations in order to meet its requirements. Changes to the Charter can significantly impact the ability of the operations to continue to operate in compliance with the Charter	Management of the compliance aspects of the Charter is undertaken at all operations and every attempt is made to ensure compliance, both at the operations and at a corporate level (refer "Black Economic Empowerment Status report" (pages 55 to 57))

## Strategic objectives

### Strategy

The strategy of the Assore group is to anticipate and react to changes in the markets in which it operates, to align existing and available minerals and production with international market expectations and to optimise logistical capacities, both local and globally, in a manner that is consistent with ores and material produced by group operations, and to do so on a sustainable basis. Key performance indicators (KPIs) for the group include the following elements, as more fully set out and measured as reflected in the table below:

### Key performance indicators

Key performance indicator	Measurement
Recorded net profit for the year	Financial highlights and Chairman's review (refer pages 13 and 22 to 25 respectively)
Tonnages sold (per segment) and regional concentration of customers	Performance and operational review and commentary (refer pages 14 to 19)
Sustainable exploitation of mineral deposits	Risks and opportunities and Mineral Resources and Reserves (refer pages 11 and 12 and 28 to 47 respectively)
Compliance with the requirements of the Mining Charter, specifically those pertaining to black economic empowerment (BEE)	Refer "Black Economic Empowerment Status report" (pages 55 to 57)
Ongoing improvement in the group's safety record	Sustainability report (refer pages 58 to 73)

In order to achieve the KPIs, management's understanding of the characteristics of the orebodies, the logistical arrangements across the range of the group's commodities, and the configuration of the works in combination with customer requirements, both local and offshore, are all essential requirements to ensure consistently excellent results. It is essential, therefore, that sufficiently experienced staff manage these issues as efficiently as possible in order to maximise value for all of the group's stakeholders. In consequence, appropriate remuneration policies and targeted incentivisation needs to be continually reviewed.

# Organisational performance

## Financial highlights

**Strong**

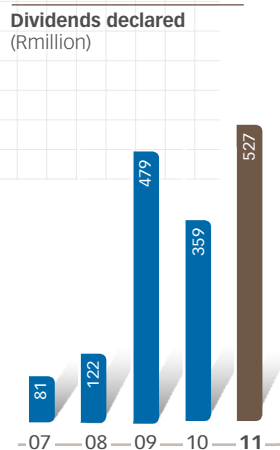
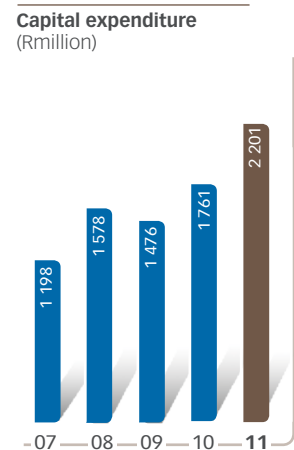
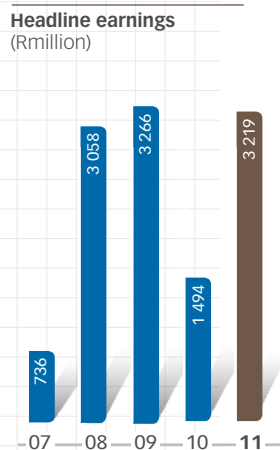
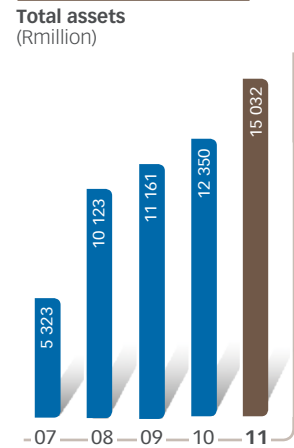
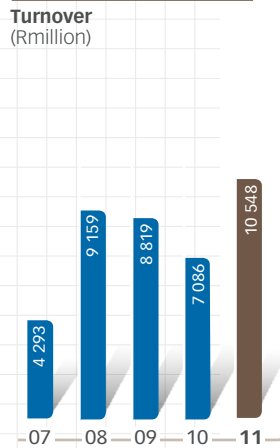
iron ore prices

**Earnings**

more than doubled

**Final dividend**

increased to R2,50 making a total dividend for the 2011 financial year of R4,50



*Note:  
Turnover and capital expenditure exclude the portion of sales and expenditure respectively, attributable to the joint-venture party.*

## Organisational performance continued



### Operational review and commentary

#### The group

The group's markets are located predominantly outside of southern Africa. In protecting the interests of all the group's stakeholders, management strives to ensure that the customer base is developed in a manner that does not expose it to levels of unacceptable risk. Management therefore ensures that the customer base is diversified on a global basis, taking into account regional economic stability and demand within the various economic regions, where acceptable levels of governance is evident. The impact of the factors that influence the extent of product sold, and the performance of the group on a per-commodity basis are more fully set out below. The group through its wholly owned subsidiary, Ore & Metal, is the sole marketing and distribution agent for all the group's products, including those of Assmang, whose sales volumes for the current and previous year are as follows:

	2011 metric tons '000	2010 metric tons '000	% change
Iron ore	<b>10 006</b>	9 799	2
Manganese ore*	<b>2 882</b>	3 095	(7)
Manganese alloys*	<b>218</b>	238	(8)
Charge chrome	<b>238</b>	189	26
Chrome ore*	<b>373</b>	272	37

*\*Excludes intra-group sales to alloy plants.*

#### Iron ore

Iron ore sales for the year increased marginally to 10,0 million tons (2010: 9,8 million tons), mainly due to the continuing demand from China, South Korea and Japan, as well as increased sales to the South African steel industry. European steel capacity utilisation has not completely recovered to its previous high level, and this market is expected to remain subdued for the short to medium term. Despite current uncertainty in the global market, market fundamentals for seaborne iron ore trade continue to remain strong, with spot prices continuing to rise during the year under review.

The past financial year saw the quarterly price mechanism, which uses indexed pricing used for price determination, find traction. Pricing mechanisms will continue to evolve, and a mix of quarterly, monthly and daily linked indexed pricing mechanisms will be used by most iron ore miners, depending on the target market. Currently, Assmang's prices are largely based on quarterly contracts, while a small percentage consists of spot sales.





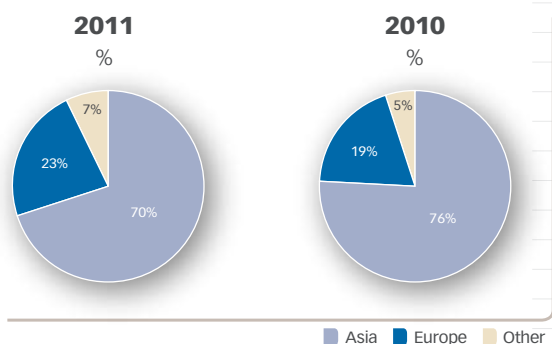


Zandspruit decline shaft at Rustenburg Minerals under construction.



## Organisational performance continued

The increase in iron ore revenues for the year was mainly due to substantially higher prices for iron ore throughout the financial year. Strength in the iron ore price was driven by demand from China, where total steel production is expected to reach record levels during the current calendar year. Global crude steel production is projected at 1,5 billion tons (2010: 1,4 billion tons) for the calendar year. However, the effect of the higher iron ore prices on earnings was partly offset by the impact of the stronger rand, particularly in the second half of the year. The contribution to Assore's headline earnings by Assmang's Iron Ore Division increased to R2 326 million (2010: R718 million). The proportion of iron ore sales on a per-region basis for the current and previous financial years are illustrated as follows:



Prices for the short term are expected to remain at high levels, underpinned by the relative higher cost of iron ore mining in China, continued supply constraints and robust Chinese steel production. Sales volumes for next financial year are expected to increase in line with increased capacity achieved by the Khumani Expansion Project (KEP) and will ramp up in accordance with a planned increase in allocation on the iron ore rail line between Assmang's Khumani mine and the Saldanha Bay port. Assmang and Transnet continue to negotiate increased capacity allocation for iron ore (and manganese ore) railed from the Northern Cape.

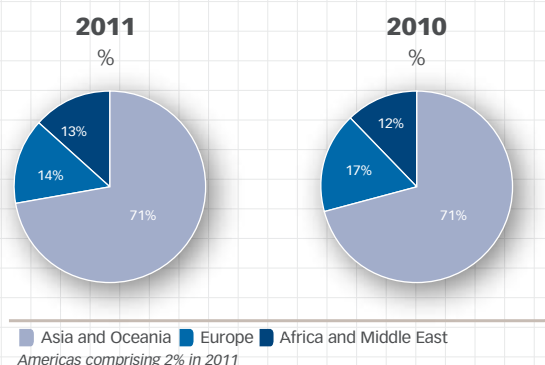
A total of R2,8 billion was spent on the ongoing infrastructural development at Assmang's Khumani Iron Ore Mine, which will result in the mine capacity increasing to 16 million sales tons per annum from 1 July 2012.

### 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,

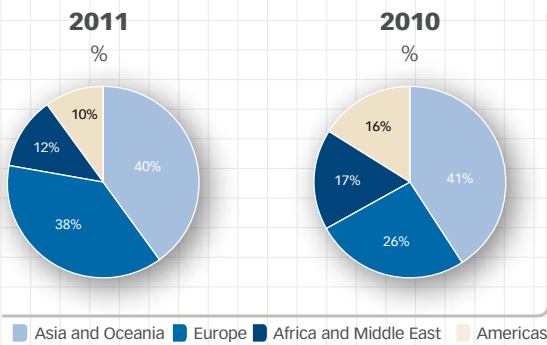
a joint venture between Assmang, Mizushima Ferroalloys Company Limited and Sumitomo Corporation Limited (both of Japan), produces refined ferromanganese by blowing oxygen through a lance into a converter which contains molten metal supplied by the Works, producing a product with a reduced carbon content. Ore-feed for the Works is almost exclusively sourced from Assmang's manganese mines and the bulk of both ore and alloy production is exported. Manganese alloys are used in the production of steel, providing it with strength and a degree of malleability.

Steel production in Asia continued to post impressive gains throughout the year. However, in contrast crude steel production in North America and Europe only posted moderate gains as a result of the sluggish economic recovery in those regions. The main developing markets for manganese ore are in Asia, and China in particular, and despite increased demand from these markets, the price for manganese ore declined during the year under review from above US\$7,00 per metric ton unit to US\$5,30 per metric ton unit by the end of the financial year. Supply exceeded demand and inventory levels in China continue to be at record levels, resulting in continued pressure on prices. Towards the end of the year, it became evident that the new suppliers in the market were exporting lower volumes to China than expected, due mostly to lower revenues received on the back of the decreased prices for manganese ore. Manganese ore sales on a per-region basis for the current and previous financial years are illustrated as follows:



Manganese alloy prices in Europe and North America weakened during the year under review, as demand in these regions has not recovered to the same extent to which supply has increased. Even though supply of manganese alloys from China has dropped materially, other regions, notably the Ukraine and South

Korea, have increased their exports significantly, which has maintained the downward pressure on prices. The proportion of ferromanganese sales on a per-region basis for the current and previous financial years is illustrated as follows:



Following the strategy of Assmang to optimise alloy production across its facilities, taking into account the expected future availability and cost of electricity, one of the ferrochrome furnaces (furnace No 5) at the Machadodorp Works was successfully converted to a high-carbon ferromanganese furnace. Further to this conversion, Assmang announced that two additional ferrochrome furnaces (furnaces 2 and 3) at the Machadodorp Works will be converted to high-carbon ferromanganese furnaces during the next year.

The lower sales volumes and prices for both manganese ore and alloys for the financial year 2011, resulted in the contribution to the headline earnings of Assore from this division declining to R685 million (2010: R740 million). Capital expenditure spent during the year in the manganese division amounted to R656 million (2010: R743 million), of which R313 million was spent on rebuilding ferromanganese furnaces with the most of the remainder being spent on surface development at the Black Rock Manganese operations and replacement expenditure.

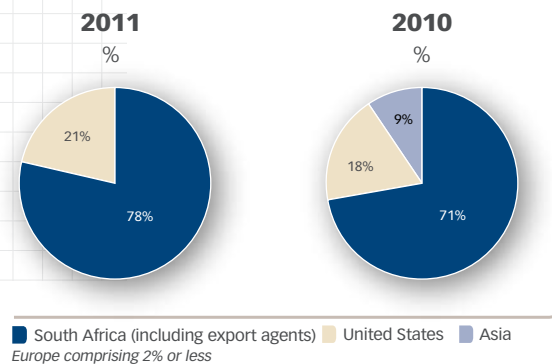
### Chrome ore and charge chrome

Chrome ore is mined at Assmang’s Dwarsrivier Mine near Lydenburg in the Mpumalanga province and production is used mainly to supply Assmang’s Ferrochrome Works at Machadodorp. The group also mines chrome ore near Rustenburg (Rustenburg Minerals Development Company (Proprietary) Limited) (Rustenburg Minerals) from established open-cast operations and an underground shaft, with a second underground shaft being commissioned by January 2012. In

addition the group is undertaking open-cast chrome mining operations at Zeerust Chrome Mines Limited (Zeerust), which is located about 70km north of Zeerust in the North West province.

Rustenburg Minerals is 44% held by a black economic empowerment (BEE) partner, Mampa Investment Holdings (refer “Black Economic Empowerment Status report”). Production from Rustenburg Minerals is supplied mainly to the local market. Zeerust is 100% owned by Assore with all production currently being sold into the local market.

The bulk of chrome ore mined worldwide is converted to ferrochrome and utilised in the production of stainless steel. Since the world economic turmoil in 2008, the world market for stainless steel has experienced a strong recovery, with production in 2010 approximately 24% higher than calendar 2009. The stainless steel market remains split into two geographic areas, each with very different dynamics. During the year under review, Chinese production was more than 12 million tons, up over 70% on 2008 and as such, by far the largest stainless steel producer in the world. On the other hand, both the USA and Europe, the previous core stainless markets, continue to lag the Chinese market. Whilst the US has managed to show growth of some 14% for 2010 compared to 2008, Europe still remains approximately 5% below the level achieved in 2008, despite having grown over 25% compared to calendar 2009. These results mirror the relative GDP growth rates occurring in these two areas. Total world production of stainless steel for 2011 is expected to be around 3% above that of 2010, at approximately 32,5 million tons (2010: 31,7 million tons). Chrome ore sales on a per-region basis for the current and previous financial years are illustrated as follows:

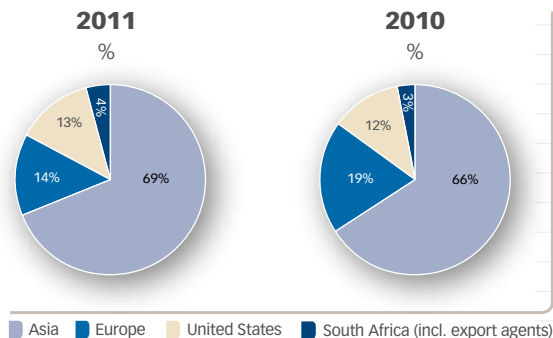




## Organisational performance continued

Despite reasonable levels of demand for ferrochrome during the year under review, prices have tended to be relatively range bound, with South African producers continuing to act as swing producers, operating their furnaces to suit market conditions. This has been exacerbated by the increased cost of electricity, particularly during the winter months, when ferrochrome output was significantly reduced. In conjunction with other increased input costs and continued weak selling prices, the increased electricity prices have influenced Assmang’s conversion of one of the ferrochrome furnaces (furnace No 5) at the Machadodorp Works to ferromanganese production during the year under review and the subsequent decision to convert a further two ferrochrome furnaces (furnaces 2 and 3) during the first half of 2012.

Assmang’s charge chrome sales increased by 26% to 238 000 tons for the financial year (2010: 189 000 tons), while chrome ore sales increased by approximately 37% to 373 000 tons (2010: 272 000 tons). The proportion of ferrochrome sales on a per-region basis for the current and previous financial years are illustrated as follows:



Rustenburg Minerals produced and sold approximately 179 000 tons (2010: 216 000 tons) run of mine, lumpy and concentrate grades, and Zeerust produced and sold approximately 19 000 tons of concentrate in the financial year (2010: 4 000).

### Wonderstone

Since 1937, the group has mined a type of Pyrophyllite which, for trade purposes, is referred to as Wonderstone. The deposit, which is located outside Ottosdal, approximately 300 kilometres

west of Johannesburg, is of volcanic origin and displays unique corrosion, heat and abrasive-resistant properties. The bulk of the material mined is beneficiated and reworked into finished components for export to the USA and the United Kingdom. The components are utilised in various high-tech industrial applications, including the manufacture of synthetic diamonds and consumable products for the welding and electronics industries.

In addition, Alumina wear-resistant tiles are produced by Ceramox, a division of Wonderstone, which has shown significant sales growth over the past five years.

Wonderstone’s turnover for 2011 was R48 million (2010: R36 million), which realised a net profit of R2,6 million (2010: loss of R4,3 million), due to increased sales volumes, which were mostly driven by increased activity in oil drilling and exploration globally. In addition, the business model for production of the wear resistant tiles (ie the Ceramox division) has been rationalised, where increased focus has been placed on engineered tiles for cyclones and other applications.

Export sales demand for Wonderstone products from the synthetic diamond industry has been strong, and export selling prices have increased marginally on average across the range of products. It is anticipated that prices for the next financial year will remain strong, following indications from a number of customers, that additional capacity is being planned. The sales mix is still strongly focused on value-added machined components (at approximately 70% of sales), with the majority of customers based in the United States and in the United Kingdom. The remainder of the export sales consists mainly of rods, tubes and mined components.

Over the past year, Ceramox’s wear tile business has secured substantial project work through Group Line Projects (Proprietary) Limited (Groupline). These projects include Assmang’s Khumani Expansion Project (iron ore), the new Kumba Sishen South Iron Ore Mine (Kolomela Mine), the Moatize and Riversdale Coal Mine projects in Mozambique (both phase 1), the Mozambique Coal Export Terminal expansion project and the Medupi – Exxaro Grootegeeluk Coal Mine expansion project. Ceramox had a total order commitment for the year of R38 million; however, delays in the production of structural steel and industrial strike action prevented the fulfilment of all of these orders, and the balance of these orders (R17 million) is currently being completed.



Subsequent to the year-end, Wonderstone acquired Groupline, which specifies, selects and installs lining products to assist in solving a range of industrial flow and wear problems. Apart from being Ceramox's largest customer, Wonderstone sees a good strategic fit between Groupline and its Ceramox wear tile production business that will strengthen both companies. It will create one company that can both supply and install flow and wear solutions to a range of industries, and will enable Ceramox to position its own, and Groupline's, products and services closer to end customers, as well as growing its market share.

### Marketing and shipping

Wholly owned subsidiary, Ore & 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, Africa, India and the Far East, and products with a market value of approximately R19,1 billion (2010: R12,1 billion) were marketed and distributed in these regions during the year. The company is an established supplier to steel and allied industries worldwide and has operated effectively in these markets for over 70 years. Commission income is based on the value of sales negotiated during the year and, due mainly to high prices for iron ore throughout the year, trading profit after taxation increased to R188 million (2010: R127 million) for the year under review.

### Minerais U.S. LLC

The group holds a 51% share in Minerais U.S. LLC (Minerais) which is a limited liability company registered in the state of New Jersey in the United States of America (USA). Minerais is responsible for marketing and sales administration of the group's products in the USA, in particular manganese and chrome alloys, and trades in other commodities related to the steelmaking industry. The contribution by the company to the group's attributable profit amounted to R11 million (2010: R17 million).

### Technical and operational management

As technical adviser to Assmang and other group companies, African Mining and Trust Company Limited provides operational management services to the group's mines and plants. For these services it receives fee income based on turnover and commodity prices, with trading net profit after taxation for the year increasing to R134 million (2010: R82 million), also due mostly to the increased selling prices for iron ore across the year.

### Investments

The group maintains a portfolio of listed shares which are selected and held in accordance with long-term investment criteria. Additions were made to the portfolio during the year at a cost of R42 million (2010: R21 million). The portfolio is valued in the financial statements at market value and the difference between cost and market value is transferred to other reserves net of any capital gains tax which would arise on eventual disposal. At year-end the market value of the portfolio was R887 million (2010: R603 million) based on a cost of R358 million (2010: R316 million). Dividends received on the portfolio for the year were R36 million (2010: R19 million).

Other income includes interest received of R133 million (2010: R191 million) generated on cash in excess of current requirements which was invested on a short-term basis in the money market. The reduction in the level of interest income was due mostly to lower levels of cash following the redemption during the year of the group's preference share debt (refer note 18 to the consolidated annual financial statements).

## Future performance objectives

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Taking into account management's assessment of the risks and opportunities identified under "Risks and opportunities" (refer pages 11 and 12), the specific KPIs for the short, and medium term include:

- The management of Assmang's Khumani Expansion Project, which will result in the mine increasing its capacity from 10 million to 16 million sales tons of iron ore per annum;
- Increasing the capacity of Assmang's Gloria and Nchwaning manganese mines and processing plants, improving ore handling capabilities and establishing a sinter plant with a view to optimally utilise the manganese resources;
- Negotiating increased capacity allocation for iron and manganese ores railed from the Northern Cape;
- The optimisation of alloy production across the group's ferromanganese and ferrochrome facilities; and
- The conclusion of the group's third empowerment transaction, by establishing broad-based empowered trusts (refer Black Economic Empowerment Status report (pages 55 to 57)).

## Remuneration

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The group's remuneration policy is structured to ensure that all staff are remunerated fairly for the level of responsibility assumed in performing their roles. The policy also takes into account that mining is a long-term business, and that certain essential skills are required to ensure the sustainability of its operations throughout the various commodity and economic cycles to which the group is exposed. Management is therefore wary of making direct links between the achievement of short-term KPIs and levels of remuneration. Remuneration of the group executive directors is determined by the Remuneration Committee (refer page 49), and the executive directors in turn determine the remuneration of the employees in conjunction with the human resources department and the relevant departmental heads. The levels of remuneration are benchmarked annually within the mining industry and, where appropriate, within the relevant professions of the employees. Bonus awards are made to all staff, based on length of service, as well as to senior staff on a discretionary basis, dependent mainly on the financial performance of the group and the successful achievement of its long-term strategic objectives.





Primary crusher at Bruce.





## Chairman's review



**Desmond Sacco** Chairman

**"...this financial year has seen exceptionally high prices for iron ore."**

Earnings for the financial year to 30 June 2011 have increased by 117,6% on the previous year to R3,2 billion due mainly to the significant increase in the earnings of Assmang Limited (Assmang), resulting from the stronger demand for all group products and in particular substantially higher prices for iron ore across the year. Strength in the iron ore price was driven by demand from China where crude steel production is expected to reach record levels during the current calendar year.

### **The year under review**

This year has seen the level of earnings return to levels experienced before the start of the world economic turmoil that set in towards the end of calendar 2008. While previous levels of earnings were largely attributable to a combination of a weaker rand and high commodity prices, this financial year has seen exceptionally high prices for iron ore.

However, the impact of these higher prices and additional sales volumes was partly offset by the strong level of the rand, particularly in the second half. The increased demand for iron ore is due to record levels of global steel production experienced in the first half of the 2011 calendar year, of which China's proportion amounted to 47%. Prices for other commodities were generally range-bound during the year, given that most markets for these commodities were







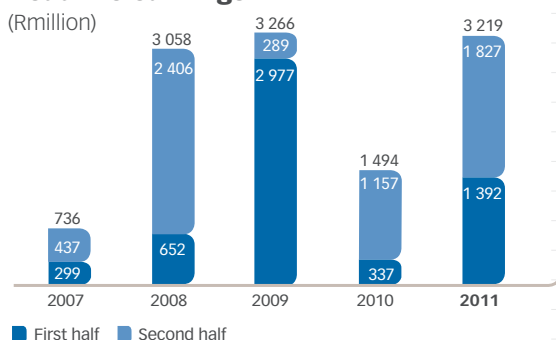
Waste removal at Zeerust Chrome Mine.



## Chairman's review continued

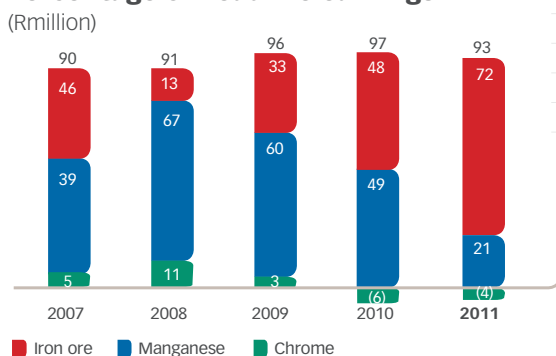
reasonably balanced throughout the year. The group's results for the past five financial years, on a six-monthly basis, are as follows:

### Headline earnings



The group's prime focus remains its 50% shareholding in Assmang and the commissions and other income derived from marketing the group's products and providing technical and management services to group companies. Assmang's Khumani Expansion Project (KEP) has to date proven to be very successful, and the investment in the project (refer "Capital expenditure" below), which to date has provided the mine with the ability to produce 10 million tons of export sales annually, from its previous base of six million tons, has changed Assmang's earnings profile significantly. Additional mining infrastructure is being developed, and the additional capacity to rail the resultant planned annual export tonnage of 14 million tons is currently being negotiated with Transnet. The contribution from Assmang to Assore's headline earnings by commodity for the past five years on a percentage basis is as follows:

### Percentage of headline earnings



### Capital expenditure

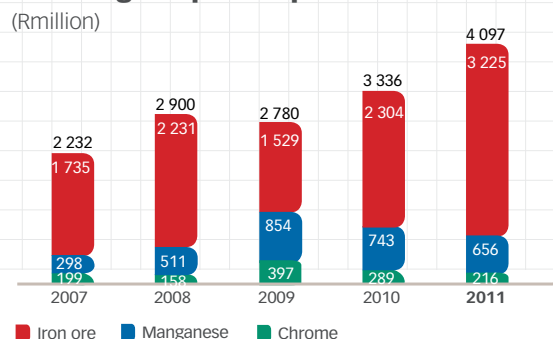
The bulk of the group's capital expenditure occurs in Assmang, with R4,1 billion of capital being spent across its operations (2010: R3,3 billion) during the year. Of this amount R2,8 billion was spent on infrastructural items on the KEP, which will enable the mine to realise sales of 16 million tons of iron ore per annum. This project remains on schedule, and the mine is expected to achieve this level of production as from 1 July 2012.

Following the successful conversion of a ferrochrome furnace at the Machadodorp Works to a ferromanganese furnace, two additional furnaces are scheduled to be converted on this basis as well. Production of ferromanganese is expected to start towards the middle of calendar 2012. Approximately R656 million of capital was spent in Assmang's Manganese division during the year, of which R313 million was utilised on rebuilding furnaces, with most of the balance spent on surface development of the new plant at the Black Rock Manganese Ore Mine and ongoing replacement expenditure.

The development of two underground shafts at Assore's chromite mine, Rustenburg Minerals, continues, and during the year, R38 million was spent on the development of these shafts, which are expected to be operational by July 2013.

Assmang's capital expenditure is summarised by division for the past five years as follows:

### Assmang's capital expenditure



## Dividends

Following the stronger financial results, the board doubled the level of the interim dividend for the year to 200 cents (2010: 100 cents) per share.

Due to the sustained level of earnings in the second half of the year, a final dividend of 250 cents (2010: 240 cents) per share was declared, resulting in the total dividend per share for the year amounting to 450 cents (2010: 340 cents), an increase of 32%.

## Outlook

As noted in the results announcement in August, significant uncertainties still exist in the global economy with the United States and Europe showing little sign of sustainable recovery. Continued economic growth in Asia, and in particular China, is largely responsible for continued high iron ore prices. The indications are that these prices are sustainable and will be a feature of the commodities market for at least the short term. The oversupplied position in the manganese and chrome markets remains evident, and current global economic uncertainties do not provide the conditions necessary to command higher ore and alloy prices for these commodities.

Cost increases in South Africa are placing further pressure on most of the group's alloy products, which is necessitating the careful review of the cost-effectiveness of the group's operations, particularly in the manganese and chrome alloy plants. These factors, and the fact that the group's results are directly affected by the level of the rand, do not make it possible to predict the results of the group with any certainty.

## Directors

Subsequent to the year-end, and upon the completion of the first phase of our third empowerment transaction, the Shanduka Group disposed of its 11,8% interest in Assore (refer "Black Economic Empowerment Status report", page 56), and Cyril Ramaphosa resigned as non-executive director.

On 3 May 2011, Don Ncube was appointed as an independent non-executive director. Don has sat on the boards of a number of South African corporates and was *inter alia* non-executive chairman of South African Airways, Sun International SA and the Atomic Energy Corporation. He is currently on the boards of Goldfields Limited, Vula Mining Supplies and Badimo Gas, of which he is the executive chairman and is eminently placed to make a valuable contribution to the group.

We welcome Ms Zodwa Manase to the board who has agreed to join the board with effect from 7 October 2011 as an independent non-executive director. Zodwa is the chairperson of Total South Africa and the State Information Technology Agency, and holds directorships in Medi-Clinic Corporation Limited and MTN Zakhele.

## Appreciation

Despite the buoyant conditions in the iron ore market, this year has been difficult for the group and its staff, particularly those involved and responsible for sales of other commodities. I thank my fellow directors, the management and staff for their ongoing support and commitment during the year. In addition, the value and input received from our customers, agents, suppliers, shareholders and bankers have further enhanced the group's achievements and receive our appreciation.



**Desmond Sacco**

Chairman

14 October 2011

## Board of directors

### 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, 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).



**Chris 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).



**Philip C Crous** Group Technical Director  
*BSc (Eng), BCom, MBA*

Phil trained as a mining engineer, obtaining a BSc (Eng) degree 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

**Edward M Southey** Deputy Chairman and lead independent non-executive director  
*BA, LLB*

Ed was admitted as an attorney, notary and conveyancer in 1967 and practised as a partner of Webber Wentzel until his retirement as senior partner of that firm in 2006. He remains an executive consultant to the firm. He is a former president of the Law Society of the Northern Provinces and of the Law Society of South Africa. He is a director of a number of companies. He joined the Assore board as a non-executive director in January 2009, and was appointed as Deputy Chairman and lead independent director in November 2010. He is the chairman of the group's audit and risk, and remuneration committees.



**Robert J Carpenter** Non-executive director  
*BA, ACIS*

Bob joined the Ore & Metal Company Limited in 1964 and was appointed as its 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 and to the Assmang board in 1989. He served as Deputy Chairman of Assore from 1993 until November 2010, when he stood down in this capacity, in anticipation of his retirement as executive director in February 2011 from both the Assore and Assmang boards.





## Non-executive directors continued

**Zodwa P Manase** Independent non-executive director  
*BCompt (Hons) (Unisa), CA(SA), H Dip Tax (Natal)*

Zodwa is a chartered accountant and was appointed to the board in October 2011. She is founder and Chief Executive Officer of accounting firm Manase & Associates. She is Chairperson of Total SA and a director of Medi-Clinic Corporation Limited and MTN Zakhele. She has served on the boards of a number of entities, among them the SA Reserve Bank, the International Marketing Council (IMC) and was Chairperson of the State Information Technology Agency (SITA).



**Don MJ Ncube** Independent non-executive director  
*BA (Econ), MSc (Mgt), DCom (HC) (Transkei), Postgraduate Diploma in Labour Relations and Financial Management*

Don was appointed a director of Assore on 3 May 2011 and is also an independent non-executive director of Goldfields Limited. Previously, he was an alternate director of Anglo American Industrial Corporation and Anglo American Corporation, a director of AngloGold Ashanti as well as non-executive Chair of South African Airways, Real Africa Asset Management, African Life Assurance, Sun International SA Limited, Oceana Fishing Limited and Atomic Energy Corporation. He is currently Managing Director of Vula Mining Supplies and Executive Chair of Badimo Gas. He has also been the recipient of numerous awards including IPM Presidents Award (1990), Business Day's Business Achievement Award (1994) and Human Resources Award of Excellence (1994).



**William F Urmson** Independent non-executive director  
*CA(SA)*

Bill was appointed as an independent non-executive director of Assore in October 2010 and serves on the group's audit and risk, and remuneration committees. He is a former Deputy Chairman of Ernst & Young and has served the accounting profession as Chairman of the Accounting Practices and Ethics committees of the South African Institute of Chartered Accountants. He is a former Director: Surveillance of the JSE Limited and remains as a part-time consultant to the exchange with responsibility for internal audit.



**Dr Johannes 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 risk, and remuneration committees. He is also on the boards of Reunert Limited and Foord Compass Limited. He has indicated his intention to resign as independent non-executive director with effect from 31 December 2011, following a total of 17 years' service on the board.



## Mineral Resources and Reserves

### Summary

#### Assmang (jointly held)

Iron ore mines	MEASURED AND INDICATED		PROVED AND PROBABLE	
	Mineral Resources		Mineral Reserves	
	Mt	Fe %	Mt	Fe %
BEESHOEK KHUMANI	118,97	63,75	55,13	64,04
Bruce	226,97	64,44	196,96	64,43
King	376,46	64,51	348,40	64,60

Manganese ore mines	MEASURED AND INDICATED			PROVED AND PROBABLE		
	Mineral Resources			Mineral Reserves		
	Mt	Mn %	Fe %	Mt	Mn %	Fe %
NCHWANING						
No 1 Seam	126,69	44,9	8,6	106,28	44,9	8,6
No 2 Seam	180,80	42,4	15,5	–	–	–
GLORIA						
No 1 Seam	92,23	37,8	4,9	68,25	37,8	4,9
No 2 Seam	29,40	29,9	10,1	–	–	–
BLACK ROCK						
No 1 Seam	43,60	40,6	18,1	–	–	–
No 2 Seam	26,81	38,6	19,8	–	–	–

Chromite mine	MEASURED AND INDICATED		PROVED AND PROBABLE	
	Mineral Resources		Mineral Reserves	
	Mt	Cr <sub>2</sub> O <sub>3</sub> %	Mt	Cr <sub>2</sub> O <sub>3</sub> %
DWARSRIVIER	48,77	39,05	33,44	35,69

#### Subsidiary companies

	Mineral Resources				Mineral Reserves		
	Measured Mt	Indicated Mt	Inferred Mt	Total Resource	Proved Mt	Probable Mt	Total Reserve
<b>Chromite mines</b>							
RUSTENBURG MINERALS	3,4	2,2	7,7	13,3	2,7	1,8	4,5
ZEERUST CHROME	1,9	1,5	8,4	11,8	2,4	5,2	7,6
<b>Pyrophyllite mine</b>							
WONDERSTONE	3,5	0,0	104,8	108,3	3,3		3,3





Construction of beneficiation plant on King (Khumani Iron Ore Mine).





## Mineral Resources and Reserves continued

### Salient features for the year ended 30 June 2011

<b>Khumani</b>	Waste stripping at King progressed in preparation for production.
<b>Beeshoek</b>	Production mainly for the domestic market came from offgrade stockpiles processed through the jig plant.
<b>Nchwaning</b>	Investigations initiated to model the full package of the manganese seams in 0,5 m layers.
<b>Gloria</b>	Measured and Indicated Mineral Resources increased by 79% to 92,23 million tons at 37,8% Mn as a result of remodelling which incorporated 42 new additional surface boreholes. The Inferred Resource decreased to 84 million tons.
<b>Dwarsrivier</b>	Surface drilling of 52 boreholes to upgrade the Mineral Resource confidence in the southern portion of the mine completed. Remodelling to commence when all assay results are received.

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 x 10 metres to 100 x 100 metres to 250 x 250 metres in the plan view. The blocks vary in thickness from 2,5 to 10 metres. The evaluation process is fully computerised, generally utilising the Datamine software package.

The Mineral Resources and Mineral Reserves are reported on a total basis regardless of the attributable beneficial interest that Assmang has on the individual projects or mines. When the attributable beneficial interests on a mine or project is less than 100%, the actual percentage of the attributable interest is specified.

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

### Competent person's report on Mineral Resources and Mineral Reserves 2011

This report is issued as the annual update of Mineral Resources and Reserves to inform shareholders and potential investors of the mineral assets held by Assmang Limited.

In order to satisfy the requirements of the Minerals and Petroleum Resources Development Act, Assmang's operations will have to obtain new mining rights for all properties required to support the planned operations over the next 30 years. The act was 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.

#### General statement

Assmang's method of reporting 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).

Rounding of figures may result in computational discrepancies on the Mineral Resource and Reserve tabulations.

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. Resources and reserves are quoted as at 30 June 2011. External consulting firms audit the resources and reserves of the Assmang operations on a three to four-year cycle basis.

#### Definitions

The definitions of Mineral Resources and Reserves, quoted from the SAMREC Code, are as follows:

Underground resources are in situ tonnages at the postulated mining width, after deductions for geological losses.

A "Mineral Resource" is a concentration or occurrence of material of economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable and realistic prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, or estimated from specific geological evidence, sampling and knowledge interpreted from an appropriately constrained and portrayed geological model. Mineral Resources are sub-divided, and must be so reported, in order of increasing confidence in respect of geoscientific evidence, into Inferred, Indicated or Measured categories.

Underground Mineral Reserves reflect milled tonnages while surface Mineral Reserves (dumps) are in situ tonnages without dilution. Both are quoted at the grade fed to the plant. Open-pit



An **“Inferred Mineral Resource”** is that part of a Mineral Resource for which volume or tonnage, grade and mineral content can be estimated with only a low level of confidence. It is inferred from geological evidence and sampling and assumed but not verified geologically or through analysis of grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited in scope or of uncertain quality and reliability.

An **“Indicated Mineral Resource”** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on information from exploration, sampling and testing of material gathered from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological or grade continuity but are spaced closely enough for continuity to be assumed.

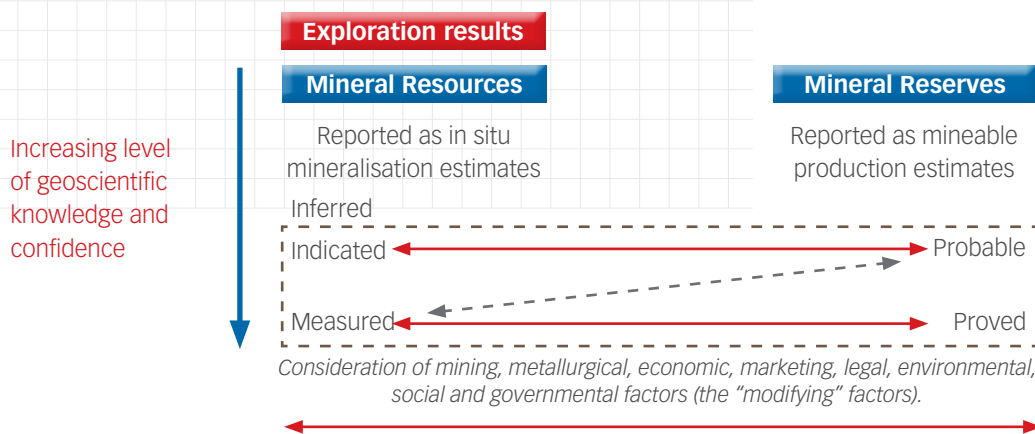
A **“Measured Mineral Resource”** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable information from exploration, sampling and testing of material from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

A **“Mineral Reserve”** is the economically mineable material derived from a Measured or Indicated Mineral Resource or both.

It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a pre-feasibility study for a project and a life-of-mine plan for an operation must have been completed, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors). Such modifying factors must be disclosed.

A **“Probable Mineral Reserve”** is the economically mineable material derived from a Measured or Indicated Mineral Resource or both. It is estimated with a lower level of confidence than a Proved Mineral Reserve. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a pre-feasibility study for a project or a life-of-mine plan for an operation must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Such modifying factors must be disclosed.

A **“Proved Mineral Reserve”** is the economically mineable material derived from a Measured Mineral Resource. It is estimated with a high level of confidence. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a pre-feasibility study for a project or a life-of-mine plan for an operation must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Such modifying factors must be disclosed.



## Mineral Resources and Reserves continued

### Iron ore mines

**Locality** – The iron ore division is made up of the Beeshoek Mine located on the farms Beeshoek (448) and Olynfontein (475), and the Khumani Mine situated on the farms Bruce (544), King (561) and Mokaning (560). All properties are in the Northern Cape approximately 200 kilometres west of Kimberley. The Beeshoek open-pit operations are situated 7 kilometres west of Postmasburg and the new Khumani open pits are 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°45'00"S/longitude 23°00'00"E respectively. Khumani Mine supplies iron ore to the export markets. Exports are railed to the iron ore terminal at Saldanha Bay. Beeshoek ore is supplied to local customers.

**History** – 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 the 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. In 1975 a full washing and screening plant was installed and production increased to seven million tons over the years. The Khumani Iron Ore Mine was commissioned in 2007 and is ramping up to approximately 10 million tons per annum with expansion plans to 16 million tons per annum being investigated.

**Mining authorisation** – The Beeshoek mining lease (ML3/93) comprises an area of 5 686 hectares and is located on the farms Beeshoek (448) and Olynfontein (475). The application for the conversion to a new mining order right submitted during the 2009 financial year is still pending. The application has been forwarded to Pretoria from the Kimberly regional office recommending its approval.

The Khumani mining right comprises an area of 7 388 hectares and is located on the farms Bruce (544), King (561) and Mokaning (560). The mining right was granted during the 2007 financial year.

**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 orebodies 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 lowest conglomerates and gritstones tend to be rich in sub-rounded to rounded hematite ore pebbles and granules and form the main orebodies. 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 hangingwall 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 orebodies 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 orebodies is also in a north-south direction, but less continuous.

Hematite is the predominant ore mineral, but limonite and specularite also occur.





Underground dump truck at Nchwanele Manganese Mine.

## Mineral Resources and Reserves continued

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 on or off-grade on blending stockpiles. Ore from the stockpiles is either sent to the wash-and-screen plants or, if off-grade, to the beneficiation plants. The washing and screening plants consist primarily of tertiary crushing, washing, screening, conveying and stacking equipment. The beneficiation plants consist of tertiary crushers; scrubbers; coarse and fine jigs; lumpy, fines and scaw product stockpiles; and a rapid load-out facility. No chemical is being used in any of the treatment plants.

**Mineral Resources and Reserves** – In the iron ore operations, the following table shows how the search ellipse (ie 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 Resources:

	Minimum number of samples	Maximum number of samples	Search ellipse settings XYZ (m)
Measured	6	30	100 x 100 x 10
Indicated	5	30	200 x 200 x 20
Inferred	4	30	400

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

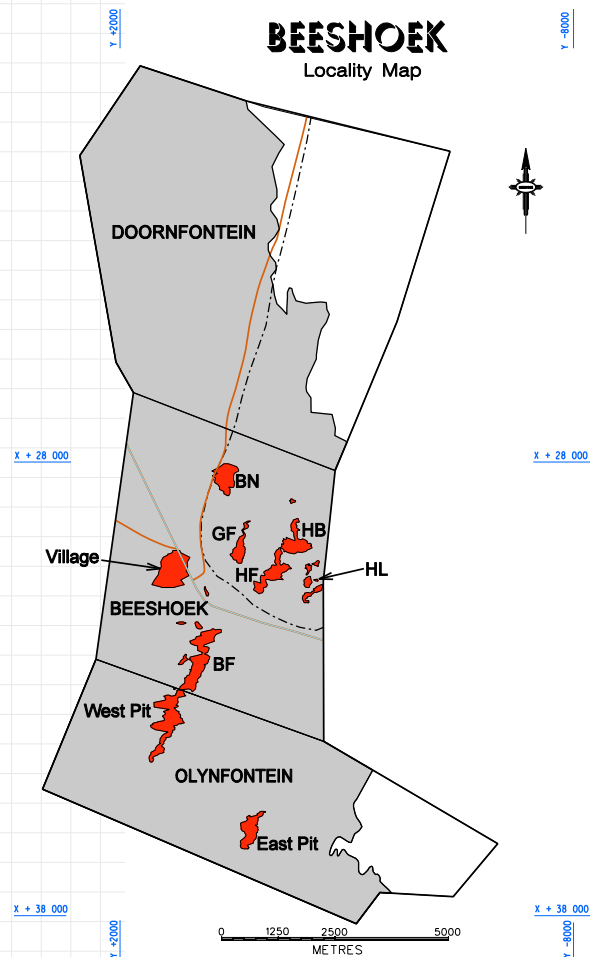
overlying waste rock down to the iron orebodies. Diamond drilling is the next phase, which is usually on a 200 x 200 metre grid. Further infill drilling is carried out at spacing ranging from 100 x 100 metres to 25 x 25 metres, depending on the complexity of the geological structures. Numerous exploration programmes have been completed in the last 40 years. A total of 2 832 holes (1 315 holes on Khumani and 1 517 holes on Beeshoek) have been drilled. Core samples are logged and split by means of a diamond saw and the half-core is sampled every 0,5 metres. Before submission for assaying, the half-cores are crushed, split and pulverised. Samples with values larger than 60% are included in the definition of the orebodies. Any lower-grade samples inside the orebody are defined as internal waste and modelled separately. Each zone is modelled per section, and then wireframed to get a three-dimensional (3D) model.

Ordinary Kriging interpolation within CAE Datamine is used to estimate the grade of each 10 x 10 x 10 metre 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<sup>3</sup> (60% Fe) to 5,01 t/m<sup>3</sup> (68% Fe). A default density of 3,2 t/m<sup>3</sup> is used for waste.

At the Iron Ore Mines 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, potassium oxide (K<sub>2</sub>O), sodium oxide (Na<sub>2</sub>O), silica (SiO<sub>2</sub>), aluminium oxide (Al<sub>2</sub>O<sub>3</sub>), phosphorus (P), sulphur (S), CaO, MgO, Mn and barium oxide (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. 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 (eg SARM11) and in-house iron standards are used for calibration of the XRF spectrometer. The Khumani laboratory participates in a round robin group that includes 11 laboratories for verification of assay results.



**Beeshoek year-on-year change** – Measured and Indicated Resources for the Beeshoek Mine increased to 118,97 million tonnes from 113,35 million tons, mainly due to the increase in the resources for Village pit where remodelling of the orebody was undertaken. The 2011 Mineral Reserves increased by 16% to 55,13 million tons due to increase in Village and East Pit reserves. A feasibility study for Village pit is still in progress.



### Beeshoek Iron Ore Mine: Resources and Reserves

Pit/Area	Measured Resources		Indicated Resources		Inferred Resources		Total Measured and Indicated		Proved Reserves		Probable Reserves		Total Reserves	
	Mt	Fe %	Mt	Fe %	Mt	Fe %	Mt	Fe %	Mt	Fe %	Mt	Fe %	Mt	Fe %
BN	23,42	63,40	–	–	–	–	23,42	63,40	13,92	63,55	–	–	13,92	63,55
HF/HB	16,00	64,10	–	–	–	–	16,00	64,10	6,87	64,27	–	–	6,87	64,27
BF	8,45	63,51	0,23	63,54	0,001	65,24	8,68	63,51	1,02	61,59	–	–	1,02	61,59
East Pit	8,91	64,63	0,04	64,23	–	–	8,95	64,63	6,16	64,43	0,01	63,64	6,17	64,43
Village	42,71	63,72	2,98	63,57	0,002	63,71	45,69	63,71	27,15	64,24	–	–	27,15	64,24
GF	3,13	63,81	0,09	61,80	–	–	3,22	63,75	–	–	–	–	–	–
HH Ext	0,28	62,63	–	–	–	–	0,28	62,63	–	–	–	–	–	–
HL	3,23	65,07	0,05	65,20	–	–	3,28	65,07	–	–	–	–	–	–
West Pit	9,45	63,19	–	–	0,050	61,88	9,45	63,19	–	–	–	–	–	–
Detrital	–	–	–	–	2,500	60,00	–	–	–	–	–	–	–	–
<b>Total 2011</b>	<b>115,58</b>	<b>63,76</b>	<b>3,39</b>	<b>63,55</b>	<b>2,553</b>	<b>60,04</b>	<b>118,97</b>	<b>63,75</b>	<b>55,12</b>	<b>64,04</b>	<b>0,01</b>	<b>63,64</b>	<b>55,13</b>	<b>64,04</b>
Total 2010	112,59	63,71	0,76	63,61	2,55	60,04	113,35	63,71	47,64	64,93	0,03	66,45	47,67	64,93

Mineral Resources are inclusive of Mineral Reserves.

Totals are rounded off.

Modifying factors: Economic pit design; Fines generated; Customer product specifications.

## Mineral Resources and Reserves continued

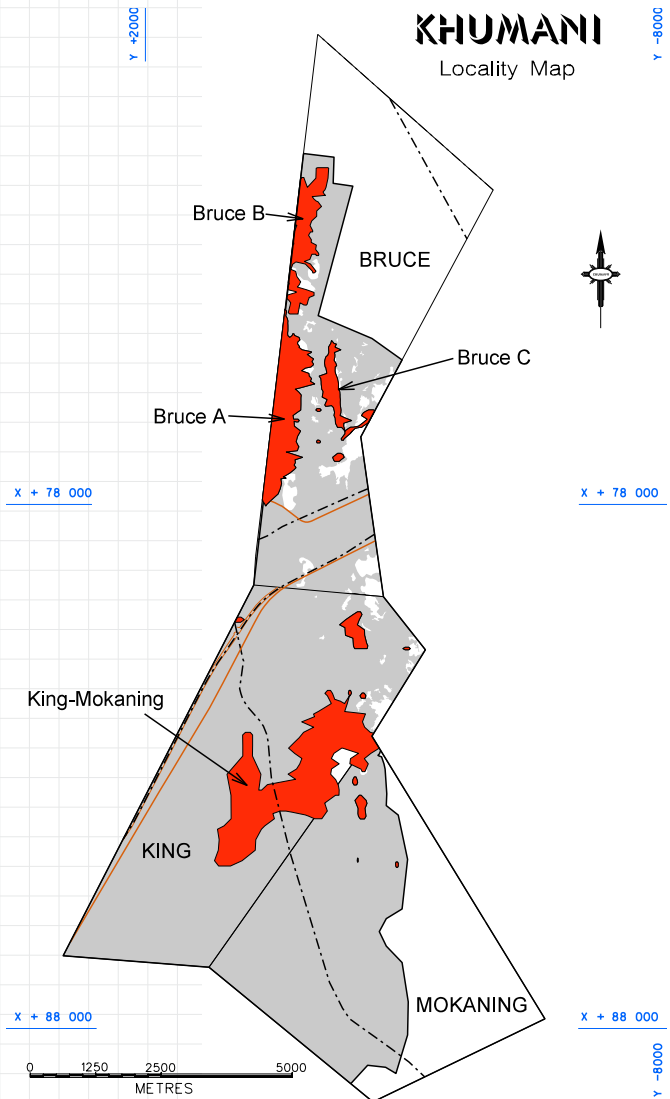


*A stacker/reclaimer in operation in the final product yard of Khumani Iron Ore Mine.*

**Khumani year-on-year change** – At the Khumani Mine Measured and Indicated Resources decreased from 613,73 million tons to 603,43 million tons mainly due to Bruce B and C pits where reduced tonnage is attributable to mining depletion and remodelling of Bruce C. Total reserves increased marginally to 545,36 from 543,63 million tons in 2010.

**Historical production at the Beeshoek and Khumani Mines (saleable product)**

Financial year	Beeshoek Mt	Khumani Mt
2006/2007	6,70	–
2007/2008	5,30	2,00
2008/2009	2,66	6,65
2009/2010	0,52	8,77
2010/2011	0,96	8,73



**Khumani Iron Ore Mine: Resources and Reserves**

Pit/Area	Measured Resources		Indicated Resources		Inferred Resources		Measured and Indicated		Proved Reserves		Probable Reserves		Total Reserves	
	Mt	Fe %	Mt	Fe %	Mt	Fe %	Mt	Fe %	Mt	Fe %	Mt	Fe %	Mt	Fe %
Bruce A	76,39	64,48	34,36	64,20	0,02	63,93	110,75	64,39	69,13	64,54	31,60	64,21	100,73	64,44
Bruce B	72,32	64,42	25,35	63,98	0,19	65,31	97,67	64,31	69,29	64,41	14,99	63,63	84,28	64,27
Bruce C	11,70	65,45	6,85	65,45	0,36	63,36	18,55	65,45	10,31	65,50	1,64	65,85	11,95	65,55
King-Mokaning	253,73	64,53	122,73	64,48	4,85	63,02	376,46	64,51	238,90	64,63	109,50	64,55	348,40	64,60
Detrital	–	–	–	–	4,00	60,00	–	–	–	–	–	–	–	–
<b>Total 2011</b>	<b>414,14</b>	<b>64,53</b>	<b>189,29</b>	<b>64,40</b>	<b>9,42</b>	<b>61,80</b>	<b>603,43</b>	<b>64,49</b>	<b>387,63</b>	<b>64,60</b>	<b>157,73</b>	<b>64,41</b>	<b>545,36</b>	<b>64,54</b>
Total 2010	477,18	64,50	136,55	64,52	26,85	63,43	613,73	64,50	463,77	64,45	79,86	64,32	543,63	64,43

Mineral Resources are inclusive of Mineral Reserves.  
 Totals are rounded off.  
 Modifying factors: Economic pit design; Fines generated; Customer product specifications.

## Mineral Resources and Reserves continued

### Manganese mines

**Locality** – The manganese mines are situated in the Northern Cape province in South Africa, approximately 80 kilometres north-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.

**History** – In 1940, Assmang 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 to be 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 Port Elizabeth to Japanese and German customers.

**Mining authorisation** – The Nchwaning mining lease (ML10/76) comprises an area of 1 986 hectares and is located on the farms Nchwaning (267), Santoy (230) and Belgravia (264). The Gloria mining lease (ML11/83) comprises an area of 1 713 hectares and is located on portion 1 of the farm Gloria (266). The new mining right was executed on 13 July 2011. Registration of the right is in process.

**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 thrustured orebodies comprising Black Rock (Koppie), Belgravia 1 and Belgravia 2 are collectively known as Black Rock orebodies. The average thickness of the Hotazel Formation is approximately 40 metres.

The manganese orebodies 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 orebody with regard to fault positions. Distal areas exhibit more original and low-grade kutnohorite and 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-metre high portion of the seam is being mined. At the Gloria Mine the intensity of faulting is much less, which also explains the lower grade.

Two manganese seams are present. The No 1 seam is up to 6 metres in thickness, of which 3,5 metres are mined, using a manganese marker zone for control. There is, therefore, minimum dilution. No mining is presently undertaken on No 2 seam at Nchwaning or Gloria.

### Nchwaning Mineral Resources and Reserves

Mineral Resource classification at the Nchwaning Mine is based on consideration of a number of parameters: kriging variance, kriging efficiency, regression slope, geological structures and quality of assay data. Each of these parameters contributes to the overall classification depending on weighting assigned to each of the parameters. Measured and Indicated Resources have been defined for Nchwaning. Geological losses are built into the grade models.

The Nchwaning Mine was diamond drilled from surface at 330 metre centres and the data is now captured in a Geological Database Management System (GDMS) developed by CAE Datamine SA. The core was logged and 0,5-metre long, half-core, diamond-saw cut samples were submitted to Assmang's laboratory at Black Rock for X-ray fluorescence (XRF) analyses. Mn and Fe values were checked by Wet Chemical analyses. Several standards were used to calibrate XRF equipment, and results are compared with other laboratories on a regular basis.

At Nchwaning a total of 316 boreholes as well as a total of 30 587 face samples were considered in the grade estimation for the Nchwaning 1 orebody. The available data for an area was optimised over a thickness of 3,5 metres and exported into data files for computerised statistical and geostatistical manipulation to determine the average grades of Mn, Fe, silica (SiO<sub>2</sub>), calcium (CaO) and magnesium (MgO).







Iron ore being drilled at Khumani Iron Ore Mine.



## Mineral Resources and Reserves continued



Ordinary Kriging interpolation within Datamine was used to estimate the grade of each 50 x 50 x 3,5 metre block generated within the geological model.

Sub-cell splitting of the 50 x 50 metre blocks was allowed to follow the geological boundaries accurately. The relative density of Nchwaning manganese ore was taken as 4,3 t/m<sup>3</sup>.

Trackless mechanised equipment is used in the board and pillar mining method. Mining in the eastern extremity of Nchwaning occurs at a depth of 200 metres while the deepest (current) excavations can be found at a depth of 519 metres below surface.

Ore from the Nchwaning No 2 Mine is crushed underground before being hoisted to a surface stockpile via a vertical shaft. Similarly, ore from the Nchwaning No 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 plant 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 are 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.

**Nchwaning year-on-year change** – Mineral Reserves for Nchwaning lower seam (1 body) decreased to 106,28 million tons from 107,96 million tons mainly due to depletion by production. The Mineral Resources for 1 body changed from 128,63 million tons to 126,69 million tons. Nchwaning 2 body Mineral Resources remained at 180,8 million tons.

<b>Nchwaning Mine: Lower Seam (1 Body) Manganese Resources and Reserves</b>							
Mineral Resources	Mt	Mn %	Fe %	Mineral Reserves	Mt	Mn %	Fe %
Measured	37,61	46,3	9,0	Proved	32,34	46,3	9,0
Indicated	89,08	44,3	8,4	Probable	73,94	44,3	8,4
<b>Total Resources 1 body 2011</b>	<b>126,69</b>	<b>44,9</b>	<b>8,6</b>	<b>Total Reserves 1 body 2011</b>	<b>106,28</b>	<b>44,9</b>	<b>8,6</b>
Total Resources 1 body 2010	128,63	45,3	8,7	Total Reserves 1 body 2010	107,96	45,3	8,7

*Mineral Resources are inclusive of Mineral Reserves.  
Totals are rounded off.  
Modifying factors: pillar losses, mining losses.*



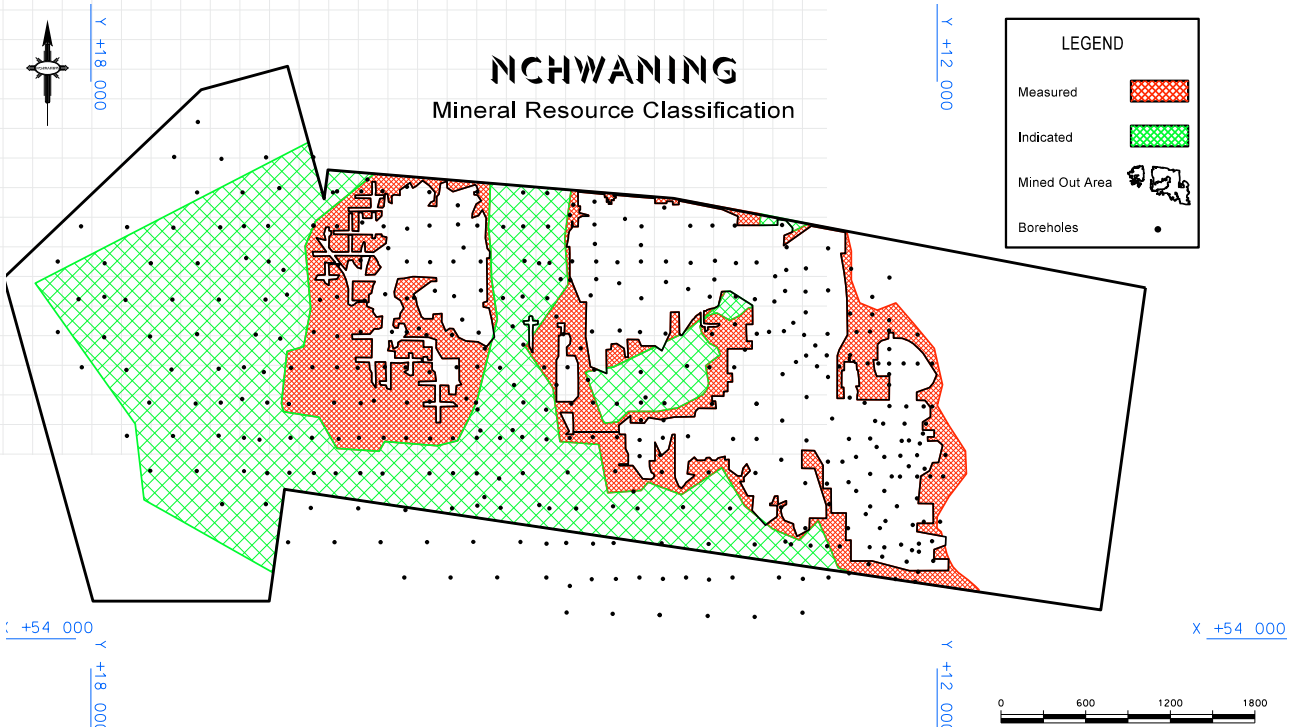
<b>Nchwaning Mine: Upper Seam (2 body) Manganese Resources</b>			
Mineral Resources	Mt	Mn %	Fe %
Measured	53,37	42,0	16,3
Indicated	127,43	42,6	15,2
<b>Total Resources 2 body 2011</b>	<b>180,80</b>	<b>42,4</b>	<b>15,5</b>
Total Resources 2 body 2010	180,80	42,4	15,5

<b>Black Rock: Lower Seam (1 body) Manganese Resources</b>			
Mineral Resources	Mt	Mn %	Fe %
Measured	9,03	40,3	18,1
Indicated	34,57	40,7	18,1
<b>Total Resources 1 body 2011</b>	<b>43,60</b>	<b>40,6</b>	<b>18,1</b>
Total Resources 1 body 2010	–	–	–
Totals are rounded off.			

**Black Rock Mineral Resources**

The Black Rock orebodies occur in the Black Rock (Koppie), Belgravia 1 and Belgravia 2 areas. They are all part of a large thrust complex. Modelling of these orebodies was undertaken using 151 Nchwaning boreholes that intersected the thrust complex and 174 Black Rock infill boreholes. A cut-off of 38% manganese was used in the modelling. 1 and 2 body seams were modelled at different thicknesses.

<b>Black Rock: Lower Seam (2 body) Manganese Resources</b>			
Mineral Resources	Mt	Mn %	Fe %
Measured	8,23	37,4	19,8
Indicated	18,58	39,2	19,8
<b>Total Resources 2 body 2011</b>	<b>26,81</b>	<b>38,6</b>	<b>19,8</b>
Total Resources 2 body 2010	–	–	–



## Mineral Resources and Reserves continued



### Gloria Mineral Resources and Reserves

Procedures for drilling and assaying at the Gloria Mine are the same as at Nchwaning. A total of 109 boreholes and 6 480 face samples were considered in the evaluation of the Gloria 1 Body Mine. The underground sampling values were used in evaluating areas close to current mining. The boreholes were optimised over a stoping width of 3,5 metres and the relative density was taken as 3,8 t/m<sup>3</sup>. The seams were evaluated by means of statistical and geostatistical methods to determine the average grades of Mn, Fe, SiO<sub>2</sub>, CaO and MgO. Ordinary Kriging interpolation within Datamine was used to estimate the grade of each 50 x 50 x 3,5 metre block generated within the geological model. Sub-cell splitting of the 50 x 50 metre blocks was allowed to follow the geological boundaries.

The Gloria Mine is extracting manganese at depths that vary between 180 to 250 metres. Ore is crushed underground before being conveyed to surface stockpile via a decline shaft.

**Gloria year-on-year change** – Remodelling of the Gloria orebody after drilling of 42 new boreholes resulted in significant 79% increase in Measured and Indicated Mineral Resources to 92,23 million tons as the Inferred Resources were upgraded to higher category resources. Mineral Reserves also increased from 39,71 million tons to 68,25 million tons. The Mineral Resources for Gloria 2 body remained the same. No South African markets exist for Gloria 2 body ore at this time.

### Gloria Mine: Lower Seam (1 body) Manganese Resources and Reserves

Mineral Resources	Mt %	Mn %	Fe %	Mineral Reserves	Mt %	Mn %	Fe %
Measured	31,46	37,7	4,8	Proved	23,28	37,7	4,8
Indicated	60,77	37,8	4,9	Probable	44,97	37,8	4,9
<b>Total Resources 1 body 2011</b>	<b>92,23</b>	<b>37,8</b>	<b>4,9</b>	Total Reserves 1 body 2010	68,25	37,8	4,9
Total Resources 1 body 2010	51,57	38,3	5,5	Total Reserves 1 body 2009	39,71	38,3	5,5
Inferred 2011	84,00	36,8	4,8				
Inferred 2010	128,24	–	–				

Mineral Resources are inclusive of Mineral Reserves.

Totals are rounded off.

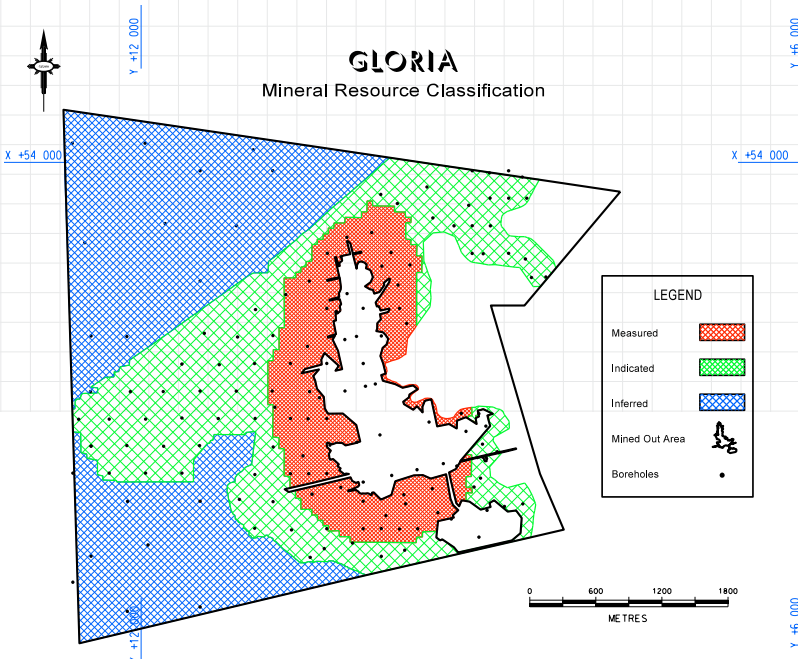
Modifying factors: pillar losses, mining losses.



<b>Gloria Mine: Upper Seam (2 body) Manganese Resources</b>			
Mineral Resources	Mt	Mn %	Fe %
Measured	–	–	–
Indicated	29,40	29,9	10,1
<b>Total Resources 2 body 2011</b>	<b>29,40</b>	<b>29,9</b>	<b>10,1</b>
Total Resources 2 body 2010	29,40	29,9	10,1
Inferred 2011	128,24	–	–
Inferred 2010	128,24	–	–

*Totals are rounded off.*

<b>Historical manganese production at the Nchwaning and Gloria Mines (Saleable product)</b>		
Year	Nchwaning Mt	Gloria Mt
2006/2007	2,49	0,43
2007/2008	2,71	0,41
2008/2009	2,63	0,51
2009/2010	1,30	0,67
2010/2011	2,35	0,70



## Mineral Resources and Reserves continued

### Chromite mine

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

**History** – 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 feasibility study, 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 million tons a year and these areas were mined out within five years. Underground mining commenced in 2005 at a rate of 1,2 million tons ROM a year. The 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 grade products.

**Mining authorisation** – An old-order Mining Licence 21/99 was granted in October 1999. An application for the conversion to a new-order mining right submitted in October 2007 is still pending.

**Geology** – The 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 kilometres 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, and 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 orebody being mined at the Dwarsrivier Mine. In the Eastern Lobe, in the vicinity of Dwarsrivier, the strike is nearly north-south, with a dip of approximately 10 degrees towards the west. Average thickness of the LG6 seam is about 1,86 metres 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.

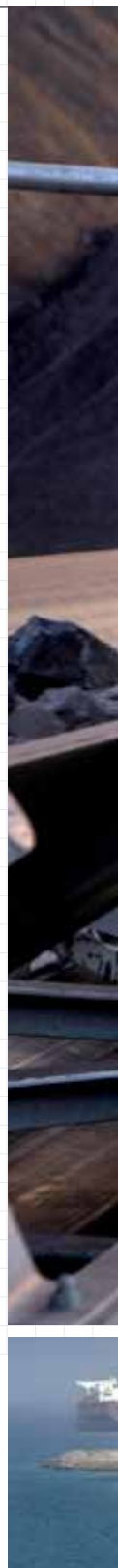
**Mineral Resources and Reserves** – Information was obtained from boreholes with a 300 to 150-metre grid spacing. Resources were determined with a decreasing level of confidence.

- Measured Resource (150 metres drill grid spacing);
- Indicated Resource (300 metres drill grid spacing); and
- Inferred Resource (drill grid spacing greater than 300 metres).

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

Vertical diamond drill holes are used for geological and grade modelling, except where information is needed to clarify large-scale fault planes. The Mineral Resources at the Dwarsrivier Mine are based on a total of 237 diamond drill holes that have been used for grade estimation and orebody modelling purposes. The drill core is NQ size and is geologically and geotechnically 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-metre 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 using fusion/ICP-OES for chrome oxide ( $\text{Cr}_2\text{O}_3$ ),  $\text{SiO}_2$ ,  $\text{FeO}$ ,  $\text{Al}_2\text{O}_3$ ,  $\text{MgO}$  and  $\text{CaO}$ . 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, are included every 20 to 30 samples in each batch. The density for each sample is measured using a gas pycnometer.







*Manganese beneficiation plant at Nchwang Mine.*



## Mineral Resources and Reserves continued

Mineral Resources have been estimated 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 x 50 x 4 metres.

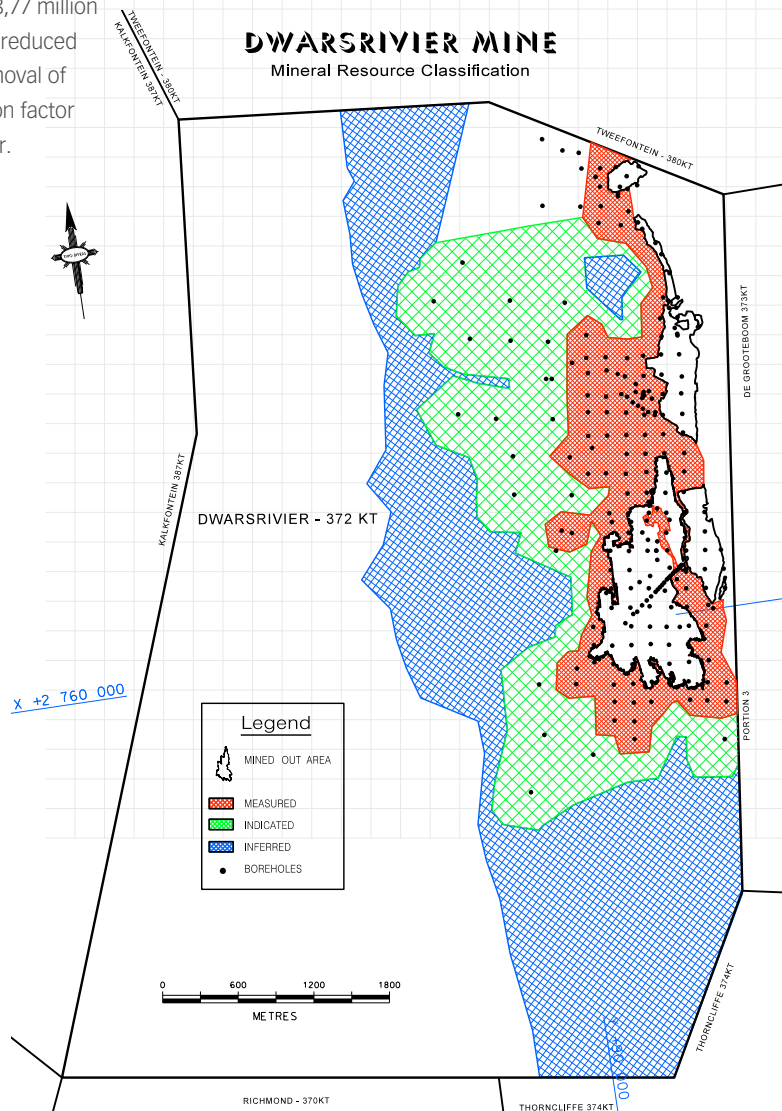
During mining, a slightly diluted run-of-mine ore inclusive of the "false" hangingwall is fed to the beneficiation plant. In the dense media separation part of the plant, the coarse fraction is upgraded to 40%  $Cr_2O_3$ , with a yield of 80%. In the spiral section of the plant the finer fraction is upgraded to 44%  $Cr_2O_3$ , and 46%  $Cr_2O_3$  respectively, for metallurgical grade fines and chemical grade fines. A 67% yield is achieved in the spiral circuit.

### Historical production at Dwarsrivier Chrome Mine

Financial year	Mt
2006/2007	1,01
2007/2008	1,24
2008/2009	1,03
2009/2010	0,78
2010/2011	1,25

### Year-on-year change – 2011

Mineral Resources decreased by 1,83 million tons to 48,77 million tons mainly due to mining depletion. Mineral Reserves reduced to 33,44 million tons from 39,50 million tons due to removal of additional structural blocks, reduction of pillar extraction factor from 77% to 75% and mining depletions during the year.





**Dwarsrivier Chrome Mine: Chrome Resources and Reserves**

Mineral Resources	Mt	Mn %	Fe %	Mineral Reserves	Mt	Mn %	Fe %
Measured	17,25	39,20	23,07	Proved	9,57	35,75	22,00
Indicated	31,52	38,97	23,01	Probable	23,87	35,66	22,04
<b>Total Measured and Indicated 2011</b>	<b>48,77</b>	<b>39,05</b>	<b>23,03</b>	<b>Total Reserves 2011</b>	<b>33,44</b>	<b>35,69</b>	<b>22,03</b>
Total Measured and Indicated 2010	50,60	39,03	22,98	Total Reserves 2010	39,50	35,75	22,00
Inferred	48,05	39,15	23,01				

*Mineral Resources are inclusive of Mineral Reserves.*

*Totals are rounded off.*

*Modifying factors: geological losses, mining losses and pillar losses.*

**Competence**

The competent person with overall responsibility for the compilation of the Mineral Reserves and Resources Report is Paul van der Merwe, Pr.Sci.Nat, 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 Resources Manager for the ARM group. He is registered with 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 competent persons are available from the Assmang Company Secretary on written request.

The following competent persons were involved in the calculation of Mineral Resources and Reserves:

M Burger, <i>PrSciNat</i>	Iron
S v Niekerk, <i>PrSciNat</i>	Iron
B Ruzive, <i>PrSciNat</i>	Manganese
A Pretorius*, <i>PrSciNat</i>	Chrome
S Kadzviti, <i>PrSciNat</i>	Iron/Chrome/Manganese
* <i>External consultant</i>	

PJ van der Merwe  
24 Impala Road, Chislehurst, Sandton  
30 September 2011

## Corporate governance and risk management report

The Assore board (the board) is of the opinion that strong corporate governance and risk management not only enhance sustainability of an organisation, but that they are essential to preserving organisational reputation, investor confidence, access to capital, when required, and sustainable employee motivation.

The group subscribes in all its activities to principles of best practice in business management and corporate governance for South African companies as set out in the King III Report, and which it implements in accordance with the following framework:

- Installing a risk and control environment within its business entities where management, in conjunction with the necessary support from the Audit and Risk Committee, is responsible for identifying, quantifying and managing risks to achieve the organisation's objectives on a sustainable basis. The process of the quantification of identified risks takes into account qualitative aspects, in addition to their estimated financial impact.
- Creating a process which provides the board, through the Audit and Risk Committee, with assurance over the adequacy of internal control within the organisation, ie that the risk and control environment in place is appropriate for the business concerned and is operated in a manner to provide the board with reasonable assurance that appropriate safeguarding of the group's assets is achieved.
- Establishing a formalised review 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 Limited 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 was updated in March 2002 and in September 2009 as "King II" and "King III" respectively. The objective of the King reports is to formulate recommendations for maintaining and improving standards of corporate governance in South African companies in accordance with international best practice. For reporting purposes, King III replaced King II on 1 March 2010, and compliance therewith is mandatory for financial periods commencing on or after that date.

Management reviews the business practice across the group on an ongoing basis and has determined that they are substantially compliant with all the material requirements of King III. Where it is not practical for the group to adopt these requirements, relevant comment is provided and reference is made in this report to the alternative procedures which the board has adopted in each instance.

### Board of directors

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

### Composition

The Assore board has a unitary structure with a preponderance of non-executive directors, comprising nine directors, three of whom are executive and six non-executive.

Of the six non-executive directors, Mr Bobby Carpenter has been appointed to the board in a non-executive capacity, following his retirement in February 2011 after 47 years of service with the group. The other four non-executive directors are independent and hold directorships in other listed and unlisted companies registered in South Africa. After nearly 17 years in aggregate of serving on the board, Dr Johannes van der Horst has indicated his intention to resign as an independent non-executive director with effect 31 December 2011.

The board evaluates annually the independence of the independent non-executive directors, who are appointed in terms of three-year contracts. In addition to this process, the executive directors review the degree of independence of the independent non-executive directors at each renewal date of these contracts. In addition, the Chief Executive Officer (CEO) conducts regular discussions with the non-executive directors regarding their continuing independence. As recommended in terms of King III, non-executive directors are not permitted to

serve for periods longer than nine years in the aggregate and non-executive directors do not receive any benefits from the company other than their fees for services as directors.

The three executive directors are Messrs Desmond Sacco (Chairman), CJ Cory (Chief Executive Officer and Financial Director) and PC Crous (Group Technical Director), and each of these executives is also on the board of joint-venture company, Assmang Limited (Assmang). Since the Sacco family controls the majority of the ordinary shareholding in the company, Desmond Sacco, although Chairman, is not regarded as an independent director. Therefore the company has appointed Mr Ed Southey as Deputy Chairman and lead independent director.

### Remuneration

The approach to the remuneration of executive directors is described on page 20 of this report, while details of emoluments paid to directors and directors' interests in shares of the company are disclosed in the Directors' report. None of the executive directors has signed a service agreement with the company which specifies either a paid notice period or additional compensation in the event of termination. As noted in the Directors' report, Assore does not operate an employee share incentive scheme. Bonuses are determined based on the results and performance of the group for the year, and are reviewed and approved by the Remuneration Committee (refer below). The impact on earnings per share for the year of the bonuses paid to executive directors of Assore was 23 cents (2010: 21 cents), amounting to 0,84% (2010: 1,7%) of earnings per share. Remuneration of directors depends on the size and complexity of operations and level of professional input required by the business environment concerned and has due regard to the calibre of the person required for the position. The level of remuneration is benchmarked against remuneration paid to executives of other listed companies in the resources sector, making use of independent remuneration consultants when considered necessary.

Fees for non-executive directors are reviewed on a regular basis, and are adjusted where necessary taking into account amounts paid to non-executive directors of companies with similar complexity profiles in the South African mining sector, and the degree of skill, time and experience required to discharge their duties. The payment of fees to non-executive directors is not dependent on attendance at meetings.

The board acknowledges the requirements of King III for shareholders to pass a non-binding advisory vote on the company's remuneration policy annually. Directors' fees are approved by means of special resolution as required by section 66(8) of the Companies Act 2008, while shareholders are invited to pass a non-binding advisory vote on the group's remuneration policy. Details of these procedures and relevant information are set out in the notice to members (refer insert).

### Election and succession

In accordance with the company's Memorandum of Incorporation, 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 26 and 27. Due to the chairman's involvement in the controlling shareholder, appointments to the board are made with full board approval, and therefore a formal policy appointing board members and Nomination Committee is unnecessary. Instead, appointments and continued eligibility to the board are approved by the executive directors, after oversight by the executive directors and consultation with the board as a whole. This process is deemed most appropriate to the group's circumstances as described above and to the industry in which it operates, and therefore it is not group policy to ensure that a third of the non-executive directors rotate annually as required by King III.

Appointments to the board in an executive directorship capacity are based on the nominees holding the appropriate professional qualifications and having had substantial exposure to business as a whole, and in particular in the mining industry, in senior managerial roles and/or related professional practice, which includes the necessary exposure to applicable laws, rules, codes and standards. In the event that a director does not possess the necessary knowledge, the group provides the necessary formal and on-the-job training as required. Incoming non-executive directors are fully apprised of the group's activities and relevant issues. Assore believes that these requirements and processes obviate the necessity for a formalised orientation and mentorship programme for its directors.

Each executive director is understudied by appropriately qualified and experienced alternate directors or senior staff, ensuring sufficient depth in areas that are critical to the continuation of

## Corporate governance and risk management report continued

the group's business activities. Therefore, taking the managerial structure and the current make-up of the board into account, a detailed succession plan is not warranted. The Chief Executive Officer assumes ultimate responsibility for all executive issues, and ensures that issues raised within the group's various committees and sub-committees (certain of which are set out on page 10 of this report and throughout) are addressed by the responsible staff, and further, that these are elevated to the appropriate level when it is apparent that more senior management involvement is necessary. Based on the submission by the Audit and Risk Committee, dispensation was granted by the JSE for the roles of CEO and Financial Director to be combined on condition that the appropriateness of the situation is reviewed and confirmed by the Audit and Risk Committee on an annual basis.

### Meetings

The board meets at least four times per annum on predetermined dates with meetings convened on an ad hoc basis when considered necessary. The board met four times in the year under review and attendance at these meetings is tabled below:

	Possible attendance	Attended
Desmond Sacco	4	4
EM Southey	4	4
CJ Cory	4	4
PC Crous	4	4
RJ Carpenter	4	4
BM Hawksworth <sup>#</sup>	–	–
DJ Ncube	1	–
MC Ramaphosa	4	2
WF Urmson	3	3
Dr JC van der Horst	4	4

<sup>#</sup> Stood down on 27 August 2010.

### Board and committee performance evaluation

Ongoing evaluation of the board and its various committees does not occur on a formal basis at present. However, on the back of the involvement of the controlling shareholder, and due to the size of the business, regular interaction occurs between all levels of management to ensure that the various bodies in the Assore group act within their terms of reference. As stated under "Remuneration" (refer above), executive directors are not appointed in terms of contracts, and their services may be terminated without notice without the commitment of monetary implications for the group. Documented terms of reference for the board are not required, since the majority of directors

on the board are independent, the lead independent director has the dual role of deputy chairman, and chairs the Audit and Risk Committee, and all of the directors have substantial business experience at a senior level. The composition of the board as described above has a preponderance of non-executive directors, and ensures regular formal and informal interaction, to ensure appropriate application of authority in the decision-making process. Since a key aspect of the group's activities includes marketing and distribution, its reputation and relationships with its customers, together with all stakeholders, is assessed in all of the board's actions, and not in isolation. The chairman has effective control over the majority shareholding in Assore and in order to compensate for the resulting lack of formal appraisal of his performance, further insight into the group's activities is provided to the chairman at regularly convened Excom meetings, which are attended by the executive directors, and other senior members of management. The skill set required of directors by the group is determined by the executive. Attendance by external advisers at meetings of the board and its various committees is arranged when considered necessary.

### Group boards

The subsidiary and joint-venture companies of the group have properly constituted boards, whose directors operate independently in respect of the affairs of these companies. The board of the holding company respects the fiduciary duties of the directors of these companies, and policies and procedures adopted by these companies are considered by the respective boards prior to their adoption, necessary alteration or rejection.

### Audit and Risk Committee

	Qualifications	Years of service on the committee
EM Southey (Chair)	BA, LLB	2
WF Urmson	CA(SA)	1
Dr JC van der Horst	BA, LLD	9

Currently, the chairman of the committee reports to the board on its activities at each board meeting. Representatives of the internal and external auditors are also invited to attend all meetings of the committee and, if necessary, have direct access to the chairman of the committee throughout the year. The CEO and FD, group accountant, and representatives of the Company



Secretaries attend all meetings by invitation. Internal and external auditors meet with members of the committee at least once annually without members of management being present in order to discuss and evaluate the quality of their relationship and level of cooperation which they were afforded during their activities undertaken in the year under review. The committee recommended the acceptance of the 2011 annual integrated report to the board on 14 October 2011.

The terms of reference of the Audit and Risk Committee are documented and were approved by the board, and are reviewed on an annual basis to ensure they remain appropriate to the activities of the group. The prime objectives of the committee that emanate from its terms of reference, which were applied during the year under review, are to:

- provide a forum for the management of the external and internal audit functions and the resolution of issues which arise from all external and internal audit activities;
- make recommendations to the shareholders regarding the appointment of the external auditors;
- review the activities, services and performance of the external auditors, evaluating their independence and reviewing their overall role and appropriateness of fees charged;
- review and approve the annual financial statements, interim reports and related disclosures and other significant announcements made by the group, making the necessary recommendations to the board;
- consider the appropriateness of the group's accounting policies;
- monitor and supervise the effective functioning of the internal audit function (refer "Internal audit and internal control"), to ensure that the roles of both internal and external audit are clear to provide an objective overview of the operational effectiveness of the group's systems of internal control and reporting;
- monitor the risk profile as determined by management, and make recommendations on the composition and classification of the risk profile for the group (refer "Risk management");
- obtain representations from management, and make the necessary enquiries from external and internal audit and of management, on any matters under litigation, ensure compliance with material aspects of legislation and create awareness of pending changes to legislation (refer "Legal compliance"); and
- monitor the ethical tone of the group through its executives and senior officials (refer "Ethics").

All of the members of the committee, including the chairman (who will make himself available to take questions at the annual general meeting), are independent non-executive directors, who collectively possess the appropriate level of knowledge and experience pertaining to legislative requirements, financial risks, financial and sustainability reporting and internal controls, applicable to the group. The committee meets at least three times per annum on predetermined dates, with ad hoc meetings convened where necessary, and holds ongoing informal meetings to keep abreast of business developments. During the year under review, the committee met on three occasions with attendance as detailed below:

	Possible attendance	Attended
EM Southey	3	3
WF Urmson	2	2
Dr JC van der Horst	3	3

Internal audit has adopted its terms of reference from the board, and all internal audit work is undertaken based on the ongoing risk assessment process which is presented annually by internal audit to the Audit and Risk Committee, to ensure that the focus of the internal audit effort is optimised (refer "Risk management" and "Internal audit and internal control" below). The internal audit function of Assore is outsourced, and the responsible senior executive on the engagement has direct access to the chairman of the committee and meets with external audit independently in order to exchange views on issues pertaining to internal audit, evaluation of internal controls, as well as those that may have a bearing on the external audit process and objectives. Internal audit certify to the board and committee on an annual basis, that the internal controls and financial controls respectively have not revealed any significant breakdown in internal controls or any issues that require their attention. The committee, having due regard for materiality and the inherent nature of the business, is satisfied that the internal controls were effective, and operated as designed for the period under review. In addition, the committee, having reviewed the reports of internal and external audit tabled at the meetings of the committee, and having conducted enquiries of the attendees at its meetings, is not aware of any weaknesses in internal controls that have or may give rise to material financial losses, fraud or material errors during the year under review.

## Corporate governance and risk management report continued

The committee does not consider a formal audit review of the interim results necessary, as the interim results of Assmang, which comprise the majority of the group's results, are reviewed and reported on by the external auditors prior to the publication of the group's interim results. The committee, after due enquiry with external and internal audit, has satisfied itself on the appropriateness of the expertise and adequacy of the finance function and experience of the senior members of management responsible for the financial function to render this process unnecessary.

### Company Secretary

The company has appointed a wholly owned subsidiary, African Mining and Trust Company Limited, as Company Secretary. The board and senior staff who are all appropriately qualified, ensure that the necessary application of company law and other regulatory aspects are applied in the affairs and management of the group.

### Remuneration Committee

EM Southey (Chair)  
Desmond Sacco  
WF Urmson  
Dr JC van der Horst

The committee is chaired by the lead independent director, and consists of a majority of independent non-executive directors. Desmond Sacco is appointed as a member of this committee, based on his interest in the company, which the board believes adds to the overall appropriateness of the decisions and policies of the committee. Its terms of reference have been approved by the board, and are reviewed annually by the board. Since salaries and bonuses are reviewed on an annual basis, the committee meets formally at least once a year, in addition to ad hoc meetings that may be necessary from time to time. The Chief Executive Officer (CEO) attends meetings of the committee by invitation, but is not entitled to vote. Recommendations on the broad framework and cost of executive remuneration are made annually to the committee for approval. To do so, the committee is required to determine:

- the group's general policy on executive remuneration;
- specific remuneration packages for executive directors;
- where necessary, criteria to assess the required performance of executive directors; and
- the necessity to take independent professional advice where necessary.

The remuneration of non-executive directors is determined by the Assore executive, using *inter alia*, industry benchmarks, and are approved in advance at the Annual General Meeting (AGM).

Remuneration of other employees in the group is determined annually by the executive directors in conjunction with the human resources department and departmental heads, and where necessary, benchmarks remuneration levels with the industry using independent advisers. Due to the sensitivity of remuneration levels, the remuneration of individuals who are not directors are not individually disclosed; however, the total cost of the remuneration of senior employees is disclosed (refer page 129). Directors' remuneration for the current and previous financial year is disclosed on page 84.

### Insider trading and closed periods

The group operates a closed period prior to the publication of its interim and final results. During these periods 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 first day of the month following the end of a financial reporting period and expires on the day on which the interim or final results are published. Where appropriate, dealing is also restricted during sensitive periods where major transactions are being negotiated and a public announcement is imminent. All employees are required to obtain the written approval of the CEO prior to dealing in the company's shares at any time during the year.

### Risk management

The board has delegated the assessment and management of the group's risk profile to the Audit and Risk Committee, which advises the board of unresolved risk management issues. Risk is an ever-present feature of business in general. It is exacerbated in the mining industry by the volatility of exchange rates and commodity prices applicable to the resources sector, 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 legislative requirements, in particular with regard to environmental management with which these industries have to comply.

Group risk management is achieved through the identification and control of all significant business risks by various risk management committees, including operational risks, which could adversely affect the achievements of the group's business objectives. Risk assessments are ongoing, and risk registers for all significant operations in the joint-venture entity, Assmang, are prepared and updated quarterly by a dedicated risk management department, with assistance from specialised external consultants.

For larger business entities, 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. Input is obtained from various risk management committees comprising representatives from senior management. On completion and review of these processes, insurance cover is acquired where significant uncontrollable exposures remain.

In addition to these processes, other risks deemed relevant to the Assore group are presented to the Audit and Risk Committee, which is given the opportunity to comment and provide input to the assessments tabled. The assets of subsidiary companies in the Assore group are included in a comprehensive insurance programme, with an independent valuation of fixed assets occurring every three years.

The board is aware of the inherent risks contained in establishing the size and remaining life of the ore reserves exploited by the group in its current and intended mining operations. All orebodies and Mineral Reserves are measured and updated annually in accordance with the methodologies described in the "Mineral Resources and Reserves report" (refer pages 28 to 47), and mining is planned to ensure that optimal utilisation of the mineral resource is effected, taking into account market conditions and customer specifications.

The most prominent financial risks to which the group is exposed, namely fluctuations in exchange rates and international commodity prices in the ferrous metals sector (usually US dollar denominated), are to a large extent outside the board's direct control and can only be indirectly controlled by timely response to market fluctuations and setting of appropriate business strategies. Refer note 26 to the consolidated financial statements for more detail on financial risks.

The respective risk management committees are also responsible for ensuring that appropriate financial and insurance mechanisms are integrated into the risk plan and that the group is protected against catastrophic risk, including failure of information technology systems. Therefore, the group risk management process includes an ongoing review of compliance with relevant legislation and standards in the following areas (refer "Sustainability report"):

- environmental rehabilitation management;

- health and safety management;
- human resource management; and
- quality of products and management systems.

The board believes that the risk management processes described above are effective in managing the risks to which the group is exposed, and that they are sufficiently flexible to meet the changing needs of the operations and the group's stakeholders. Further, due to the relatively low staff complement of Assore, employees are informed of the risks relevant to their particular activities within the business and risk assessments performed indicate that these business risks are managed effectively and mitigated wherever possible.

Detail of the risks to which the group is exposed is included on pages 11 and 12 of this report.

### Information technology

The management of information technology (IT) falls within the remit of the CEO who convenes regular meetings with responsible IT staff to address the appropriateness and relevance of the IT infrastructure, information security, the design and maintenance of disaster recovery procedures and related staffing and administrative issues, and engages necessary external advice and consultation when required. Documented terms of reference for IT and information security management systems are not considered necessary at this stage, given the degree of involvement by the CEO and senior management on an ongoing basis in these issues. In addition, the IT systems are subjected to a detailed annual external audit, which is reported on to the CEO for attention and action where necessary. The group is currently in the process of adopting an enterprise-wide resource planning system (ERP), which will be used as a partial departure point to develop a charter for IT in the near future. Where appropriate, other members of senior management also attend these meetings, to provide the necessary input. External audit conducts an annual review of the application by management of the controls pertaining to the group's hardware and software, related physical and access controls, and licensing. Where major IT projects are undertaken, eg the ERP referred to above, a steering committee is formed, which ensures that the various aspects and deliverables of the project are scheduled and achieved. Matters of relevance to the business are communicated by the CEO to the Excom or the board where appropriate. Disaster recovery is catered for by means of daily back-ups of electronic information and media, which are physically housed in a building separate from where the IT hardware is located.

## Corporate governance and risk management report continued

### Legal compliance

The board has delegated the responsibility for legal compliance to the Audit and Risk Committee, which appoints suitably qualified consultants to ensure that legal compliance is maintained in the areas in which the group operates. Therefore, the CEO has not appointed an individual person responsible for the management of compliance. Since the group's main activity is the marketing and distribution of the products of the joint venture, Assmang, a competition law compliance programme is in place. The Audit and Risk Committee ensures matters material to the group receive the appropriate attention, and that adequate provision and appropriate disclosure are made for known and determinable exposures. Legal issues specific to the Assore group are also discussed at Audit and Risk Committee meetings, where management is provided with additional guidance where necessary.

Safety, health and environmental (SHE) legal compliance audits are conducted on an ongoing basis for all operations. In addition, high-level compliance reviews are conducted every second year for Assore's subsidiary operations and reports submitted to the Audit and Risk Committee.

The size of the group, as well as the experience of the executive directors and senior management, affords it the opportunity to resolve all disputes, whether of a legal or non-legal nature, based on their respective characteristics. External legal counsel is consulted when considered necessary to ensure the appropriateness of the resolution methods adopted.

### Internal audit and internal control

The board, through its appointed Audit and Risk Committee, is accountable for ensuring the implementation of appropriate internal controls, which are reviewed regularly for efficiency and effectiveness, taking into account the risk profile of the group (refer pages 11 and 12). 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 respective special services divisions of recognised professional auditing firms. Internal auditors monitor the operation of the internal control systems and governance processes and, after discussion with management, report

findings and recommendations to the Audit and Risk Committee. Corrective action is taken to address control deficiencies as and when they are identified. Since material issues of compliance are amongst standard items on the agenda of the Excom, and minutes of these meetings are made available to internal audit, the group does not extend an invitation to the head of internal audit to attend Excom meetings; however, access to the chairman of the Audit and Risk Committee is available throughout the year. Nothing has come to the attention of the Audit and Risk Committee or 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 and Risk Committee meetings and, where areas of new risk are identified, eg initiation of capital projects or new systems of internal control, IT systems implementation, separate independent investigations take place on an ad hoc basis in addition to the programmed reviews referred to above.

### Ethics

Due to the degree of executive involvement in day-to-day management processes and the size of the group, ethical issues are managed on an ongoing basis by senior management who interact with staff at all levels to ensure that high ethical standards commensurate with board expectations are maintained. Therefore, the establishment of a documented code of ethics and conduct would be superfluous. The group has various channels to facilitate effective whistle-blowing procedures and is of such a size that any material violation of the ethical behaviour demonstrated by any member of staff is dealt with appropriately and timeously. The board believes that management is sufficiently experienced to ensure that the requirements of the group in respect of laws, rules, codes and standards do not expose the group to material risks in this respect. In addition, senior management are closely involved with external legal counsel in unfamiliar and complex areas.



## Black economic empowerment status report

Assore is supportive of the broad-based economic imperatives contained in the Minerals and Petroleum Resources Development Act (the MPRD Act) and the Broad-based Socio-economic Empowerment Charter for the South African Mining Industry issued thereunder (the Mining Charter), and since their inception has embarked on initiatives aimed at meeting these requirements at its mining operations, as set out below.

The MPRD Act has changed the previous common law and statutory position in South Africa in terms of which mineral rights could be held privately. Instead, pursuant to the MPRD Act and 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 (which are designated as new-order rights). A transitional period commencing in May 2004, and ending in May 2014 is provided for, during which holders of existing mineral and exploration rights (designated as old-order rights), upon meeting certain requirements, may convert such existing in-use old-order rights into new-order rights, or in the case of unused rights, may apply for new-order rights.

The Mining Charter 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 Mining Charter requires, *inter alia*, that mining companies achieve 15% HDSA ownership of mining assets within five years (ie 1 May 2009) and 26% within 10 years (ie 1 May 2014), which has been maintained by the Department of Mineral Resources (DMR), following a review of the Mining Charter in September 2010, as the target required to be achieved by mining companies. The Mining Charter also requires, *inter alia*, that mining companies provide plans and achieve employment equity at management level and procure goods and services from black empowered organisations on a preferential basis in accordance with the predetermined criteria set out in such plans. Since 2004, in view of meeting the Charter's requirements, Assore, through its various group companies, has achieved the following milestones:

- concluded an empowerment transaction with Mampa Investment Holdings (being the commercial arm of the Mankwe Development Foundation) (Mampa) in April 2004,

pursuant to which new-order mining rights for the chrome operations in Rustenburg Minerals Development Company (Proprietary) Limited (RMDC or Rustenburg Minerals) on the farms Zandspruit and Groenfontein were obtained;

- concluded empowerment transactions with the Bokamoso Trust in February 2006 and March 2010; representing control of Assore's issued ordinary shares of 3,26% and 11,02% respectively;
- through Assmang, applied for and obtained new-order mining rights on the iron ore deposits mined at Khumani. Conversion of the old-order rights to new-order rights on the manganese deposits at Black Rock (comprising Nchwaning and Gloria Mines) was obtained and applications for the conversion of all remaining old-order rights to new-order rights, in particular, iron ore (Beeshoek), chrome ore (Dwarsrivier) and pyrophyllite (Wonderstone) which were submitted prior to 1 May 2009 and are being finalised;
- implemented a preferential procurement policy at all its operations (refer "Preferential procurement" on page 57); and
- developed social and labour plans (SLPs) for each of its operations, as well as local economic development (LED) projects which support the integrated development plan of the relevant local authority. The plans, which have received the approval of the relevant departments, include the construction of educational facilities, food security projects and presentation of programmes on adult education, health and safety and environmental awareness.

The extent of compliance with the Charter is reported on and monitored on a regular basis at the Excom level, specifically, on new-order mining rights, which are subject to audit by the DMR. No significant issues of non-compliance have been reported by the DMR.

## Black economic empowerment status report continued

Following the introduction of the MPRD Act, Assore has entered into the following empowerment-related transactions:

- In April 2004, an empowerment transaction was finalised with Mampa in terms of which Mampa acquired a 44% interest in RMDC. RMDC mines chromite 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 in October 2005, RMDC was successful in its application to convert all of its mining rights to new-order rights.
- In February 2006, the Assore group entered into empowerment transactions effecting the acquisition of 15,02% of its issued ordinary shares at that date by two BEE entities, namely:
  - Shanduka Resources, a subsidiary of Shanduka Group (Proprietary) Limited (Shanduka), a black-owned and managed investment holding company, which purchased 11,76% of Assore's ordinary shares in issue at that date (refer "Shanduka Resources" below). In July 2011 (subsequent to the end of the 2011 financial year), shareholders were advised of the company's intention to enter into its third empowerment transaction, the first phase of which was to provide financial assistance to a special purpose vehicle (SPV), in order for the SPV to buy back Shanduka's interest in Assore, comprising 16 464 450 shares, representing 11,79% of the issued ordinary shares at June 2011. The transaction was approved by the requisite majority of shareholders at a general meeting on 10 August 2011, and as a result, these shares were warehoused in the SPV on 19 August 2011. The majority interest in the SPV will be controlled by a broad-based black-empowered trust; and
  - the Bokamoso Trust (refer "The Bokamoso Trust" below), which has been formed to benefit HDSAs and HDSA community groupings, residing in areas surrounding the group's mining activities, which purchased 3,26% (4 568 550 shares) of Assore's ordinary shares in issue at that date.
- In March 2010, Assore entered into its second empowerment transaction, in terms of which:
  - 13 618 265 shares, representing 9,88% of the issued ordinary shares at that date, were acquired by an entity in which the Bokamoso Trust (the Trust) and Assore have a 51% and 49% interest respectively; and
  - a specific issue of 1 748 735 treasury shares was effected, which resulted in the Trust achieving control of 14,28% (19 935 550) of the issued ordinary shares after the transaction.

*Note: The number of Assore ordinary shares in issue quoted in the report, prior to September 2010 have been multiplied by a factor of five, following the sub-division of five-for-one ordinary shares for each Assore share on 10 September 2010.*

The control by HDSAs of Assore's shares at 30 June 2011 is as follows:

Shareholder	% of shareholding
Bokamoso Trust	14,28
Shanduka Resources (bought back subsequent to the year-end, now forming part of the third empowerment transaction)	11,79
	26,07

### The Bokamoso Trust

The Bokamoso Trust (the Trust) was established for the benefit of HDSAs and broad-based HDSA community groupings residing in the areas in which the Assore group's mines and beneficiation plants are located. Assore has initiated a process through which it will identify HDSA trustees in accordance with the trust deed. The majority of the Board of Trustees is independent, and in terms of the second empowerment transaction, the Trust is entitled to an annual flow-through payment of at least R2 million per annum, to the beneficiaries irrespective of the commitments to the Assore group with regard to the funding of the transaction.

Assore concluded a relationship agreement with the Trust in order to regulate the respective relationship between the parties to ensure, in so far as is possible, the continued compliance by the Trust (as the Assore group's BEE partner) with the direct ownership requirements of the Mining Charter.

### Shanduka Resources

Shanduka Resources is a wholly owned subsidiary of Shanduka Group, a black-owned and managed investment holding company founded by Cyril Ramaphosa, James Motlatsi and several other black professionals.

On 19 August 2011, further to the approval of the shareholders of Assore and Shanduka, Shanduka Resources sold its interest in Assore to the SPV referred to above. The transaction (ie the third empowerment transaction) is intended to secure Assore's empowered status for the long term, ahead of the 2014 target established in the Mining Charter. Shanduka acquired its interest in Assore in 2005 for approximately R280 million (R17 per Assore share), and disposed of these in the amount of R2,7 billion (R163 per Assore share, representing a discount of 24,2% to the market price), realising a profit of approximately R2,4 billion. While the transaction provides Shanduka with the opportunity to diversify its own interests, the discount secured by Assore creates the necessary sustainability of the proposed broad-based BEE structure, to be finalised in the second phase of the transaction. The conclusion of this second phase will

result in all of Assore's BEE control being broad-based in nature, which will be of direct benefit to the communities in which the group operates.

### Preferential procurement

Assore is committed to bringing previously disadvantaged South Africans into the mainstream of the economy by identifying, developing and availing business opportunities to BBBEE suppliers at all its operations. Without compromising on quality, Assore has adopted a policy of precluding vendors from supplying goods and services to its operations who do not have valid empowerment credentials. A summary of the percentage BBBEE procurement measured against total discretionary procurement is presented in the table below:

2011	Total discretionary procurement R million	Aggregate BBBEE expenditure R million	Aggregate % BBBEE
Assmang	6 796,2	4 591,1	67,6
Rustenburg Minerals	163,6	117,8	72,0
Zeerust	88,3	74,4	84,3
Wonderstone	38,9	12,8	32,9
African Mining and Trust	41,1	18,4	44,8
2010			
Assmang	5 448,4	3 028,3	55,6
Rustenburg Minerals	113,3	78,6	69,4
Zeerust	1,6	0,3	16,4
Wonderstone	9,8	5,2	52,9
African Mining and Trust	55,6	23,9	42,9

*Total discretionary procurement is defined as total procurement less procurement through public sector vendors, eg rates and taxes and utility service providers.*

Assmang's increased proportion of BBBEE expenditure is the result of continued focus on supplier selection and evaluation. The overall increased proportion of BBBEE expenditure for African Mining and Trust Company Limited (African Mining and Trust), Rustenburg Minerals is due to the group's ongoing commitment to the implementation of the requirements of the Mining Charter and the DTI Codes of Good Practice. Expenditure at Rustenburg Minerals has increased, due to the development of its two underground shafts. The recently commenced open-cast mining operation at Zeerust gave rise to the significant increase in its discretionary procurement, while a temporarily expired supplier's certificate at Wonderstone resulted in a decrease of the proportion of BBBEE expenditure at that operation.

## Sustainability report



This report provides a summary of health, safety, environmental and sustainable development performance across the operations of the Assore group. Assore also recognises that it has a responsibility to promote the sustainability of its business by taking an active role in shaping the development and performance of its business in the sectors in which it operates.

This sustainability report covers all of the entities in which the Assore group has an interest (other than portfolio investments) and, for ease of reference, has been split into the following two sections:

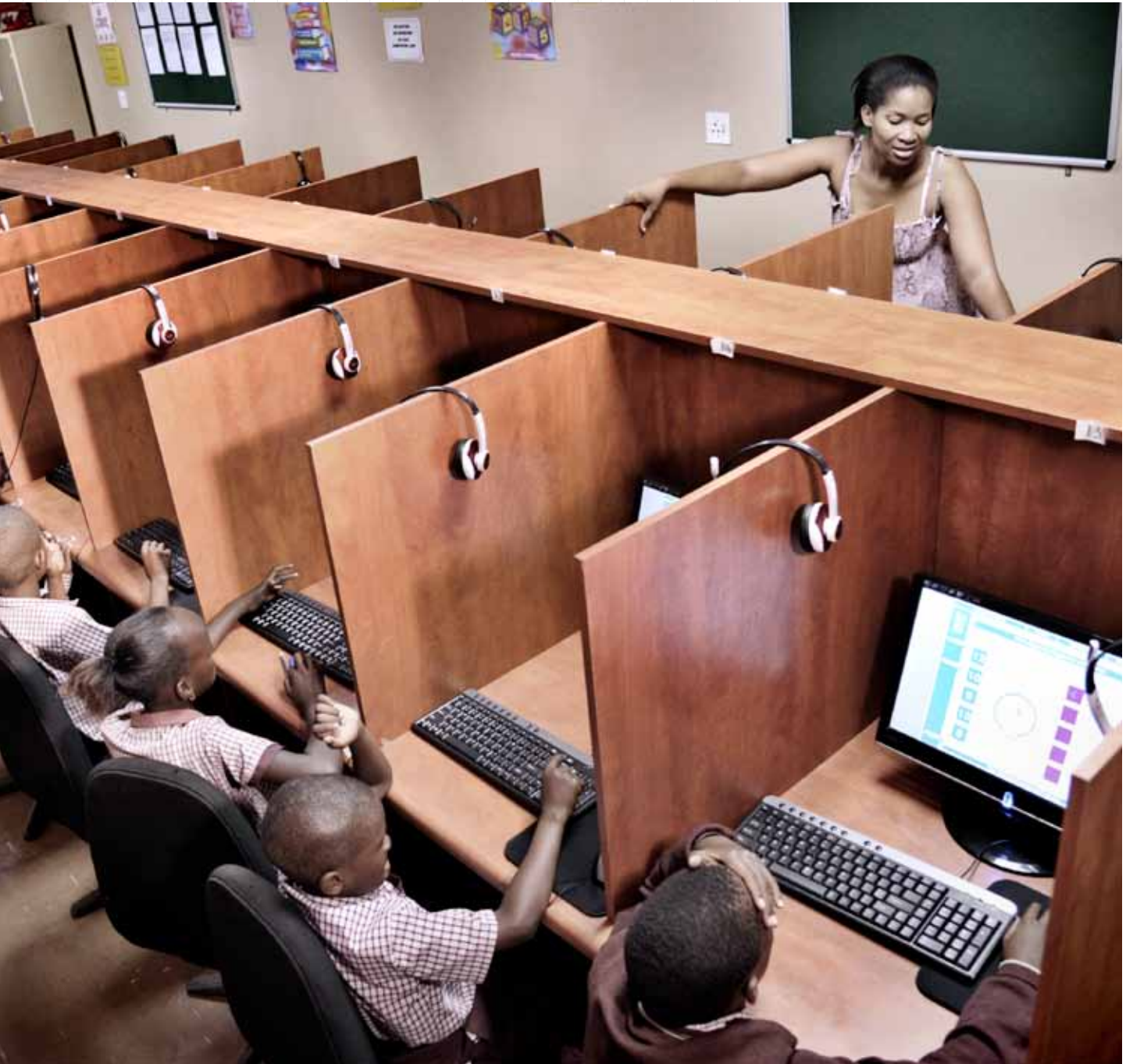
- Assmang, jointly controlled by Assore 50% and African Rainbow Minerals Limited (ARM) 50%, which includes the following operations:
  - Khumani Iron Ore Mine (Khumani);
  - Beeshoek Iron Ore Mine (Beeshoek);
  - Black Rock Manganese Mines (Black Rock);
  - Cato Ridge Works ferromanganese smelter, incorporating Cato Ridge Alloys (CRA) (Cato Ridge Works);
  - Dwarsrivier Chrome Mine (Dwarsrivier); and
  - Machadodorp Works ferrochrome and ferromanganese smelter (Machadodorp Works)
- AMT operations, being the subsidiary companies of Assore, which include:
  - Rustenburg Minerals Development Company (Proprietary) Limited (RMDC);
  - Zeerust Chrome Mines Limited (Zeerust);
  - Wonderstone Limited (Wonderstone); and
  - Head Office operations (Head Office), combining African Mining and Trust Company Limited (AMT) and Ore & Metal Company Limited (Ore & Metal).

In previous years, this report has reported on the sustainability performance of the Xertech operation. However, Xertech ceased production in early 2010, and is therefore not included in the data sets presented in this section.

The group recognises that sustainable development issues are material to its business beyond the level of legal compliance in response to customer requirements, regulator and stakeholder expectations and continues to focus on strengthening its internal capacity, management systems and stakeholder engagement as part of corporate strategy.







Computer centre at the Makgophe Primary School, RMDC.



## Sustainability report continued

### Management systems

The group's sustainability risk management systems are based on the International Standards Organisation (ISO) suite of standards.

All group operations are certified to the ISO9001:2008 quality and the ISO14001:2004 environmental standards (with the exception of Zeerust, which will seek certification in the forthcoming financial year). In the year under review, RMDC was certified to ISO14001 in October 2010, and Khumani was certified to ISO9001 in November 2010 and ISO14001 in January 2011.

Certification to the internationally recognised OHSAS18001 occupational health and safety management standard has been achieved at all Assmang operations with the exception of Black Rock, which will seek certification in the coming year. Khumani is the most recent of the operations to be certified to OHSAS18001, which was achieved in January 2011.

### Approach to reporting

Over the past year, data gathering and reporting systems have continued to evolve to provide management with timely information to inform their decisions and actions. Report formats have expanded to report on a wider range of sustainability indicators that allows health, safety and sustainability considerations to be incorporated into decision making on a systemic and ongoing basis.

Environment, health and safety staff on the sites report directly to mine management and are also supported by corporate staff who are responsible for establishing group-wide policy and performance standards, facilitating internal and external reporting and auditing operational performance. Material issues such as fatalities, lost time injuries (LTIs), major environmental incidents and issues of legal non-compliance are reported to Assore's group Technical Director as soon as they occur. Quarterly reports on compliance with safety, health and environmental legislation for all group operations are submitted to the Assore Audit and Risk committee for review. Similarly, a review of safety, health and environmental performance takes place quarterly within Assmang and is attended by divisional executives and corporate personnel as well as senior operational staff.

The group reports on sustainability performance in accordance with Global Reporting Initiative (GRI) G3 indicators. A suite of reporting indicators has been selected on the basis of their materiality to the specific risk profile of the operations and are referred to in the sections below. More detail on the assurance of the sustainability data sets is included on page 3.

### Legal compliance

Legal compliance is the foundation of the group's environmental, health and safety policies and is the basis on which the group's environmental, health and safety management systems have been developed. Legal compliance is a minimum performance requirement for the group's operations and is determined by a programme of ongoing internal and external reviews and audits against the requirements of the relevant legislation.

As part of their ISO-based management systems, each operation has a site-specific legal register detailing the applicable legislation with which the operation needs to comply. Legal audits for both Assmang and the AMT operations are performed on a biannual basis to confirm that all sites have either been granted, or have at least applied for by the group, all permits, licences, authorisations and exemptions required to operate in compliance with the requirements of the health, safety and environmental law. However, due to limitations in the respective regulators' capacity, significant delays are still being experienced in the issuing of environmental permits, licences and authorisations, as well as the approval of EMP amendments. Nonetheless all sites continue to ensure that all reasonable steps are taken to achieve legal compliance as a minimum.

### Compliance with environmental legislation

All mining operations within the group have approved EMPRs, as required in terms of the MPRDA. In order to reflect the dynamic nature of the operations and changes to mining operations and infrastructure, these documents undergo periodic review and revision and are resubmitted to the Department of Mineral Resources (DMR) for authorisation.

During the period under review, an amendment to the Wonderstone EMP was approved, and the Zeerust EMP was revised and upgraded to include infrastructure associated with open-cast mining, plant upgrade and expansion of the tailings facilities.

In the 2011 financial year, the necessary environmental authorisations were also secured to permit the conversion of two ferrochrome smelters at the Machadodorp Works to ferromanganese production which commenced during the year.

No fines or prosecutions were incurred by either Assmang or the AMT operations over the current financial year.

### Compliance with health and safety legislation

During the year, a total of three Section 54 notices were issued to Assmang operations in terms of the MPRDA, resulting in a

total loss of five days production at Dwarsrivier and one day of production at Black Rock. This compares favourably with the seventeen Section 54 notices issued during the preceding year. One Section 54 notice was issued to Zeerust during the current financial year, resulting in a five day production loss, as compared to no Section 54 notices served to the AMT operations in the previous financial year.

No prohibition notices in terms of the Occupational Health and Safety Act (OHSA) were served at either of the two smelter operations by the Department of Labour during the financial year.

### Climate change and energy consumption

In response to growing consumer concern about climate change and pending national climate change legislation, the group has embarked on a process of understanding and responding to the risk that climate change poses to its business.

As an intensive energy user, energy consumption, and the resultant greenhouse gas emissions which are linked to climate change, is a material environmental issue for the group. Reduction in gaseous emissions is also linked to legal compliance with respect to emission licences issued in terms of the

National Environmental Management: Air Quality Act and also has potential implications for the proposed taxation of carbon emissions.

Climate change poses a potential threat to water availability as most operations are located within the arid zone, and also has implications in terms of compliance with other environmental legislation, such as the National Water Act.

For most sites, diesel consumption in the reporting year has been broadly in line with consumption during previous years except for Khumani which reflected a 55% increase in diesel consumed resulting from the mining and construction activities associated with the Khumani Expansion Project (KEP).

For the AMT operations, diesel consumption at Zeerust has increased significantly as a result of the ramp-up of the open-cast operations.

In terms of electricity consumption, the most material change has been a 56% increase in electricity consumption at the Machadodorp smelter. This reflects increased smelter operation during the reporting year, after a decline in production in 2010, during which the furnaces were switched out for an extended period.

### Electricity and diesel consumption

Operation	Diesel use 2011 '000ℓ	Diesel use 2010 '000ℓ	Electricity use 2011 MWh	Electricity use 2010 MWh
Beeshoek	2 048	1 604	31 193	33 529
Khumani	27 535	18 844	101 078	87 720
Black Rock	4 119	3 094	105 186	87 609
Cato Ridge Works	524	642*	588 410	533 183
Dwarsrivier	1 429	1 183	40 523	26 750
Machadodorp Works	1 501	417	1 007 538	645 107
RMDC	2 642	2 730*	4 092	4 123*
Zeerust	1 993	104*	1 285	200*
Wonderstone	212	182*	2 147	1 184*

\* Note that the fuel and energy consumption figures for AMT operations have been restated from last year's report to reflect total consumption by the site and all its contractors in order to ensure comparability of data sets.

# Sustainability report continued

## Greenhouse gas emissions and corporate carbon footprints

During the previous financial year, corporate carbon footprints (CCFs) were calculated for both Assmang and the AMT operations for the first time. This established a baseline for the measurement of the group's energy consumption and greenhouse gas (GHG) emissions, and as a result of this exercise, routine reporting on energy consumption was modified to include parameters used to calculate the respective CCFs.

### Methodology

The CCF for both Assmang and Assore has been calculated by an external service provider, PE International, in accordance with the Greenhouse Gas Protocol – Corporate Standard. The data collation process complies with the data quality requirements set out in ISO14044 as well as the GRI-G3 guidelines established by the Global Reporting Initiative (GRI).

The carbon footprint has been calculated for sites, subsidiaries, operations and activities over which the group has operational control. Thus, GHG generation by activities associated with the group, but over which the group has no operational control, is not taken into account.

GHG emissions are split into three categories:

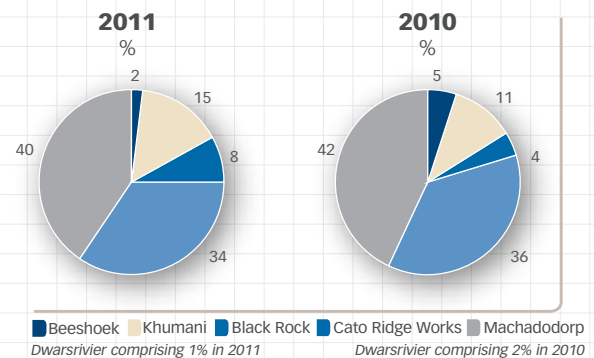
- Scope 1: Direct GHG emissions which occur from sources that are owned or controlled by the company (eg emissions resulting from diesel consumption by mine vehicle fleets, consumption of reductants in furnaces and burning of liquid petroleum gas)
- Scope 2: GHG emissions from the generation of purchased electricity consumed by the company. This is purchased from Eskom, whose power generation is predominantly sourced from the burning of coal
- Scope 3: GHG emissions which are a consequence of the company's activity but occur from sources not owned or controlled by the company (eg business travel).

### Summary of findings

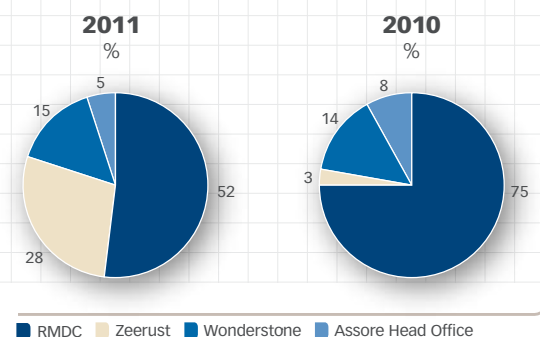
The comparative data for the CCFs calculated for the previous and current reporting period are presented in the figures below:

	Scope 1 tons CO <sub>2</sub> e	Scope 2 tons CO <sub>2</sub> e	Scope 3 tons CO <sub>2</sub> e	Total tons CO <sub>2</sub> e
<b>2011</b>				
AMT operations	12 891	8 174	1 156	22 221
Assmang	573 055	1 426 879	415 954	2 420 888
<b>2010</b>				
AMT operations	8 272	7 447	965	16 684
Assmang	584 717	1 277 003	257 223	2 118 943

### Assmang carbon emissions



### AMT carbon emissions





The CCF demonstrated that Scope 2 emissions due to electricity consumption account for the bulk of Assmang's GHG emissions, due to the energy intensive nature of smelting processes. By contrast, Scope 1 emissions predominate on both the Assmang and AMT operations, due to diesel consumption by the mine vehicle fleet.

Scope 3 emissions are dominated by rail transportation of bulk commodities for export from mine to port and are particularly significant for the Khumani and Black Rock operations.

### Strategies to combat climate change

Over the reporting year, the group has focused on developing an integrated approach to mitigate the potential impacts of climate change on its operations.

Advocacy on issues related to climate change is undertaken through membership of the Intensive Energy Users' Group and the Chamber of Mines who engage on an ongoing basis with Eskom and Government, and through the International Council on Metals and Mining (ICMM) which undertakes lobbying in this regard. Through these mechanisms, the group is engaging with Government on various aspects of the proposed taxation of carbon emissions, whose impact could be material to the group.

During the past financial year, Assmang introduced an Energy Efficiency Charter and is in the process of developing an energy reduction strategy and associated targets. Particular focus has been placed on improving the energy efficiency of the smelters at the Cato Ridge Works and Machadodorp Works (which are the group's largest energy consumers). In order to incentivise the production teams to identify and implement reduction strategies for energy consumption, targets have been established for energy efficiency and progress against these targets has been integrated into staff performance assessment and bonus incentives at the smelters.

### Water

Virtually all of the group's mines are located in water scarce regions, and so priority is placed on water efficiency and the prevention of pollution that could compromise the suitability of the water resource for current and future water uses. Water

consumption is reported on monthly, and monitoring of water levels and water quality is undertaken in accordance with corporate standards to demonstrate compliance with the site's Water Use Licence.

### Water consumption

Operation	2011 m <sup>3</sup>	2010 m <sup>3</sup>
Beeshoek	4 611 620	5 426 839
Khumani	2 611 648	2 448 975
Black Rock	857 030	883 707
Cato Ridge Works	374 163	329 713
Dwarsrivier	362 522	73 638
Machadodorp Works	130 620	52 031
RMDC	286 202	173 485
Zeerust	22 255	Monitoring commenced mid year
Wonderstone	3 252	4 378

\* Includes water supply to the mine village.

The most significant year-on-year increase in the volume of water consumption took place at Dwarsrivier, which increased by 101% compared to the previous year. This is due to the opening of the North shaft during the current year, which required significant additional pumping to dewater the workings.

In accordance with the group's holistic approach to managing the potential impacts of climate change, the possible effects of climate change on water availability and storm magnitude are being considered.

During the past financial year, the Cato Ridge Works has undertaken a major programme of capital works to construct a series of three retention dams and one water storage dam to optimise the re-use of process water and prevent the release of contaminated water from site. This project will be commissioned by the start of the forthcoming rainy season and will minimise the risk of contaminated water being released from the site, as well as reducing consumption of make-up water as a result of greater water recycling and reuse. Beyond this, the sites continue to investigate opportunities for water use reduction, reuse and recycling on an ongoing basis.

## Sustainability report continued

### Waste

Mining and smelting operations produce a range of waste streams that require specialist management and disposal and financial provision for the rehabilitation of waste facilities constitutes the majority of the group's closure liability. In terms of volume, the most significant waste streams are tailings and waste rock generated by the mining operations, and slag from the smelters, as summarised in the table below.

In line with the principles of waste management outlined in the National Environmental Management: Waste Act, the operations are encouraged to actively pursue opportunities for waste recycling and reuse. At Cato Ridge, between October 2007 and June 2011, a total of 2 451 622 tons of slag produced by the Works has been processed through the Metal Recovery Plant, resulting in the recovery of a total of 109 200 additional tons of ferromanganese. Over the same period, 1 117 674 tons of

slag (which would otherwise have been disposed of as waste on the slag dump) was sold into the concrete making industry. When offset against the 528 517 tons of new slag arising from production over the same period, the operation has therefore managed to reduce the size of the slag dump over the four-year period under consideration by 698 357 tons of slag.

In the current year, a number of the group mines have reprocessed historical mine waste deposits in order to generate product, thus reducing the volume of mine waste disposed of on site. Dwarsrivier has commenced with retreatment of tailings from the old tailings dam, which will allow the recovery of additional chrome, as well as the future extraction of Platinum Group Metals (PGMs). Similarly, historic tailings have been reprocessed at Zeerust in order to recover chrome and tailings from RMDC have been sold to third parties for chrome recovery.

### Waste generated by operations

Operation	Waste rock/slag 2011 m <sup>3</sup>	Waste rock/slag 2010 m <sup>3</sup>	Tailings/slag 2011 tons	Tailings/slag 2010 tons
Beeshoek	–	–	1 025 030	1 120 340
Khumani	11 776 314	15 423 509	1 262 318	1 310 810
Black Rock	97 265	135 541	158 550	352 376
Cato Ridge Works	n/a	n/a	163 483	252 227
Dwarsrivier	348 893	587 733	369 483	134 945
Machadodorp Works	n/a	n/a	539 185	78 304
RMDC	1 587 966	1 381 860	36 005	57 853
Zeerust	1 559 978	n/a	50 371	41 177
Wonderstone	149 470	130 529	n/a	n/a

n/a = not applicable

### Land management and mine closure

Land management is a material issue for the group since mining and minerals processing are temporary land uses and, on closure, disturbed land must be rehabilitated to a state which is safe, stable and does not pose a threat to the ecosystem and human health. The land must thus be managed throughout the life of the operation in a manner that is consistent with the end land use(s) that have been agreed with key stakeholders, as outlined in the closure plans and provided for in the financial closure provision.

#### Land management

In response to the requirements of the National Environmental Management: Biodiversity Act, sites are required to develop Biodiversity Action Plans (BAPs) to appropriately manage the on-site ecosystems. BAPS focus on identifying and implementing responsible land management practices including the protection of vulnerable ecosystems, the control and eradication of alien and invasive species and veld fire management. These plans are also used to influence decisions on site rehabilitation and revegetation in order to identify sustainable post-closure land uses and select rehabilitation techniques and species that are compatible with the natural environment.

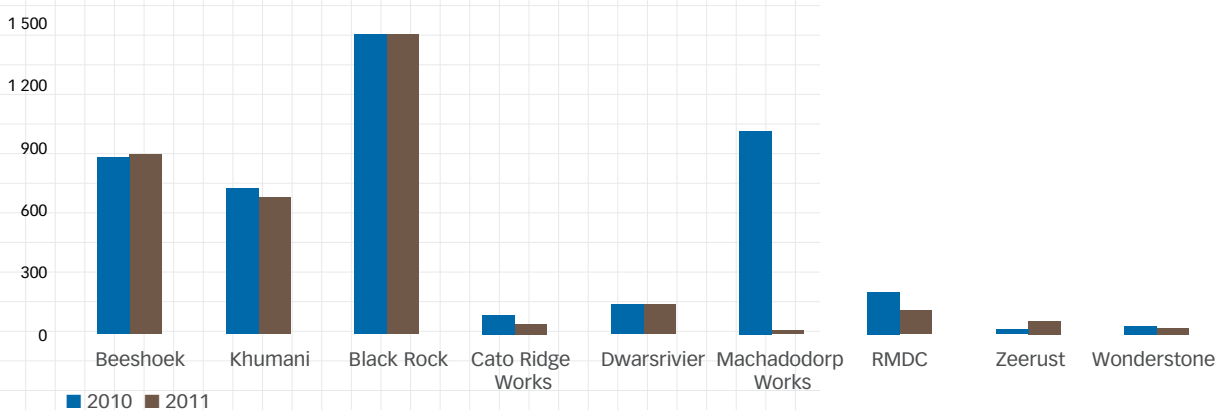
BAPs have been developed for all the AMT operations and have been integrated into the site's environmental management systems.

All Assmang sites have commenced with biodiversity studies, and the biodiversity assessments have already been completed for the Dwarsrivier and Machadodorp operations. The Dwarsrivier and Machadodorp operations are of particular biodiversity significance as they are located within the Sekhukhune and Machadodorp centres of endemism. This means that they contain endemic species of flora which are not found elsewhere and management plans need to be developed and implemented to ensure that these species are not adversely impacted as a result of mining or smelting operations.

The construction of a new access road for the Cato Ridge Works will result in the fragmentation of 20 hectares of Ngongoni grassland, which has a high conservation status. A biodiversity offset agreement was confirmed in July 2010 between the Cato Ridge Works and various municipal and provincial government departments and is being presently implemented.

The graph below shows the areas of disturbed land at each operation as of the end of the reporting year.

**Land disturbance (ha)**



## Sustainability report continued

The most significant percentage increase in disturbed land footprint took place at Zeerust as a result of the ramping up of open-cast mining operations. In the case of RMDC, a virtual halving of the disturbed land footprint reflects the shift from surface to underground mining production and the resultant rehabilitation of worked-out quarries. At Wonderstone, the disturbed footprint has also been significantly reduced as a result of concurrent rehabilitation.

### Mine closure and financial provisions

Financial provision for mine closure and rehabilitation constitutes the single largest environmental liability for the group's mines, constituting a total liability of R376 million (2010: R310 million) for Assmang and R17 million (2010: R17 million) for AMT operations.

Closure plans developed for the group mines inform the financial provision made for rehabilitation and closure, which is funded through a combination of contributions to environmental trust funds and bankers' guarantees.

The largest change has been the closure provision for Khumani, which has increased by 120% year-on-year, reflecting the significantly increased footprint of disturbed land and associated mining infrastructure as a result of the KEP. The closure provision for Dwarsrivier has also increased by 32% year-on-year, as a result of two EIA processes for additional mining-related infrastructure, combined with an external review of the mine's closure provision.

These closure provisions are reviewed and, where needs be, revised on an annual basis. Where possible, concurrent rehabilitation is undertaken in areas where mining and minerals processing has been completed. This allows the operations to test rehabilitation and revegetation techniques, the long-term sustainability of which can then be monitored, and also allows the operations to keep their 'footprint' of disturbed land (and the associated financial provision for closure) to a minimum.

All group mines have a conceptual closure plan which is a requirement of EMPR approval. As a minimum requirement, the

MPRDA requires that mines that have a remaining life of five years or less are required to deliver a detailed closure plan. Although all of the group's mines have mine lives considerably in excess of this, emphasis is being placed on the development of more detailed closure plans well ahead of mine closure to assist in rehabilitation planning and realistic financial provision for closure. As part of the Zeerust EMP amendment, the group undertook a focused programme of engagement with landowners, regulators and other interested and affected parties in order to develop a suite of quantifiable mine closure criteria that address the priorities of all stakeholders, and will allow the site to monitor and report on progress on concurrent rehabilitation in a meaningful manner and will provide a template for closure plans for all the AMT operations, which are scheduled for revision in the coming financial year.

The Cato Ridge Works and Machadodorp Works are classified as industrial (rather than mining) facilities and therefore there is no legal requirement to make financial provision for closure or rehabilitation of these operations. However, site remediation and rehabilitation at the group smelters is managed and provided for in accordance with the principles of responsible environmental management outlined in national legislation.

### Human resources

The group undertakes statutory reporting on employment equity and other labour-related issues to both the Department of Labour and the DMR. The occupational levels and employment equity categories reported on are based on the definitions outlined in the Employment Equity Act and the Broad-based Socio-Economic Empowerment Charter for the Mining Industry (the Mining Charter) and are summarised below.

While the employment equity targets set in the Mining Charter do not apply to the group's smelters, employment equity statistics are presented for the Cato Ridge works and the Machadodorp Works operations for the sake of complete and consistent reporting.

No staff were retrenched by either Assmang or Assore during the current financial year.

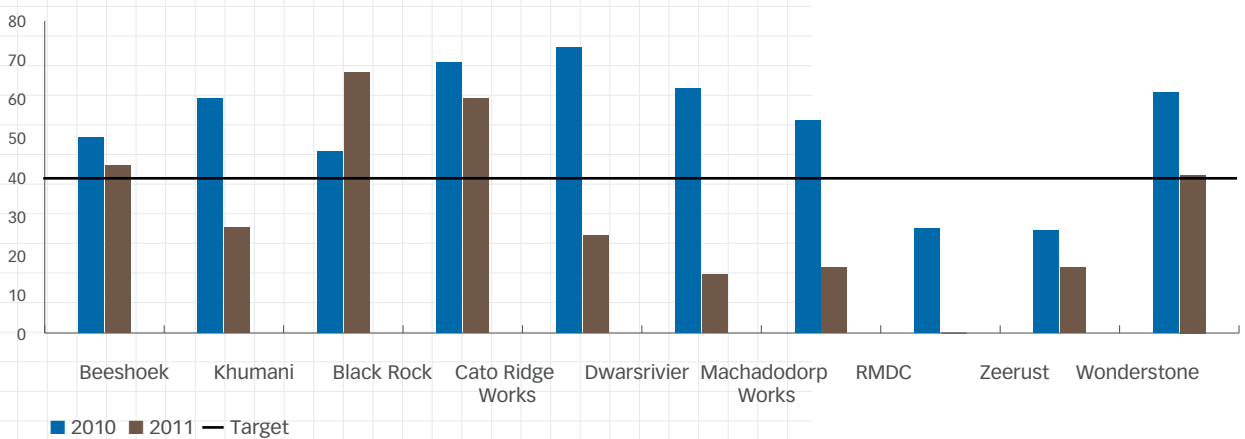


In line with the requirements of the Mining Charter, all of the group's operations (with the exception of Black Rock) recorded a significant year-on-year increase in the proportion of Historically Disadvantaged South Africans (HDSAs) in management positions. All operations (with the exception of Zeerust) have exceeded the Mining Charter target of 40% HDSAs in management.

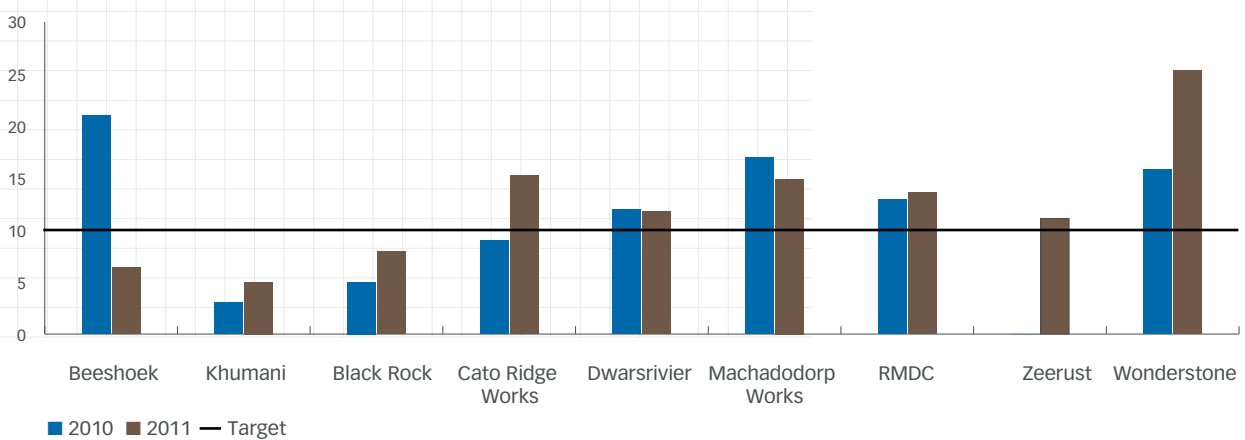
Although some operations reflected an improvement in the proportion of Women In Mining during the current year, compliance with the Mining Charter target of 10% for this indicator is proving to be challenging.

Although the proportion of Women In Mining appears to have decreased year-on-year for the majority of the group's operations, this in fact is largely due to the adoption of a stricter definition of "women in mining" by Assmang during the current year. Assmang's reporting convention on this indicator is now consistent with the criteria used by AMT operations with the statistics now reflecting the number of women in "core" production-related departments and excluding women in support departments (who were previously included in this category). Thus the year-on-year data sets for Assmang operations are not comparable.

**HDSA management**  
(%)



**Women in mining**  
(%)



## Sustainability report continued

### Contractors

Operation	2011			2010		
	Permanent employees	Temporary/contract employees	Contractors as a proportion of the total workforce %	Permanent employees	Temporary/contract employees	Contractors as a proportion of the total workforce %
Beeshoek	326	17	5	277	7	3
Khumani	1 153	9 175	9	909	5 164	85
Black Rock	1 721	1 097	39	1 358	1 283	52
Cato Ridge Works	654	567	46	607	74	11
Dwarsrivier	1 214	446	27	1 129	706	39
Machadodorp Works	698	362	34	612	234	28
Total Assmang	5 766	11 664	40	4 892	7 468	36
RMDC	207	397	66	167	278	63
Zeerust	24	142	86	14	31	69
Wonderstone	115	36	24	116	30	21
Total AMT operations	346	575	58	297	339	51

The majority of the Assmang operations reported an increase in permanent staff complement during the current year, with the increase in permanent staff being particularly marked at Khumani and Black Rock.

The proportion of contractors on the Assmang sites has also increased year-on-year, and reflects the contractor workforce that has established to undertake major capital projects. This includes the KEP at Khumani, as well as the rebuild of furnaces 1 and 2 and a range of environmental improvement projects undertaken at the Cato Ridge Works.

### Labour relations

Over the period between December 2010 and January 2011, Dwarsrivier experienced an unprotected strike which lasted for 13 days and affected three shifts. However, no strikes or lockouts exceeding a week were experienced at any of the AMT operations during the reporting year.

### Safety

One of the group's core values is ensuring that operations are managed in a manner that safeguards the safety and health of our employees.

To this end, existing management systems are continuously evolving to address the changing risk profile of our operations and we consistently strive to improve our safety performance so that workplace injuries and occupational diseases are minimised.

Once again, there were no fatalities at any of the AMT operations during the 2011 financial year. There was a single fatality at the Assmang operations during the year, when Mr Solomon Vusi Sindane a trainee crane operator, was fatally injured at the Machadodorp Works.

### Lost time injury statistics

Operation	2011 LTI	2010 LTI	2011 LTIFR	2010 LTIFR
Beeshoek	1	1	0,17	0,88
Khumani	13	9	0,27	1,42
Black Rock	9	12	0,40	2,62
Cato Ridge Works	3	10	0,23	4,86
Dwarsrivier	22	23	1,26	9,78
Machadodorp Works	8	5	0,68	2,40
RMDC	10	6	O/S	1,86
Zeerust	0	1	–	2,87
Wonderstone	6	3	24,3	2,45
Assore Head Office	2	1	5,54	4,73
Assmang Head Office	–	–	–	–

Lost time injuries (LTI) statistics and lost time injury frequency rates (LTIFR) for each of the operations are presented in the table above. The LTIFR is calculated on the basis of 200 000 hours.

During the 2011 financial year, both Khumani and Black Rock achieved one million fatality-free shifts.

Beeshoek recorded zero lost time injuries for twelve consecutive months. As at 30 June 2011, the mine had also recorded 1,9 million fatality-free shifts with the last fatality occurred during March 2003.

### Health and wellbeing

The group recognises that proactively managing the health of the workforce is central to ensuring the sustainability of its business. In order to ensure that the specific occupational health risks associated with each of the operations are effectively managed, specialist occupational health service providers are engaged by each of the operations to implement medical surveillance programmes in accordance with legal requirements.

### Occupational health and hygiene monitoring

The number of employees who underwent occupational health screening (including the number of cases referred for follow up and compensation) during the current year is summarised below:

### Occupational health screening

Operation	2011			2010		
	Number of audiometric surveillance tests performed	Number of cases referred for audiometric diagnostic testing	Number of cases submitted for compensation	Number of audiometric surveillance tests performed	Number of cases referred for audiometric diagnostic testing	Number of cases submitted for compensation
Beeshoek	1 120	3	3	1 324	1	1
Khumani	7 701	1	1	6 145	1	1
Black Rock	3 678	3	–	4 549	31	9
Cato Ridge Works	3 553	136	–	2 716	40	2
Dwarsrivier	2 092	2	2	2 155	4	2
Machadodorp Works	1 070	–	–	917	–	–
RMDC	311	4	3	472	3	3
Zeerust	131	–	–	108	–	–
Wonderstone	128	1	–	102	–	–

## Sustainability report continued

Any cases that were referred for follow up as a result of routine medical surveillance and were subsequently found to meet the criteria for compensation in terms of the occupational health legislation were referred to the relevant industry association (Rand Mutual for mining operations and the Compensation Commissioner for industrial facilities).

In the current year, a total of 145 cases from the Assmang operations were referred for audiometric diagnostic testing, of which six were submitted for compensation. Over the same period, five cases from the AMT operations were referred for audiometric diagnostic testing, of which three were submitted for compensation.

### Stakeholder engagement

The Assore group interacts with a wide range of internal and external stakeholders groups in the pursuit of its business. Each group of, often site-specific, stakeholders has different needs in terms of type of information required as well as mode and frequency of interaction, and the group's approach to stakeholder engagement has been tailored accordingly, as summarised in the following table:

Stakeholder group	Responsibility	Mode of engagement
Investors	Dealing properly with all stakeholders in order to serve the best interests of shareholders on a sustainable basis. Commitment to full compliance with all relevant laws and rules, good corporate governance, transparency and fair dealing	Annual and six-monthly reports, SENS announcements, press statements
Employees and their representatives	Employing the most appropriately skilled individuals and investing in their development in a non-discriminatory environment	Staff meetings at all levels, 'toolbox talks', inductions, health and safety meetings, internal publications, notice boards, union negotiations, career path planning
Joint-venture partners	Seeking mutually beneficial long-term relationships with joint-venture partners and industry peers	Representation on the Assmang Board and Excom and board meetings for individual Assore operations, active participation in industry associations
Contractors and suppliers	Seeking mutually beneficial long-term relationships with contractors and suppliers based on fair and ethical practices	Contract negotiations, tender processes, safety inductions, health and safety meetings, site inspections and audits, performance reviews, ISO certification
Customers	Establishing and maintaining mutually beneficial long-term relationships with customers based on fair and ethical practices	Customer site visits, contract negotiations, quality management system, conference attendance. Use of customer feedback to influence annual report content
Government	Observing the laws of the countries in which the Group operates	Statutory reporting, inspections by government representatives, permit applications, public participation process for Environmental Impact Assessments, engagement on targeted issues
Host communities	Promoting strong relationships with, and raising the capacity of, the communities in which the Group's activities are located	Public meetings, public participation process for Environmental Impact Assessments, participation in Local Economic Development initiatives, funding of Corporate Social Responsibility initiatives
Non-governmental organisations	Development and maintenance of constructive relationships with relevant non-governmental organisations	Engagement on targeted issues and partnership on certain projects



## Materials stewardship

### Leadership roles within the industry

Assore encourages its employees to assume leadership roles in industry associations which aim to promote the use and development of commodities which it produces, and to foster cooperation between companies in these industry sectors to address sustainability issues of common concern. Ore & Metal is responsible for marketing the products produced by the Assmang and the AMT operations. Ore & Metal recognises its responsibility in promoting the sustainability of the business by taking an active role in shaping the development and performance of the sectors in which it operates.

In this regard, an Ore & Metal representative currently serves on the Occupational Health, Environment and Safety (OHES) Committee of the International Manganese Institute (IMnI). During the past financial year, IMnI has been particularly active in its sustainability initiatives, including the development of a "first pass" life-cycle assessment for manganese, which has been used for benchmarking purposes, as well as research into occupational hygiene monitoring for monitoring inhalable and respirable manganese. Ore & Metal also chairs the IMnI's newly-constituted Regulatory Committee, on which it also represents the interests of the South African manganese industry.

Ore & Metal continues to serve on the Executive Committee of the International Chrome Development Association (ICDA). During the current financial year, the chrome operations participated in ICDA's Safety First reporting initiative, which provides member companies with the ability to benchmark its safety performance against its peers.

During the year under review, both the IMnI and ICDA have made a concerted effort to attract new members from emerging markets in order to improve sustainability performance, not only among its member companies, but across the industry sector.

### Product registration and stewardship

Regulation EC1907/2006 of the European Parliament (generally referred to within the industry as REACH) requires the evaluation, authorisation and registration of chemical substances in order to ensure their safe use. The group was part of the consortia registering four substances in which it trades (iron, manganese,

manganese dust produced by CRA and chrome) and successfully met the 30 November 2010 deadline for REACH registration.

The group's Safety Data Sheets (which were revised in the previous financial year) are currently undergoing review to ensure compliance with the requirements of the Global Harmonised System of Classification and Labelling of Chemical (GHS), which has been implemented through South African National Standard SANS 10234:2008.

During the year, the group has initiated proactive engagement with its customers and suppliers in respect of its sustainability performance. In particular, as a result of calculating the group's CCF, Ore & Metal has been able to provide customers with meaningful information on the carbon footprint of the products marketed.

## Local economic development and corporate social investment

Social and Labour Plans (SLPs) have been developed for all group mining operations and submitted to the DMR in support of applications for the conversion of old order to new order mining rights. These SLPs detail a range of local economic development (LED) and corporate social responsibility (CSR) initiatives to which the Assore group has committed in order to facilitate economic diversification and social upliftment in our host communities.

### Local economic development

LED projects have been established at all group operations and have been selected to achieve sustainable job creation and poverty alleviation in the communities that surround the group's operations. These projects are intended to develop and diversify the economy of our host communities and to develop economic opportunities that will endure beyond the end of mine life.

The group actively seeks to integrate LED projects with environmental management, particularly with respect to developing LED projects that have synergies with waste management and closure planning which generate economic opportunity as well as the financial provision required for mine closure. In this regard, a number of initiatives are underway to seek opportunities to convert mine wastes from being an economic liability into an economic asset.

## Sustainability report continued

The Cato Ridge Works has undertaken a risk-based assessment of the re-use of slag. This will be used to motivate to the Department of Water and Environmental Affairs that the re-use of manganese slag be listed as an activity not requiring a Waste License in terms of section 9 of the imminent Waste Classification and Management Regulations. This will develop a bigger market for slag sales in sectors such as the road construction industry and cement making industry, and a resultant further reduction in the amount of slag disposed of on site. Similarly, at Dwarsrivier, where waste rock is being used to produce aggregate, it is planned that the rate of aggregate production will increase to support the mine's programme of local enterprise development.

### Corporate social responsibility

Assore's approach to CSR continues to place emphasis on enhancing education, healthcare, safety and food security for the communities in which the group operates.

During the reporting year, the Sacco Community Centre was commissioned at Black Rock. This is a 660 m<sup>2</sup> facility that provides a range of recreational and social services to both the Black Rock village and surrounding communities. The complex includes a toddler care centre, a gym and a range of indoor recreational facilities including a cinema, a ten-pin bowling alley, board game lounges, table tennis, a model car racing track, a computer centre and an internet café. The project was constructed and equipped at a cost of R4 million.

AMT continues to support and extend the facilities at the Makgophe School on the RMDC mine property. In order to promote early childhood development and enhance school readiness, a crèche was established at Makgophe during the reporting year and the mine employs a teacher for Grade R. Other notable developments include the equipping of a computer centre with 34 computers and educational software in order to develop numeracy, literacy and computer skills, as well as upgrading of sporting facilities. The mine has also funded the award of bursaries for Dux learners which cover their school fees as well as the cost of uniforms and learning materials.

During the past year, Wonderstone has funded the establishment of the Rainbow Day Care facility in Letsopha township at a cost of R1,4 million. This includes purchase of furnishings and teaching materials, as well as installation of a borehole to ensure continuity of water supply to the facility.

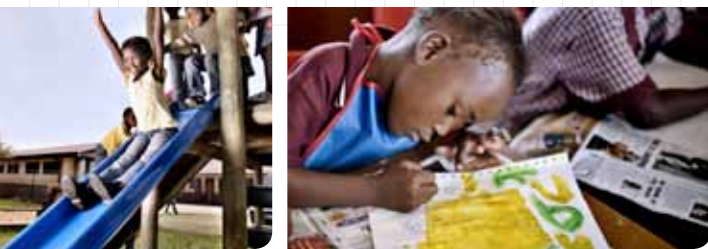
Over the current year, the Assmang operations have focused the majority of their CSI expenditure on educational initiatives that benefit the neighbouring communities. A wide range of projects have been undertaken to support local schools, which include the construction of new classrooms, the renovation and maintenance of existing infrastructure, funding of teaching materials and the provision of salary subsidies for teachers.

As part of the group's ongoing commitment to developing the potential of its staff and generating sustainable livelihoods, the group continues to provide a range of bursaries and other study support to enable employees and their families to pursue a variety of technical and vocational qualifications.





Brick-making at RMDC.



## Global reporting initiative (GRI) index

The following table sets out the pages in this report where the respective GRI indicators are addressed:

Item	Description	Page
<b>1. Strategy and analysis</b>		
1.1	Statement from senior decision-maker	22
1.2	Description of key impacts, risks and opportunities	11 – 12
<b>2. Organisational profile</b>		
2.1	Organisation's name	Front cover
2.2	Major products	6
2.3	Operational structure and major divisions	6, 8
2.4	Location of headquarters	148
2.5	Countries of operation	6, 8
2.6	Nature of ownership	8
2.7	Markets served including geographic breakdown/sectors served/customers	5, 14 – 19
2.8	Scale of organisation including number of employees, net sales/revenues, total capitalisation	13, 66
2.9	Significant changes during reporting period	none
2.10	Awards	not addressed
<b>3. Report parameters</b>		
3.1	Reporting period	1
3.2	Date of previous report	implicit
3.3	Reporting cycle	1
3.4	Contact point	148
3.5	Process for defining report content	60
3.6	Boundary of the report	1, 2, 58
3.7	Limitations on the scope or boundary of the report	none
3.8	Basis for reporting on joint ventures, etc	83
3.9	Data measurement techniques and bases of calculations including assumptions	throughout eg 22, 62
3.10	Restatements of information	61
3.11	Significant changes from previous reporting periods	none
3.12	GRI Content Index table	74 – 75
3.13	Policy and practice for seeking independent assurance for report	3
<b>4. Governance, commitments and engagement</b>		
4.1	Governance structure including committees	10
4.2	Indicate whether chair of highest governance body is also an executive officer	26, 49
4.3	Percent of independent directors	48, 49
4.4	Mechanisms for shareholders and employees to provide recommendations/direction to highest governance body	50, 54
4.5	Linkage between compensation and organisation's performance for members of highest governance body/senior executives	20, 52
4.6	Process for the board to ensure conflicts of interest are avoided	52, 54
4.7	Processes for determining qualifications and expertise for guiding strategy	49, 50
4.8	Mission and values statements, codes of conduct, principles relevant to economic, environmental and social performance, and status of implementation	54, 60
4.9	Procedures of highest governance body for overseeing economic, environmental and social performance including compliance and codes of conduct	50
4.10	Processes for evaluating performance of governance body with respect to economic, environmental and social performance	54, 60
4.11	Explanation of how precautionary approach/principle is addressed by organisation	not addressed
4.12	Externally developed, voluntary economic, environmental and social charters, sets of principles, or other initiatives	60, 62 – 64, 71
4.13	Significant memberships in associations and/or advocacy organisations	71
4.14	List of stakeholder groups	70
4.15	Basis for identification and selection of stakeholders with whom to engage	70
4.16	Approaches to stakeholder engagement, including frequency and type	70
4.17	Key issues raised through stakeholder engagement and how organisation has responded	71



The following table sets out the pages in this report detailing the group's performance with respect to the Mining and Metals Sector Supplement of the GRI:

Item	Description	Page
<b>Economic indicators</b>		
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	61
EC3	Coverage of the organisation's defined benefit plan obligations.	130, 132
EC4	Significant financial assistance received from government.	none
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation.	57
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	71
MM11	Programmes and progress relating to materials stewardship	71
<b>Environmental indicators</b>		
EN3	Direct energy consumption by primary energy source.	61
EN4	Indirect energy consumption by primary source.	61
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	63
EN8	Total water withdrawal by source.	63
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	65
EN13	Habitats protected or restored.	65
EN14	Strategies, current actions and future plans for managing impacts on biodiversity.	65
EN16	Total direct and indirect greenhouse gas emissions by weight.	62
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	63
EN22	Total weight of waste by type and disposal method.	64
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	60
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	63
MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.	65
MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place.	65
MM3	Total amounts of overburden, rock, tailings and sludges presenting potential hazards.	64
MM10	Number and percentage of operations with closure plans.	66
<b>Social performance: Labour</b>		
LA1	Total workforce by employment type, employment contract and region.	68
MM4	Number of strikes and lockouts exceeding one week's duration, by country.	68
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region.	69
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	60

## Five-year summary

of the consolidated financial statements

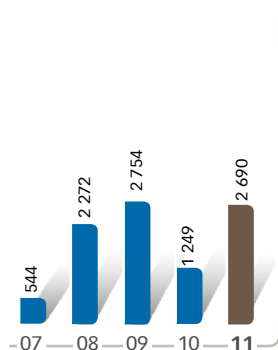
### Income statements

for the years ended 30 June

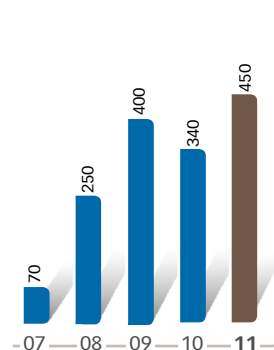
	2007 R'000	2008 R'000	2009 R'000	2010 R'000	2011 R'000
<b>Turnover</b>	4 293 036	9 158 937	8 818 655	7 085 669	<b>10 547 806</b>
Profit before profit on disposal of available-for-sale investments	1 129 414	4 665 106	5 229 794	2 334 460	<b>4 816 210</b>
Profit on disposal of available-for-sale investments	43 025	22 350	19 086	–	–
Taxation and State's share of profits	(369 084)	(1 509 091)	(1 981 493)	(822 963)	<b>(1 566 524)</b>
<b>Profit for the year</b>	803 355	3 178 365	3 267 387	1 511 497	<b>3 249 686</b>
Attributable to					
– Shareholders of the holding company	774 704	3 069 522	3 241 452	1 479 524	<b>3 219 754</b>
– Non-controlling interests	28 651	108 843	25 935	31 973	<b>29 932</b>
As above	803 355	3 178 365	3 267 387	1 511 497	<b>3 249 686</b>
<b>Other information</b>					
Attributable earnings as above (R'000)	774 704	3 069 522	3 241 452	1 479 524	<b>3 219 755</b>
Headline earnings (R'000)	736 021	3 057 708	3 265 793	1 494 205	<b>3 219 348</b>
Earnings per share (cents)	573	2 281	2 734	1 236	<b>2 691</b>
Headline earnings per share (cents)	544	2 272	2 754	1 249	<b>2 690</b>
Dividends declared during the year	84 000	126 000	555 717	415 324	<b>614 271</b>
Less: Dividends attributable to treasury shares	(2 928)	(4 392)	(76 311)	(56 309)	<b>(87 716)</b>
	81 072	121 608	479 406	359 015	<b>526 555</b>
Dividends relating to the activities of the group for the year under review (cents)					
– Interim declared and paid	30	50	200	100	<b>200</b>
– Final (declared subsequent to year-end)	40	200	200	240	<b>250</b>
	70	250	400	340	<b>450</b>
Weighted average number of shares for purposes of calculating earnings per share:					
Ordinary shares in issue	140 000	140 000	138 290	138 430	<b>139 607</b>
Treasury shares	(4 710)	(5 440)	(19 720)	(18 750)	<b>(19 936)</b>
Weighted average	135 290	134 560	118 570	119 680	<b>119 671</b>
Average exchange rates for the year					
SA rand to US dollar	7,20	7,27	8,80	7,60	<b>7,00</b>
SA rand to euro	9,67	10,72	12,08	10,53	<b>9,54</b>

The comparatives for earnings and dividends per share, and weighted average number of ordinary shares in issue have been restated for the sub-division of five-for-one ordinary shares on 10 September 2010.

**Headline earnings per share**  
(cents)



**Total dividends relating to the activities of the group for the year under review**  
(cents)

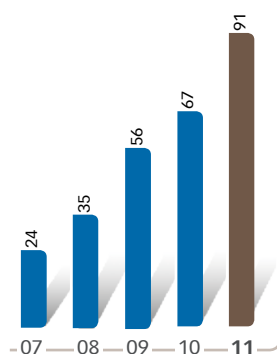


**Statements of financial position**

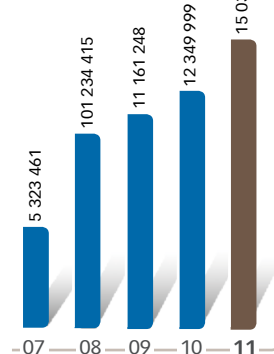
at 30 June

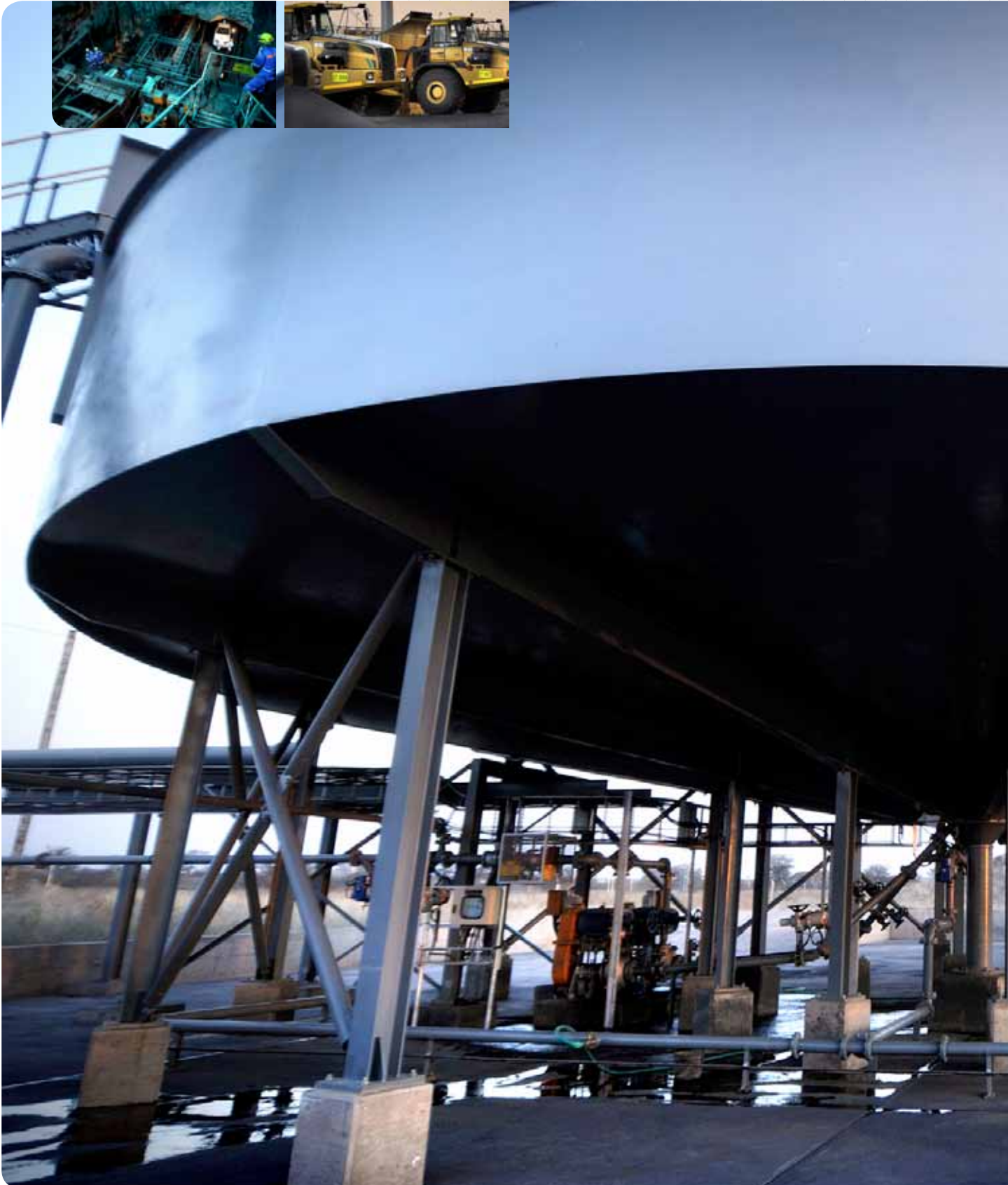
	2007 R'000	2008 R'000	2009 R'000	2010 R'000	2011 R'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment, investment properties and intangibles	3 003 319	4 196 018	5 183 450	6 409 471	<b>8 027 352</b>
Available-for-sale investments	236 119	590 066	415 066	602 851	<b>887 248</b>
Other non-current financial assets and investments	–	125	42 259	105 173	<b>83 840</b>
Deferred taxation	–	61 977	74 309	71 572	<b>60 933</b>
	<b>3 239 438</b>	<b>4 848 186</b>	<b>5 715 084</b>	<b>7 189 067</b>	<b>9 059 373</b>
<b>Current assets</b>					
Other current assets	1 774 566	3 286 272	2 397 097	3 253 023	<b>3 637 847</b>
Cash resources	309 457	1 988 957	3 049 067	1 907 909	<b>2 334 734</b>
<b>Total assets</b>	<b>5 323 461</b>	<b>10 123 415</b>	<b>11 161 248</b>	<b>12 349 999</b>	<b>15 031 954</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Share capital and reserves</b>					
Ordinary shareholders' interest	3 230 707	4 110 872	6 603 229	7 867 443	<b>10 765 524</b>
Non-controlling interests	48 673	111 528	71 819	102 035	<b>114 287</b>
<b>Total equity</b>	<b>3 279 380</b>	<b>4 222 400</b>	<b>6 675 048</b>	<b>7 969 478</b>	<b>10 879 811</b>
<b>Non-current liabilities</b>					
Deferred taxation	620 597	961 678	1 416 145	1 785 301	<b>2 234 554</b>
Long-term liabilities	156 955	223 320	257 513	216 826	<b>222 888</b>
	<b>4 056 932</b>	<b>5 407 398</b>	<b>8 348 706</b>	<b>9 971 605</b>	<b>13 337 253</b>
<b>Current liabilities</b>					
Non-interest-bearing	721 759	2 094 528	1 188 699	1 346 749	<b>1 540 554</b>
Interest-bearing	544 770	2 621 489	1 623 843	1 031 645	<b>154 147</b>
<b>Total equity and liabilities</b>	<b>5 323 461</b>	<b>10 123 415</b>	<b>11 161 248</b>	<b>12 349 999</b>	<b>15 031 954</b>
Net asset value per share (rand)	24	35	56	67	<b>91</b>
Exchange rates at year-end					
SA rand to US dollar	7,02	7,84	7,72	7,66	<b>6,78</b>
SA rand to euro	9,50	12,37	10,79	9,39	<b>9,82</b>

**Net asset value per share**  
(rand)



**Total assets**  
(R'000)





Thickener at Nchwaning beneficiation plant.



## Consolidated financial statements



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## Approval of the annual financial statements

for the year ended 30 June 2011

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The annual financial statements of Assore Limited and group annual financial statements for the year ended 30 June 2011, as set out on pages 82 to 147, have been prepared under the supervision of Mr CJ Cory CA(SA), have been audited in accordance with section 30(2)(a) of the Companies Act, were approved by the board of directors on 14 October 2011 and are signed on its behalf by:



**Desmond Sacco**

*Chairman*



**CJ Cory**

*Chief Executive Officer*

## Certificate by Company Secretary

for the year ended 30 June 2011

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We certify that the requirements stated in section 88(2)(e) of the Companies Act have been met and that all returns and notices, as are required of a public company in terms of the aforementioned Act, have been submitted to the Companies and Intellectual Property Commission and that such returns and notices are true, correct and up to date.



**African Mining and Trust Company Limited**

**Secretaries**

**per: CD Stemmett**

14 October 2011

# Independent auditors' report to the members of Assore Limited

for the year ended 30 June 2011

## Report on the annual financial statements

We have audited the group and company annual financial statements of Assore Limited, which comprise the directors' report, the statements of financial position as at 30 June 2011, the income statements, the statements of comprehensive income, the statements of changes in equity and statements of cash flow for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 82 to 147.

## Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the group and company as at 30 June 2011, and of their financial performance 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 Inc.*

**Ernst & Young Inc.**

**Director: Louis Pieter van Breda**

Registered Auditor

Chartered Accountant (SA)

Wanderers Office Park

52 Corlett Drive

Illovo

Johannesburg

14 October 2011

## Directors' report

for the year ended 30 June 2011

### 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% (2010: 50%) interest in Assmang Limited (Assmang) which it controls jointly with African Rainbow Minerals Limited (ARM). Assmang mines iron, manganese and chrome ores and produces manganese and chrome alloys.

In addition, the group mines chrome ore and Wonderstone (a type of pyrophyllite), a portion of which is beneficiated to produce high-precision components, and wear- and acid-resistant tiles.

The group, through its wholly owned subsidiary, Ore & Metal Company Limited, is responsible for marketing all products produced by its joint-venture entities and subsidiary companies, the bulk of which is exported and the remainder either used in the group's beneficiation processes or sold locally. Details of the group's activities are set out, by activity, in the review of operations.

### Financial results

The financial position of the group and company and their results for the year ended 30 June 2011 are set out in the annual financial statements of the group (refer page 79) and company (refer page 133) included in this report (the financial statements).

The financial results of the group for the year ended 30 June 2011 are summarised below:

	2011 R'000	2010 R'000
Turnover	10 547 806	7 085 669
Profit for the year	3 249 686	1 511 497
Attributable to:		
Shareholders of the holding company	3 219 754	1 479 524
Non-controlling interests	29 932	31 973
As above	3 249 686	1 511 497
Profit attributable to the shareholders of the holding company (as above)	3 219 754	1 479 524
Dividends relating to the group's activities for the year under review (refer dividends below)	538 522	406 883
Interim dividend No 108 of 200 cents (2010: 100 cents) per share – declared on 16 February 2011	279 214	139 607
Final dividend No 109 of 250 cents (2010: 240 cents) per share – declared on 24 August 2011	349 018	335 057
Less: Dividends attributable to treasury shares	(89 710)	(67 781)
Profit for the year after dividends	2 681 232	1 072 641
The attributable interest of the company in the aggregate net profit and losses after taxation of group companies was as follows:		
Jointly controlled entity – 50% (2010: 50%) share		
– Profit for the year	1 880 714	853 489
Subsidiary companies		
– Profit	284 456	276 998
– Losses	11 395	47 880

### Control over financial reporting

The directors of the company are responsible for the preparation and fair presentation of the financial statements and related financial information included in this report. The external auditors, Ernst & Young Inc., whose report appears within this report, are responsible for expressing an opinion on the financial statements based on their audit.

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



The financial statements have been prepared on a going-concern basis and the directors have no reason to believe that any of the businesses in the group, except for the synthetic diamond operation, Xertech (refer page 106), 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 amounts of all assets included on the statement of financial position are appropriately valued.

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

### Jointly controlled entity – Assmang

The group owns 50% (2010: 50%) of the ordinary share capital of Assmang. In accordance with IFRS, the results of Assmang are accounted for by Assore using the proportionate consolidation method and the financial information set out below has been extracted from the audited financial statements of Assmang and its subsidiary companies for the year ended 30 June 2011.

The calculation of profit for consolidation purposes was based on the profit of Assmang for the year ended 30 June 2011 and dividends declared during that period, which are summarised as follows:

	2011 R'000	2010 R'000
<b>Abridged consolidated income statement for the year ended 30 June</b>		
Turnover	19 074 942	12 869 713
<b>Profit before taxation and State's share of profit</b>	<b>8 560 999</b>	4 161 748
Taxation and State's share of profit	2 774 192	1 429 526
Earnings	5 786 807	2 732 222
Dividends declared during the year	2 000 000	1 000 297
Profit for the year after dividends paid	3 786 807	1 731 925
	2011 R'000	2010 R'000
<b>Abridged consolidated statement of financial position at 30 June</b>		
<b>Assets</b>		
Non-current assets	14 765 942	11 707 434
Current assets	9 647 584	7 864 229
Total assets	24 413 526	19 571 663
<b>Equity and liabilities</b>		
Total equity	17 507 225	13 720 518
Non-current liabilities	4 387 812	3 540 775
Current liabilities		
– interest-bearing	4 717	7 224
– non-interest-bearing	2 513 772	2 303 146
Total equity and liabilities	24 413 526	19 571 663
Capital expenditure (R'million)	4 097	3 336
Capital commitments (R'million)	5 374	5 874

## Directors' report continued

for the year ended 30 June 2011

### Directors' emoluments

	Fees (refer note 1) R'000	Salary R'000	Bonuses (refer note 2) R'000	Contributions to pension scheme R'000	Other fringe benefits (refer note 3) R'000	Total R'000
<b>2011</b>						
<b>Executive</b>						
Desmond Sacco (Chairman)	110	4 264	355	–	543	5 272
CJ Cory (Chief Executive Officer)	96	3 886	12 809	969	307	18 067
PC Crous (Technical and Operations)	96	3 414	12 589	851	226	17 176
<b>Non-executive</b>						
EM Southey (Appointed Deputy Chairman and lead independent director 10 November 2011)	217					217
RJ Carpenter (retired as executive director 28 February 2011)	114	2 838	11 355	697	17 077	32 081
BM Hawksworth (resigned 27 August 2010)	27					27
DM J Ncube (appointed 3 May 2011)	25					25
MC Ramaphosa (resigned 19 August 2011)	150					150
WF Urmson (appointed 1 October 2010)	113					113
Dr JC van der Horst	150					150
<b>Alternate</b>						
NG Sacco (resigned 8 March 2011)	–	858	45	72	119	1 094
PE Sacco	36	1 024	514	244	179	1 997
R Smith (resigned 19 August 2011)	–					–
	<b>1 134</b>	<b>16 284</b>	<b>37 667</b>	<b>2 833</b>	<b>18 451</b>	<b>76 369</b>
<b>2010</b>						
<b>Executive</b>						
Desmond Sacco (Chairman)	110	3 806	317	–	508	4 741
RJ Carpenter (Deputy Chairman)	96	3 800	11 363	863	228	16 350
CJ Cory (Chief Executive Officer)	96	3 469	11 244	788	248	15 845
PC Crous (Technical and Operations)	96	3 048	11 093	692	217	15 146
<b>Non-executive</b>						
BM Hawksworth	175					175
MC Ramaphosa	150					150
EM Southey	150					150
JC van der Horst	150					150
<b>Alternate</b>						
JW Lewis (resigned 31 August 2009)	–	231	–	53	35	319
NG Sacco	–	883	36	86	45	1 050
PE Sacco	36	432	36	90	115	709
R Smith	–					–
	<b>1 059</b>	<b>15 669</b>	<b>34 089</b>	<b>2 572</b>	<b>1 396</b>	<b>54 785</b>

#### Notes:

1. Directors' fees for executives include fees received 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. Directors owning shares in the group do so in their own right and disclosure thereof is made in this report.
3. Other fringe benefits include medical aid contributions, car scheme allowances, life insurance contributions, leave paid out, study loan benefits, use of assets and unemployment insurance fund contributions and increased substantially in the current year due to the ex-gratia payment made to Mr Carpenter on his retirement after 47 years of service in the group.

## Directors' interests in shares of the company

Interests of the directors in the ordinary shares of the company at 30 June 2011 were as follows, and other than mentioned below, the company is unaware of any material change in these interests between year-end and the date of this report.

	Direct beneficial Number of shares		Indirect beneficial Number of shares	
	2011	2010*	2011	2010*
<b>Executive directors</b>				
Desmond Sacco	868 500	837 500	32 430 490	32 430 490
CJ Cory	50 000	50 000	–	–
PC Crous	16 000	15 000	–	–
<b>Non-executive directors</b>				
RJ Carpenter	112 000	112 000	–	–
BM Hawksworth (resigned 27 August 2010)	–	5 000	–	–
DM J Ncube	–	–	–	–
MC Ramaphosa	–	–	5 054 585	5 054 585
EM Southey	–	–	–	–
WF Urmson	–	–	–	–
Dr JC van der Horst	–	–	–	–
<b>Alternate directors</b>				
JW Lewis (resigned 31 August 2009)	–	12 500	–	–
NG Sacco (resigned 8 March 2011)	192 250	170 250	–	–
PE Sacco	198 750	176 750	–	–
R Smith	–	–	–	–
	<b>1 437 500</b>	<b>1 379 000</b>	<b>37 485 075</b>	<b>37 485 075</b>

\* The comparative numbers have been restated for the five-for-one sub-division of ordinary shares on 10 September 2010.

## Directorate and secretary

The names of the directors at the date of this report are set out on pages 26 and 27 and on page 148 of this report.

Details of the company secretary, including its business and postal addresses, are set out on the inside back cover of this report. Subsequent to the date at the previous annual report and up to the date of this report the following changes were made to the Assore board:

- 11 November 2010 – Mr RJ (Bob) Carpenter stood down as Deputy Chairman, after 47 years of service with the group, and on 28 February 2011 resigned as an executive director, remaining on the board in a non-executive capacity.
- 11 November 2010 – Mr EM (Ed) Southey was appointed as Deputy Chairman and Lead Independent Director.
- 8 March 2011 – Mr NG Sacco resigned as an alternate director.
- 3 May 2011 – Mr DMJ (Don) Ncube was appointed as an independent non-executive director.
- 19 August 2011 – following the conclusion of the first phase of the third empowerment transaction, Mr MC (Cyril) Ramaphosa (and his alternate, Mr RM Smith) resigned as non-executive director.
- 7 October 2011 – Ms ZP Manase was appointed as an independent non-executive director.
- 14 October 2011 – Messrs AD Stalker and BH (Tiaan) van Aswegen were appointed alternate directors to Mr CJ Cory and Mr PC Crous respectively.

In terms of the Memorandum of Incorporation, Messrs Desmond Sacco, PC Crous, DMJ Ncube and ZP Manase are required to retire by rotation at the forthcoming Annual General Meeting. All of the above aforementioned directors, being eligible, offer themselves for re-election (refer separate insert for the "Notice to members" for a brief *curriculum vitae* for each of these directors).

## Directors' report continued

for the year ended 30 June 2011

### 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 2011. Except for the purchase of the interest held by Shanduka Resources (Proprietary) Limited, through Main Street 343 (Proprietary) Limited by Main Street 904 (Proprietary) Limited (refer "Events after the reporting period"), the directors are not aware of any material changes to this analysis between the year-end and the date of this report.

	2011 %	2010 %
<b>Shareholder spread</b>		
Shares held by the public/non-public		
Non-public*		
– Holders in excess of 10% of the share capital	<b>75,23</b>	75,23
– Directors of the company	<b>0,89</b>	0,98
	<b>76,12</b>	76,21
Public 1 008 (2010: 1 008) shareholders	<b>23,88</b>	23,79
	<b>100,00</b>	100,00
<i>* As defined by Rule 4.25 of the JSE Listings Requirements.</i>		
<b>Major shareholders</b>		
Oresteel Investments (Proprietary) Limited	<b>52,43</b>	52,43
Main Street 460 (Proprietary) Limited (a wholly owned subsidiary of Assore Limited)	<b>11,01</b>	11,01
Main Street 343 (Proprietary) Limited (a wholly owned subsidiary of Shanduka Resources (Proprietary) Limited)	<b>11,79</b>	11,79
	<b>75,23</b>	75,23
Others – less than 5%	<b>24,77</b>	24,77
	<b>100,00</b>	100,00

### Dividends

The table below reflects the dividends included in respect of the profit for the year in the financial results for the year, and respectively. Following the stronger financial results, the board doubled the level of the interim dividend for the year to 200 cents (2010: 100 cents) per share. Due to the sustained level of earnings in the second half of the year, a final dividend of 250 cents (2010: 240 cents) per share was declared, resulting in the total dividend per share for the year amounting to 450 cents (2010: 340 cents).

The dividends declared during the year are as follows:

	2011 R'000	2010 R'000
Interim dividend No 108 of 200 cents (2010: 100 cents) per share – declared on 16 February 2011	<b>279 214</b>	139 607
Final dividend No 109 of 250 cents (2010: 240 cents) per share – declared on 24 August 2011	<b>349 018</b>	335 057
Less: Dividends attributable to treasury shares	<b>(89 710)</b>	(67 781)
	<b>538 522</b>	406 883
In accordance with the accounting policy for dividends declared and paid, the following dividends are included in the financial statements:		
Final dividend No 107 of 240 cents (2010: 200 cents) per share – declared on 1 September 2010	<b>335 057</b>	275 717
Interim dividend No 108 of 200 cents (2010: 100 cents) per share – declared on 16 February 2011	<b>279 214</b>	139 607
Less: Dividends attributable to treasury shares	<b>(87 716)</b>	(56 309)
	<b>526 555</b>	359 015



## Special resolution

On 10 September 2010, shareholders approved that the ordinary share capital of the company be sub-divided by a factor of five, resulting in the authorised and issued ordinary share capital increasing to 200 000 000 (2010: 40 000 000) and 139 607 000 (2010: 27 921 400) shares respectively.

## Events after the reporting period

The following significant corporate events occurred subsequent to the year-end but, in the opinion of the board of directors, do not require any adjustments to the financial statements at 30 June 2011:

- On 10 August 2011, in order to effect the first phase of the third empowerment transaction (refer “Black Economic Empowerment Status report”, page 56), authority was granted to the directors, in terms of section 44 of the Companies Act, to enter into and implement agreements in order to provide financial assistance to Main Street 904 (Proprietary) Limited;
- On 19 August 2011, following the conclusion of the first phase of the third empowerment transaction, Mr MC Ramaphosa (and his alternate, Mr RM Smith) resigned as non-executive director; and
- On 26 August 2011, Assmang reached settlement with its local insurers on the insurance claim submitted following the explosion at No 6 furnace at Cato Ridge Works in 2008. The portion attributable to the group amounts to approximately R70 million. This transaction has not been recognised in the group’s financial statements.

## Holding company

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

Johannesburg  
14 October 2011

## Consolidated statement of financial position

as at 30 June 2011

	Note	2011 R'000	2010 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	7 962 655	6 344 594
Investment properties	3	62 130	62 130
Intangible assets	4	2 567	2 747
Investments			
– available-for-sale	5	887 249	602 851
– other	5	30 789	73 267
Other non-current financial assets	6	53 051	31 906
Deferred taxation	14	60 933	71 572
		<b>9 059 373</b>	<b>7 189 067</b>
<b>Current assets</b>			
Inventories	7	2 005 577	1 771 977
Trade and other receivables	8	1 632 270	1 481 046
Cash deposits held by environmental trusts	15	70 292	57 927
Cash resources		2 264 442	1 849 982
		<b>5 972 581</b>	<b>5 160 932</b>
<b>Total assets</b>		<b>15 031 954</b>	<b>12 349 999</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	9	698	698
Share premium	10	264 092	264 092
Treasury shares	11	(2 359 028)	(2 359 028)
Retained earnings		12 390 460	9 697 261
Other reserves	12	469 302	264 420
Equity attributable to shareholders of the parent		<b>10 765 524</b>	<b>7 867 443</b>
Non-controlling interests		<b>114 287</b>	<b>102 035</b>
<b>Total equity</b>		<b>10 879 811</b>	<b>7 969 478</b>
<b>Non-current liabilities</b>			
Long-term borrowings	13	–	2 733
Deferred taxation	14	2 234 554	1 785 301
Long-term provisions	15	222 888	214 093
		<b>2 457 442</b>	<b>2 002 127</b>
<b>Current liabilities</b>			
Trade and other payables	16	1 238 051	1 006 078
Taxation		192 345	253 895
Short-term provisions	17	110 158	86 776
Short-term borrowings and overdrafts	18	154 147	1 031 645
		<b>1 694 701</b>	<b>2 378 394</b>
<b>Total equity and liabilities</b>		<b>15 031 954</b>	<b>12 349 999</b>

## Consolidated income statement

for the year ended 30 June 2011

	Note	2011 R'000	2010 R'000
<b>Revenue</b>	19	<b>11 180 035</b>	7 565 582
Turnover		<b>10 547 806</b>	7 085 669
Cost of sales		<b>6 044 740</b>	4 787 703
Gross profit		<b>4 503 066</b>	2 297 966
Net technical fees and commissions on sales		<b>313 369</b>	229 382
Investment income		<b>171 010</b>	208 597
Foreign exchange gains (refer note 21)		<b>254 132</b>	140 513
Other income		<b>110 221</b>	54 243
Finance costs	20	<b>(77 790)</b>	(123 633)
Foreign exchange losses (refer note 21)		<b>(155 901)</b>	(19 723)
Staff remuneration and benefits		<b>(223 091)</b>	(150 115)
Other expenses		<b>(78 806)</b>	(302 770)
Profit before taxation and State's share of profits	21	<b>4 816 210</b>	2 334 460
Taxation and State's share of profits	22	<b>1 566 524</b>	822 963
<b>Profit for the year</b>		<b>3 249 686</b>	1 511 497
<b>Attributable to:</b>			
Shareholders of the holding company		<b>3 219 754</b>	1 479 524
Non-controlling interests		<b>29 932</b>	31 973
As above		<b>3 249 686</b>	1 511 497
Earnings per share (cents) (basic and diluted)	23	<b>2 691</b>	1 236

## Consolidated statement of comprehensive income

for the year ended 30 June 2011

	2011 R'000	2010 R'000
<b>Profit for the year (as above)</b>	<b>3 249 686</b>	1 511 497
<b>Other comprehensive income/(losses) for the year, net of tax</b>	<b>204 882</b>	143 705
Net gain on revaluation of available-for-sale investments to market value	<b>242 336</b>	167 095
Deferred capital gains tax thereon (refer note 14)	<b>(33 927)</b>	(23 393)
Exchange differences on translation of foreign operations	<b>208 409</b>	143 702
	<b>(3 527)</b>	3
<b>Total comprehensive income for the year, net of tax</b>	<b>3 454 568</b>	1 655 202
<b>Attributable to:</b>		
Shareholders of the holding company	<b>3 424 636</b>	1 623 229
Non-controlling interests	<b>29 932</b>	31 973
As above	<b>3 454 568</b>	1 655 202

## Consolidated statement of cash flow

for the year ended 30 June 2011

	Note	2011 R'000	2010 R'000
<b>Cash retained from operating activities</b>		<b>3 521 328</b>	1 331 957
Net cash generated by operations		<b>5 195 088</b>	2 270 527
Cash generated by operations	25.1	<b>5 355 730</b>	2 708 702
Dividend income	25.2	<b>37 637</b>	17 770
Movements in working capital	25.3	<b>(198 279)</b>	(455 945)
Interest income	19	<b>133 373</b>	190 827
Finance costs	20	<b>(64 641)</b>	(118 911)
Taxation paid	25.4	<b>(1 202 110)</b>	(649 861)
Dividends paid to shareholders of the holding company	25.5	<b>(526 229)</b>	(358 865)
Dividends paid to non-controlling shareholders		<b>(14 153)</b>	(1 760)
<b>Cash utilised in investing activities</b>		<b>(2 205 492)</b>	(1 810 376)
Acquisition of available-for-sale investments		<b>(42 062)</b>	(20 690)
Proceeds on realisation of investments		<b>42 478</b>	–
Investment in employee funds and deferred bonus scheme		–	(31 008)
Additions to property, plant and equipment			
– to maintain operations		<b>(759 807)</b>	(561 345)
– to expand operations		<b>(1 441 574)</b>	(1 199 744)
Additions to investment properties		–	(292)
Net movement in environmental rehabilitation trust funds		<b>(12 365)</b>	(10 188)
Proceeds on disposal of property, plant and equipment		<b>7 838</b>	12 891
<b>Cash utilised in financing activities</b>		<b>(901 376)</b>	(672 927)
Decrease in long-term borrowings		<b>(2 733)</b>	(45 211)
Decrease in short-term borrowings and overdrafts		<b>(877 498)</b>	(595 810)
Long-term advances made		<b>(21 145)</b>	(31 906)
<b>Cash resources</b>			
– increase/(decrease) for the year		<b>414 460</b>	(1 151 346)
– at beginning of year		<b>1 849 982</b>	3 001 328
– at end of year	25.6	<b>2 264 442</b>	1 849 982



## Consolidated statement of changes in equity

for the year ended 30 June 2011

	Note	2011 R'000	2010 R'000
<b>Share capital</b>			
Balance at beginning of year		698	689
Ordinary shares issued		–	9
Balance at end of year	9	698	698
<b>Share premium</b>			
Balance at beginning and end of year		264 092	30 358
Arising on issue of ordinary shares		–	233 734
Balance at end of year	10	264 092	264 092
<b>Treasury shares</b>			
Balance at beginning of year		(2 359 028)	(2 125 285)
Ordinary shares issued during the year to a subsidiary company		–	(233 743)
	11	(2 359 028)	(2 359 028)
<b>Retained earnings</b>			
Balance at beginning of year		9 697 261	8 576 752
Profit for the year		3 219 754	1 479 524
Ordinary dividends declared during the year		(526 555)	(359 015)
Final dividend No 107 of 240 cents (2010: 200 cents) per share – declared on 1 September 2010		(335 057)	(275 717)
Interim dividend No 108 of 200 cents (2010: 100 cents) per share – declared on 16 February 2011		(279 214)	(139 607)
Less: Dividends attributable to treasury shares		87 716	56 309
Balance at end of year		12 390 460	9 697 261
<b>Other reserves</b>			
Balance at beginning of year		264 420	120 715
Other comprehensive income		204 882	143 705
Net increase in the market value of available-for-sale investments		242 336	167 095
Deferred capital gains taxation provided on the revaluation of available-for sale investments to market value		(33 927)	(23 393)
Foreign currency translation loss arising on consolidation		(3 527)	3
Balance at end of year	12	469 302	264 420
<b>Equity attributable to shareholders of the parent</b>		<b>10 765 524</b>	<b>7 867 443</b>
<b>Non-controlling interests</b>			
Balance at beginning of year		102 035	71 819
Total comprehensive income – attributable to non-controlling interests		29 932	31 973
Dividends paid to non-controlling shareholders		(14 153)	(1 760)
Foreign currency (loss)/gain reserve arising on consolidation		(3 527)	3
<b>Total equity</b>		<b>10 879 811</b>	<b>7 969 478</b>

# Notes to the consolidated financial statements

for the year ended 30 June 2011

## 1. Accounting policies

### 1.1 Basis of preparation

The financial statements of the group and company are prepared on the historical-cost basis, except for financial instruments that are measured at fair value. Details of the accounting policies used in the preparation of the financial statements are set out below which are consistent with those applied in the previous year except as stated under the heading "Changes in accounting policies" below.

#### 1.1.1 Statement of compliance

The 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 (IASB) and applicable legislation.

#### 1.1.2 Changes in accounting policies

In addition to a set of improvements to IFRS, published by the IASB, representing mostly minor changes, the following new, revised and amended standards and interpretations were adopted by the group in the current year, none of which had any impact on the accounting policies, financial position or performance of the group or the company:

IFRS 2 (Amendment) – *Group Cash-settled Share-based Payment Transactions*

IAS 32 (Amendment) – *Financial instruments: Classification of Rights Issues*

IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*

#### 1.1.3 IFRS and IFRIC interpretations not yet effective

The group has not applied the following IFRS and IFRIC new, revised and amended standards and interpretations which have been issued, as they are not yet effective:

Standard	Description	Effective for financial periods commencing	Impact
IAS 24	<i>Related-party Disclosures (Revised)</i>	January 2011	<p>The revisions to the standard clarify the definition of a related party to simplify the identification of related-party relationships, particularly in relation to significant influence and joint control.</p> <p>The group is in the process of determining the impact these revisions may have on its disclosures.</p>
IFRIC 14	<i>IFRIC 14 (Amendment) – Prepayments of a Minimum Funding Requirement</i>	January 2011	<p>The amendment to the interpretation provides guidance on assessing the recoverable amount of a net pension asset, and permits an entity to treat the prepayment of a minimum funding requirement as an asset.</p> <p>In the event that the group undertakes prepayments as envisaged in the revised interpretation, the impact on its results and disclosures will be effected accordingly.</p>
IFRS 7	<i>Financial Instruments: Disclosures (Amendment)</i>	July 2011	<p>The amendment requires additional qualitative disclosures relating to transfers of financial assets that are entirely derecognised, but where the entity has continuing involvement in these assets, and to financial assets not entirely recognised.</p> <p>The group does not expect this amendment to have a material effect on its results and disclosures.</p>

Standard	Description	Effective for financial periods commencing	Impact
IAS 12	IAS 12 <i>Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets</i>	January 2012	<p>The amendments introduce a presumption that an investment property is recovered entirely through its sale. This presumption is rebutted if the investment property is held within a business model of which the objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through its sale.</p> <p>The group does not expect this amendment to have a material effect on its results and disclosures.</p>
IFRS 9	<i>Financial Instruments</i>	January 2013	<p>The IASB intends to replace IAS 39 – <i>Financial Instruments: Recognition and Measurement</i>, with IFRS 9, which is being prepared on a phased basis. The statement aims to simplify many of the aspects contained in IAS 39, and will be required to be applied retrospectively.</p> <p>The group is in the process of determining the impact of the standard on its results and disclosures.</p>
IFRS 10	<i>Consolidated Financial Statements</i>	January 2013	<p>This new standard includes a new definition of control which is used to determine which entities will be consolidated. This will apply to all entities, including special purpose entities (now known as “structured entities”). The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore consolidated, and may result in a change to the entities which are within a group.</p> <p>The group is in the process of determining the impact of the standard on its results and disclosures.</p>
IFRS 11	<i>Joint Arrangements</i>	January 2013	<p>IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 describes the accounting for a “joint arrangement”, which is defined as a contractual arrangement over which two or more parties have joint control. Joint arrangements are classified as either joint operations or ventures. IFRS 11 provides a new definition of joint control, and substantially changes the accounting for certain joint arrangements. Jointly controlled assets and jointly controlled operations (as defined under IAS 31, which is currently applicable), are now termed as joint operations under IFRS 11, and the accounting of those arrangements will be the same under IAS 31. That is, the joint operator continues to recognise its assets, liabilities, revenues and expenses, and/or its relative share of those items if any. Where proportionate consolidation was used to account for jointly controlled entities under IAS 31, such entities will most likely be classified as joint ventures under IFRS 11. The transition to IFRS 11 could result in substantial changes to the financial statements of the joint venturer (now defined as a party that has joint control in a joint venture), due to the requirement that joint ventures will be required to be accounted for using the equity method and that proportionate consolidation will no longer be permitted.</p> <p>Because the group is extensively invested in joint arrangements, the adoption of this standard could result in the financial statements being significantly affected. The group is, however, in the process of determining the impact of the standard on its results and disclosures.</p>

## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

Standard	Description	Effective for financial periods commencing	Impact
IFRS 12	<i>Disclosures of Interests in Other Entities</i>	January 2013	<p>This new standard describes and includes all the disclosures that are required relating to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. Entities will be required to disclose the judgements made to determine whether it controls another entity.</p> <p>The group is in the process of determining the impact of the standard on its results and disclosures.</p>
IFRS 13	<i>Fair Value Measurement</i>	January 2013	<p>This new standard provides guidance on how to measure fair value of financial and non-financial assets and liabilities when fair value measurement is required or permitted by IFRS.</p> <p>The group is in the process of determining the impact of the standard on its results and disclosures.</p>

### 1.2 Significant accounting judgements and estimates

#### **Judgements**

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

#### *Consolidation of special-purpose vehicles*

The Bokamoso Trust is a broad-based community trust which is independently controlled by and for the benefit of historically disadvantaged South Africans (HDSAs) as contemplated in the Mining Charter and is therefore not a group entity. However, due to the extent to which a special-purpose vehicle (SPV) owned by the Trust is indebted to the group, both the Trust and its SPV have been consolidated in the group financial statements in order to comply with the requirements of IFRS.

#### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position 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 listed below.

#### *Project risk and exploration expenditure*

In evaluating whether expenditures meet the criteria to be capitalised, the group utilises several different sources of information, including:

- the degree of certainty over the mineralisation of the orebody;
  - commercial risks including but limited to country risks; and
  - prior exploration knowledge available about the target orebody,
- which reduce the level of risk associated with the capitalisation of this expenditure to an acceptable level.

#### *Provisions for environmental rehabilitation*

The group provides for the estimated costs of rehabilitation which include both restoration and associated decommissioning of assets. An environmental liability assessment is conducted by an independent adviser on an annual basis to assess the adequacy of the environmental rehabilitation provisions. A risk of material adjustment exists due to the inherent uncertainty surrounding the future life of the mines, the forward-looking nature of the provisions and the uncertainty regarding the underlying assumptions.

### 1.3 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 holding company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits and losses arising from intragroup transactions, have been eliminated on consolidation.

#### **Subsidiary companies**

Investments in subsidiary companies are accounted for in the company at cost less impairments. Subsidiary companies 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 (including profits and losses that arise between group companies) are eliminated on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets not held by the group which are presented separately in the income statement and within equity in the consolidated statement of financial position.

#### **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 and all intragroup transactions and balances are eliminated on consolidation. The joint venture is proportionately consolidated until the date on which the group ceases to have joint control over the joint venture.

### 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 losses. 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 assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

The costs of adding to, replacing part of, or servicing an item, following a major inspection, are 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 reserves, which are being depleted, are amortised over their estimated useful lives using the units-of-production method based on proved 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 25 years. Mineral rights, which are not being depleted, are not amortised. Mineral rights, which have no commercial value, are written off in full.



## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

### 1. Accounting policies (continued)

#### 1.4 Property, plant and equipment and depreciation (continued)

##### *Land, buildings and mine, township and industrial properties*

Land is not depreciated. Owner-occupied properties, which are designed for a specific use, are only depreciated if carrying value exceeds estimated residual value, in which case they are depreciated to estimated residual value on a straight-line basis over their estimated useful lives. The annual depreciation rates used vary up to a maximum of a period of 25 years.

Mine, township and industrial 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 five and 19 years, and the units-of-production method based on estimated proved 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 assets*

Costs related to property acquisitions and mineral and surface rights related to exploration are capitalised and depreciated over a maximum period of 30 years. All exploration expenditures are expensed until they result in projects that are evaluated as being technically and commercially feasible and from which a future economic benefit stream is highly probable.

Exploration expenditure incurred on greenfield sites where the company does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a bankable feasibility study has been completed after which the expenditure is capitalised.

Exploration expenditure incurred on brownfield sites, adjacent to any mineral deposits which are already being mined or developed, is expensed as incurred until the company has obtained sufficient information from all available sources to ameliorate the project risk areas identified above and which indicates by means of a prefeasibility study that the future economic benefits are highly probable.

Exploration expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised and depreciated over a maximum period of 30 years.

Activities in relation to evaluating the technical feasibility and commercial viability of mineral resources are treated as forming part of exploration expenditures.

##### *Vehicles, furniture and office equipment*

Vehicles, furniture and office equipment are depreciated on the straight-line basis using the following useful lives:

Vehicles	–	between 5 and 9 years
Furniture	–	between 3 and 10 years
Office equipment	–	between 2 and 11 years

##### *Leased assets*

Leased assets are depreciated on the same basis as the property, plant and equipment owned by the group.

##### *Capital work-in-progress*

Capital work-in-progress is not depreciated and is transferred to the category to which it pertains when the asset is brought into use as intended.

## 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 group of assets and whether the arrangement conveys a right to use the asset.

Leases of 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 finance costs, and the capital repayment, which reduces the liability to the lessor.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

## 1.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are reflected at cost less accumulated depreciation and accumulated impairment charges. Investment properties are only depreciated if their carrying value exceeds estimated residual value, in which case they are written down to market value.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

## 1.7 Intangible assets

Intangible assets represent proprietary technical information and goodwill. Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is fair valued as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with indefinite useful lives are not amortised.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life on a straight-line basis 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 not amortised, and are subjected to annual impairment reviews.

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.

Goodwill is initially measured at cost being the excess of the consideration transferred over the group's net identifiable assets acquired and liabilities assumed. 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.

Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

### 1. Accounting policies (continued)

#### 1.8 Capitalisation of borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or development of major capital projects, which require a substantial period of time to be prepared for its intended use, are capitalised. Capitalisation of borrowing costs as part of the cost of a qualifying asset commences when:

- expenditures for the asset are being incurred;
- borrowing costs are being incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended when the active development is interrupted and ceases when the activities necessary to prepare the asset for its use are completed.

Other borrowing costs are charged to finance costs in the income statement as incurred.

#### 1.9 Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that the carrying value of 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 pretax 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, in which 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, and 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 the liability for decommissioning of assets and restoration, is based on current legal requirements and existing technology and is reassessed annually and disclosed as follows:

##### *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 as finance costs.

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. The related decommissioning asset is amortised using the lesser of the related asset's 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 is 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 assesses the necessity to make 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 to the trust funds are determined in accordance with the estimated environmental obligation divided by the remaining life of a mine after taking into account bankers' guarantees in favour of the Department of Mineral Resources. Income earned on monies paid to the trust is accounted for as net investment income. The environmental trust funds are consolidated.

**1.11 Financial instruments**

Recognition methods adopted for financial instruments are described below:

*Available-for-sale investments*

All investments are initially recognised at fair value, including acquisition charges associated with the investment. After initial recognition, investments, other than investments in jointly controlled entities, subsidiary companies and unlisted investments are classified as available-for-sale investments and are measured at fair value, which equates to market value.

Gains and losses on subsequent measurement are recognised in other comprehensive income until the investment is disposed of, or its original cost is considered to be impaired, at which time the cumulative gain previously reported in other comprehensive income and the impairment below the cost, where considered significant or prolonged, is recognised 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 statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques such as discounted cash flow analysis.

*Trade and other receivables*

Trade receivables, which generally have 60 to 120-day terms, are initially recognised at fair value and subsequently at amortised cost and are classified as loans and receivables. An impairment charge is recognised when there is evidence that an entity will not be able to collect all amounts due in accordance with the original terms of the receivables. The impairment charge is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rates. The amount of the impairment is charged to the income statement.

*Preference shares, trade and other payables*

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

*Interest-bearing loans and borrowings*

All loans and borrowings are initially recognised at their fair value, being 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, as well as through the amortisation process.

## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

### 1. Accounting policies (continued)

#### 1.12 Derivative financial instruments and hedging

In the event that the group uses derivative financial instruments, such as forward currency contracts, 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 recognised directly in the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

#### 1.13 Derecognition of financial assets and liabilities

##### *Financial assets*

A financial asset is derecognised when the right to receive cash flows from the asset has expired or the group has transferred its rights to receive cash and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. On derecognition of a financial asset, the difference between the proceeds received or receivable and the carrying amount of the asset is included in the income statement.

##### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the liability extinguished or transferred to another party and the amount paid is included in the income statement.

#### 1.14 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### 1.15 Impairment of financial assets

The group assesses at each statement of financial position 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 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 (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is either reduced directly or through use of an allowance account. The amount of the loss is 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 the income statement, is transferred from other comprehensive income to the income statement. Impairments recorded against available-for-sale equity instruments are not reversed.

### **1.16 Foreign currency translation**

The consolidated financial statements are presented in South African currency, which is the group'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 or loss.

#### **Foreign entities**

The assets and liabilities of subsidiaries with a different functional currency are translated at the rate of exchange ruling at the statement of financial position date. The income statements of these subsidiaries are translated at weighted average exchange rates for the year. The exchange differences arising on the retranslation are recognised in other comprehensive income. On disposal of a foreign entity, accumulated exchange differences are reclassified 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 and are remeasured at the closing rate at each reporting date.

### **1.17 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, which is determined on a weighted average cost basis, comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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.

## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

### 1. Accounting policies (continued)

#### 1.18 Taxation

##### **Current taxation**

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 statement of financial position date. Income tax relating to items recognised directly in other comprehensive income is recognised in the statement of other comprehensive income and not in the income statement.

##### **Deferred taxation**

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the date of the statement of financial position, 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 the initial recognition of goodwill 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, 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 statement of financial position 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 statement of financial position date.

Income tax relating to items recognised directly in other comprehensive income is recognised in the statement of other comprehensive income 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 taxation (VAT)**

Revenues, expenses and assets are recognised net of the amount of VAT except:

- where the 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 VAT included.

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

#### **Secondary taxation on companies (STC)**

STC is calculated on the declaration date of each dividend, net of dividends received during the dividend cycle, 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.

#### **Mining royalty taxation**

Provision for mining royalties is made with reference to the condition specified as contained in the Mining and Petroleum Resources Royalty Act, for the transfer of refined and unrefined mined resources, upon the date such transfer is effected. These costs are included in other expenses.

### **1.19 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 it is probable that an outflow of economic benefits will occur. The amount recognised as a provision is the best estimate at the statement of financial position 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 pretax 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 finance costs.

### **1.20 Treasury shares**

Own equity instruments which are reacquired are regarded as treasury shares and are regarded as a reduction in equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of treasury shares.

### **1.21 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 FOB or CIF sales value of ores and alloys exported and the FOR sales value of ores and alloys sold locally. Sales 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 is recognised on the date when the risk passes in the underlying transaction.

#### **Interest received**

Interest received is recognised using the effective interest rate method, ie 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.

## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

### 1. Accounting policies (continued)

#### 1.21 Revenue (continued)

##### **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.

#### 1.22 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 is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised using the "corridor method". 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 vest immediately, following the introduction of, or changes to, a pension plan, past-service cost is recognised immediately.

The rate at which contributions are made to defined contribution funds is fixed and is recognised as an expense when employees have rendered services in exchange for those contributions. No liabilities are raised in respect of the defined contribution fund, as there is no legal or constructive obligation to pay further contributions should the fund not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

#### 1.23 Contingent liabilities

A contingent liability is a possible obligation that arises from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities in the statement of financial position.

#### 1.24 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 non-controlling 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 3/2009 issued by the South African Institute of Chartered Accountants. Adjustments against earnings are made after taking into account attributable taxation and non-controlling 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 in the notes to the financial statements. The book value of cash deposits with banks and money market instruments approximate their fair value.

**Cost of sales**

All costs directly related to the production of products are included in cost of sales. Costs that cannot be directly linked are included separately or under other operating expenses. When inventories are sold, the carrying amount is recognised in cost of sales.

**Dividends per share**

Dividends declared during the year divided by the weighted number of ordinary shares in issue.

**Cash restricted for use**

Cash which is subject to restrictions on its use is stated separately at the carrying value in the notes.

**Fair value**

Where an active market is available, it is used to represent fair value. Where there is not an active market, fair value is determined using valuation techniques, including using recent arm's length market transactions with reference to the current market of another instrument which is substantially the same, discounted cash flow analysis or other valuation models.



## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

	2011			2010		
	Cost R'000	Accumulated depreciation and impairment charges R'000	Carrying amount R'000	Cost R'000	Accumulated depreciation and impairment charges R'000	Carrying amount R'000
<b>2. Property, plant and equipment</b>						
<b>At year-end</b>						
<b>Mining assets</b>						
Mineral and prospecting rights	435 758	136 577	299 181	432 476	111 071	321 405
Land, buildings and mine properties	812 895	134 595	678 300	635 494	111 893	523 601
Plant and equipment	6 463 787	1 284 513	5 179 274	5 143 715	1 073 726	4 069 989
Prospecting, exploration, mine development and decommissioning assets	1 257 775	337 628	920 147	1 026 865	306 143	720 722
Vehicles, furniture and office equipment	1 242 308	527 579	714 729	911 885	374 029	537 856
Leased assets capitalised	25 614	23 664	1 950	26 247	20 574	5 673
Capital work in progress	54 198	–	54 198	37 308	–	37 308
	<b>10 292 335</b>	<b>2 444 556</b>	<b>7 847 779</b>	8 213 990	1 997 436	6 216 554
<b>Other assets</b>						
Land and buildings	6 403	–	6 403	18 442	782	17 660
Industrial property	19 151	12 506	6 645	24 829	13 546	11 283
Plant and equipment	149 271	101 901	47 370	152 607	98 372	54 235
Vehicles, furniture and office equipment	66 674	24 258	42 416	60 682	16 611	44 071
Capital work in progress	12 042	–	12 042	791	–	791
	<b>253 541</b>	<b>138 665</b>	<b>114 876</b>	257 351	129 311	128 040
	<b>10 545 876</b>	<b>2 583 221</b>	<b>7 962 655</b>	8 471 341	2 126 747	6 344 594

**Exchange differences**

Exchange gains arising on the translation at year-end of the property, plant and equipment of a foreign subsidiary amounted to R11 821 (2010: R11 714).

**Leased assets**

Vehicles with a carrying amount of R1,9 million (2010: R5,7 million) are encumbered as security for the finance lease agreements referred to in note 13.

**Capital work-in-progress**

Included in mine development, plant and equipment and capital work in progress above, are assets with a carrying amount of R1 930,5 million (2010: R1 802,1 million) which relate to projects in progress from which no revenue is currently derived.

**Impairment of assets**

Following the impairment of the synthetic diamond operation in the previous year, Xertech, management ceased its operations subsequent to the evaluation of various options to establish an alternative sustainable basis for its continued operation. To date, no suitable mechanisms have been identified to exit the synthetic diamond business. Accordingly, up to and including the previous financial year, Xertech's assets were impaired by R75,8 million (2010: R75,8 million) on the basis of its fair value less costs to sell. The values have been determined with reference to equivalent values attainable in the respective active markets for assets concerned. Management continue to pursue suitable disposal options.

	Opening carrying amount R'000	Acquisitions R'000	Disposals R'000	Reclassifications R'000	Current depreciation and impairment charges R'000	Closing carrying amount R'000
<b>2. Property, plant and equipment (continued)</b>						
<b>Movement for the year – 2011</b>						
<b>Mining assets</b>						
Mineral and prospecting rights	321 405	–	–	2 685	(24 909)	299 181
Land, buildings and mine properties	523 601	148 825	(133)	29 923	(23 916)	678 300
Plant and equipment	4 069 989	1 490 071	(13 825)	(72 797)	(294 164)	5 179 274
Prospecting, exploration, mine development and decommissioning assets	720 722	230 128	(3 276)	6 299	(33 725)	920 147
Vehicles, furniture and office equipment	537 856	293 240	(18 482)	51 018	(148 903)	714 729
Leased assets capitalised	5 673	–	(633)	–	(3 090)	1 950
Capital work in progress	37 308	22 627	–	(5 737)	–	54 198
	<b>6 216 554</b>	<b>2 184 891</b>	<b>(36 349)</b>	<b>11 391</b>	<b>(528 707)</b>	<b>7 847 779</b>
<b>Other assets</b>						
Land and buildings	17 660	–	–	(11 257)	–	6 403
Industrial property	11 283	–	–	(4 404)	(234)	6 645
Plant and equipment	54 235	28	–	1 832	(8 725)	47 370
Vehicles, furniture and office equipment	44 071	5 379	(1 026)	2 940	(8 947)	42 416
Capital work in progress	791	11 752	(1)	(502)	–	12 042
	<b>128 040</b>	<b>17 159</b>	<b>(1 027)</b>	<b>(11 391)</b>	<b>(17 906)</b>	<b>114 876</b>
	<b>6 344 594</b>	<b>2 202 050</b>	<b>(37 376)</b>	<b>–</b>	<b>(546 613)</b>	<b>7 962 655</b>
<b>Movement for the year – 2010</b>						
<b>Mining assets</b>						
Mineral and prospecting rights	340 785	–	–	–	(19 380)	321 405
Land, buildings and mine properties	432 555	116 513	(190)	203	(25 480)	523 601
Plant and equipment	2 928 960	1 315 409	(197)	98 899	(273 082)	4 069 989
Prospecting, exploration, mine development and decommissioning assets	649 280	112 175	(10 457)	–	(30 276)	720 722
Vehicles, furniture and office equipment	542 439	149 427	(14 665)	7	(139 352)	537 856
Leased assets capitalised	11 140	–	(1 256)	–	(4 211)	5 673
Capital work in progress	107 238	47 750	(6 306)	(111 374)	–	37 308
	<b>5 012 397</b>	<b>1 741 274</b>	<b>(33 071)</b>	<b>(12 265)</b>	<b>(491 781)</b>	<b>6 216 554</b>
<b>Other assets</b>						
Land and buildings	10 975	–	(15)	7 087	(387)	17 660
Industrial property	11 846	121	–	–	(684)	11 283
Plant and equipment	56 541	2 253	(109)	15 367	(19 817)	54 235
Vehicles, furniture and office equipment	10 569	33 924	(900)	5 178	(4 700)	44 071
Capital work in progress	16 357	279	(478)	(15 367)	–	791
	<b>106 288</b>	<b>36 577</b>	<b>(1 502)</b>	<b>12 265</b>	<b>(25 588)</b>	<b>128 040</b>
	<b>5 118 685</b>	<b>1 777 851</b>	<b>(34 573)</b>	<b>–</b>	<b>(517 369)</b>	<b>6 344 594</b>

## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

	2011 R'000	2010 R'000
<b>3. Investment properties</b>		
Land and buildings		
Carrying amount at beginning of year	62 130	61 838
Acquisitions	–	292
Carrying amount at end of year	62 130	62 130
Estimated fair value	152 025	152 025
<p>A register containing details of investment properties is available for inspection during business hours at the registered address of the holding company by shareholders or their duly authorised agents.</p> <p>There is no depreciation charge for the year as the residual values are either equal to, or exceed the carrying amounts.</p>		
<b>4. Intangible assets</b>		
<b>Licences</b>		
Carrying amount at beginning of year	1 329	1 509
Amortisation for the year	(180)	(180)
Carrying amount at end of year	1 149	1 329
<b>Goodwill</b>		
Carrying amount at beginning and end of year	1 418	1 418
	2 567	2 747
<p>Goodwill represents the excess attributable on the acquisition of a majority stake in an offshore entity, which has been assessed for impairment at the balance sheet date. The directors are of the opinion that the goodwill recognised will be recovered in the form of sufficient cash flows from the entity.</p>		
<b>5. Investments</b>		
<b>Available-for-sale investments</b>		
Listed – at market value		
Balance at beginning of year	602 851	415 066
Purchases at cost	42 062	20 690
Fair value adjustment	242 336	167 095
Balance at end of year (refer below)	887 249	602 851
<b>Other investments</b>		
– unlisted at market value	30 664	73 142
– unlisted at cost and directors' valuation	125	125
	30 789	73 267
Listed investments – at cost	358 417	316 355
Cumulative fair value adjustment transferred to other reserves (refer note 12)	528 832	286 496
As above	887 249	602 851

	2011 R'000	2010 R'000
<b>6. Other non-current financial assets</b>		
Loans and long-term receivables		
Balance at beginning of year	31 906	–
Home loans advanced to employees during the year	21 145	31 906
Balance at end of year	53 051	31 906
Loans granted to Assmang employees, the repayment terms of which vary between five and 20 years. The loans bear interest at the prime lending rate, less 2%		
<b>7. Inventories</b>		
Raw materials	245 105	757 843
Consumable stores	222 342	222 466
Work in progress	142 116	69
Finished goods	1 396 015	791 875
Less: Provision for obsolete inventory	–	(276)
	2 005 577	1 771 977
Cost of inventory recognised as an expense included in cost of sales	4 085 241	3 277 300
Cost of inventory written down during the year recognised in other expenses (refer note 21)	91 069	4 148
<b>8. Trade and other receivables</b>		
Trade receivables	1 618 028	1 460 915
Other receivables	14 242	20 131
	1 632 270	1 481 046
Trade and other receivables are non-interest-bearing, the terms of which are between 60 and 120 days.		
<b>9. Share capital</b>		
<b>Authorised</b>		
200 000 000 (2010: 200 000 000) ordinary shares of 0,5 cents each	1 000	1 000
<b>Issued</b>		
At beginning of year (139 607 000 (2010: 137 858 265)) ordinary shares of 0,5 cents each	698	689
Shares issued during the prior year (1 748 735 ordinary shares of 0,5 cents each) in terms of the authority granted at a General Meeting held on 19 January 2010	–	9
At end of year (139 607 000 (2010: 139 607 000) ordinary shares of 0,5 cents each)	698	698
<b>10. Share premium</b>		
Balance at beginning of year	264 092	30 358
Arising on shares issued during the year (refer note 9)	–	233 734
Balance at end of year	264 092	264 092
<b>11. Treasury shares</b>		
Balance at beginning of year	(2 359 028)	(2 125 285)
In 2010 1 748 735 Assore shares, being 1,25% of issued share capital at the time acquired by Main Street 460 (Proprietary) Limited, a wholly owned subsidiary of Assore at R133,66 per share in terms of the authority granted by shareholders at the Annual General Meeting held on 27 November 2009	–	(233 743)
Balance at end of year	(2 359 028)	(2 359 028)

## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

	2011 R'000	2010 R'000
<b>12. Other reserves</b>		
Foreign currency translation reserve arising on consolidation	14 291	17 817
After tax fair value adjustment arising on the revaluation of available-for-sale investments	455 011	246 603
Gross fair value adjustment at year-end (refer note 5)	528 832	286 496
Less: deferred capital gains taxation	(73 821)	(39 893)
	<b>469 302</b>	<b>264 420</b>

### 13. Long-term borrowings

#### Preference shares

Balance at beginning of prior year:

452 "A" redeemable cumulative variable rate preference shares of 1 cent each issued by Main Street 350 (Proprietary) Limited to SBSA to finance the acquisition of Assore shares by the Bokamoso Trust, issued at a premium of R99 999,99 per share

Redemption of 452 shares at issue value

Balance at end of year

–	45 200
–	(45 200)
–	–

#### Long-term portion of finance lease liabilities

Finance lease liabilities over vehicles with a carrying amount of R1,9 million

(2010: R5,7 million) repayable in varying monthly instalments over 12 months

(2010: 24 months) which bear interest at 1,28% (2010: 1,28%) below the prime overdraft rate

Less: Repayable within one year included in short-term borrowings (refer note 18)

2 359	6 345
(2 359)	(3 612)
–	2 733

The finance leases relate to mining vehicles and there are no terms of renewal or purchase options included in the agreements concerned.

#### Interest payable and repayment terms

##### 2011

Secured

– finance lease liabilities

##### 2010

Secured

– finance lease liabilities

	Total borrowings at year-end	Repayable during the years ending 30 June	
	2011 R'000	2012 R'000	2013 R'000
	–	–	–
	6 345	3 612	2 733

	2011		2010	
	Minimum payments R'000	Present value of payments R'000	Minimum payments R'000	Present value of payments R'000
Repayable – within one year	2 423	2 359	3 612	3 612
– after one year but not more than five years	–	–	4 282	2 733
Total minimum lease payments	2 423	2 359	7 894	6 345
Less: Finance charges	64	–	1 549	–
Present value of minimum lease payments (as above)	2 359	2 359	6 345	6 345



	2011 R'000	2010 R'000
<b>14. Deferred taxation</b>		
<b>At year-end</b>		
Raised on the following:		
Accelerated capital allowances	2 202 786	1 747 504
Provisions raised	(104 800)	(70 925)
Valuation of inventories	(1 812)	(907)
Income received in advance	–	(5 217)
Revaluation of available-for-sale investments	73 820	39 893
Other	3 627	3 381
	<b>2 173 621</b>	<b>1 713 729</b>
<b>Movements</b>		
Balance at beginning of year	1 713 729	1 341 836
– deferred tax assets	71 572	74 309
– deferred tax liabilities	1 785 301	1 416 145
Movements for the current year:		
Arising from temporary differences (refer note 22)	425 965	348 500
– Accelerated capital allowances	455 282	334 627
– Provisions (raised)/reversed	(33 875)	2 958
– Valuation of inventories	(905)	15 184
– Income received in advance	5 217	(5 217)
– Other	246	948
Arising from revaluation of available-for-sale investments recorded in the statement of other comprehensive income	33 927	23 393
Balance at end of year	2 173 621	1 713 729
– deferred tax assets	60 933	71 572
– deferred tax liabilities	2 234 554	1 785 301
<b>15. Long-term provisions</b>		
<b>Environmental obligations</b>		
Provision against cost of decommissioning assets	152 005	116 659
Balance at beginning of year	116 659	119 366
Provisions raised/(reversed) during the year	25 798	(3 355)
Provision discount adjustment	9 548	648
<b>Provision for cost of environmental restoration</b>	52 805	54 586
Balance at beginning of year	54 586	61 161
Provisions reversed during the year	(5 382)	(10 649)
Provision discount adjustment	3 601	4 074
Balance at end of year	204 810	171 245
<b>Post-retirement healthcare benefits (refer note 33)</b>		
Balance at beginning of year	10 597	10 648
Increase/(decrease) in benefits payable	1 252	(51)
Balance at end of year	11 849	10 597
Carried forward	216 659	181 842

## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

	2011 R'000	2010 R'000
<b>15. Long-term provisions</b> (continued)		
Brought forward	216 659	181 842
<b>Deferred bonus scheme</b>		
Balance at beginning of year	32 251	14 782
Provision (reversed)/raised during the year	(2 067)	17 469
Transferred to short-term provisions (refer note 17)	(23 955)	–
Balance at end of year	6 229	32 251
	<b>222 888</b>	214 093
Environmental restoration obligations before funding (as above)	204 810	171 245
Less: Cash deposits held by environmental trusts (per balance sheet)	70 292	57 927
Obligation provided for on the balance sheet, but not yet funded	134 518	113 318
The provision for environmental restoration obligations is calculated based on discounted cash flow techniques using inflation rates of between 6,5% and 9,5% (2010: 4% and 9,5%) and nominal rates of between 8,5% and 13% (2010: 7,5% and 13%).		
<b>16. Trade and other payables</b>		
Trade payables	1 180 625	950 017
Other payables	57 426	56 061
	<b>1 238 051</b>	1 006 078
Trade and other payables are non-interest-bearing, the terms of which are between 30 to 60 days.		
<b>17. Short-term provisions</b>		
<b>Bonuses</b>		
Balance at beginning of year	2 976	2 810
Provisions raised during the year	4 560	2 976
Transferred from long-term provisions (refer note 15)	23 955	–
Payments made during the year	(3 601)	(2 810)
Balance at end of year	27 890	2 976
<b>Leave pay</b>		
Balance at beginning of year	35 787	29 939
Provisions raised during the year	15 039	5 869
Payments made during the year	(47)	(21)
Balance at end of year	50 779	35 787
<b>Environmental compliance</b>		
Balance at beginning of year	45 773	76 091
Provisions reversed during the year	(16 949)	(22 634)
Payments made during the year	–	(7 684)
Balance at end of year	28 824	45 773
<b>Other</b>		
Balance at beginning of year	2 240	2 076
Provisions raised during the year	2 673	164
Payments made during the year	(2 248)	–
Balance at end of year	2 665	2 240
	<b>110 158</b>	86 776

	2011 R'000	2010 R'000
<b>18. Short-term borrowings and overdrafts</b>		
<b>Preference shares</b>		
220 redeemable cumulative variable rate preference shares issued to SBSA on 15 September 2008, which are required to be redeemed annually in tranches of at least R500 million, commencing on the last day of February in 2010. Preference dividends accrued at a rate linked to the prime lending rate applied by SBSA.		
Balance at beginning of year (93 shares (2010: 143 shares))	<b>930 000</b>	1 430 000
Shares redeemed during the year (93 shares (2010: 50 shares))	<b>(930 000)</b>	(500 000)
Balance at end of year (nil (2010: 93 shares))	–	930 000
<b>Current portion of long-term borrowings (refer note 13)</b>	<b>2 359</b>	3 612
<b>Overdrafts (unsecured)</b>	<b>151 788</b>	98 033
	<b>154 147</b>	1 031 645
Overdrafts and short-term borrowings are repayable on demand and interest rates are linked to the prime overdraft rate.		
<b>19. Revenue</b>		
Revenue comprises:		
Sales of mining and beneficiated products	<b>10 651 021</b>	7 085 669
Interest received	<b>133 373</b>	190 827
Net commissions on sales and technical fees	<b>313 369</b>	229 382
Gross receipts	<b>626 739</b>	439 907
Eliminated on proportionate consolidation of Assmang	<b>(313 370)</b>	(210 525)
Dividends received from available-for-sale investments	<b>37 637</b>	17 770
Sales of by-products	<b>15 907</b>	12 821
Other	<b>28 728</b>	29 113
	<b>11 180 035</b>	7 565 582
<b>20. Finance costs</b>		
Dividends on preference shares (refer notes 13 and 18)	<b>56 337</b>	114 080
Interest on general banking facilities and rehabilitation provisions	<b>21 453</b>	9 553
	<b>77 790</b>	123 633

## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

	2011 R'000	2010 R'000
<b>21. Profit before taxation and State's share of profits</b>		
Profit before taxation and State's share of profits is stated after taking into account the following items of income and expenditure:		
<b>Income</b>		
Foreign exchange gains	254 132	140 513
– realised	216 093	89 506
– unrealised	38 039	51 007
Profit on disposal of property, plant and equipment	407	8 631
<b>Expenditure</b>		
Amortisation of intangible assets (refer note 4)	180	180
Auditors' remuneration		
– audit fees	7 098	5 443
– other services	504	390
Cost of inventories written down (refer note 7)	91 069	4 148
Depreciation of mining assets (refer note 2)	528 707	491 781
– Mineral and prospecting rights	24 909	19 380
– Land, buildings and mining properties	23 916	25 480
– Plant and equipment	294 164	273 082
– Prospecting, exploration, mine development and decommissioning	33 725	30 276
– Vehicles, furniture and office equipment	148 903	139 352
– Leased assets capitalised	3 090	4 211
Depreciation of other assets (refer note 2)	17 906	8 924
– Land and buildings	–	387
– Industrial property	234	113
– Plant and equipment	8 725	3 724
– Vehicles, furniture and office equipment	8 947	4 700
Impairment of non-financial assets (refer note 2)	–	16 664
Loss on disposal and scrapping of property, plant and equipment	–	5 858
Mineral royalty expense	137 902	15 211
Foreign exchange losses	155 901	19 723
– realised	148 471	17 419
– unrealised	7 430	2 304
Operating lease expenses	650	658
Professional fees	12 377	3 393
Provision for impairment of receivables and bad debts written off	–	414
Staff costs (refer note 33)		
– salaries and wages (including executive directors' emoluments)	1 089 400	848 271
– healthcare costs	40 438	28 007
– pension fund contributions	55 774	48 074
Transfer secretaries' fees	382	210

	2011 R'000	2010 R'000
<b>22. Taxation and State's share of profits</b>		
South African normal taxation		
– current year	<b>913 192</b>	329 644
– (over)/under-provisions relating to prior years	<b>(7 739)</b>	5 730
State's share of profits	<b>92 825</b>	80 442
Deferred taxation		
– temporary differences arising in current year (refer note 14)	<b>425 965</b>	348 500
Secondary tax on companies	<b>131 102</b>	51 269
Securities transfer taxation	<b>1 287</b>	157
Foreign taxation		
– foreign normal tax	<b>9 892</b>	7 221
	<b>1 566 524</b>	822 963
The current tax charge is affected by non-taxable investment income, capital redemption allowances and calculated tax losses in certain subsidiary companies and trading losses in other subsidiary companies for which there was no tax relief in the current year.		
Estimated losses available for the reduction of future taxable income arising in certain subsidiary companies at year-end	<b>240 800</b>	223 804
Estimated unredeemed capital expenditure available for reduction of future taxable income on mining operations in certain joint venture and subsidiary companies	<b>80 380</b>	22 365
<b>Reconciliation of tax charge as a percentage of net income before taxation</b>		
Statutory tax rate	<b>28,00</b>	28,00
Adjusted for:		
– State's share of profits	<b>1,93</b>	3,45
– Secondary tax on companies	<b>2,72</b>	2,20
– disallowable expenditure	<b>0,52</b>	1,81
– impact of calculated tax losses	<b>(0,07)</b>	(0,57)
– foreign tax rate differential	<b>(0,28)</b>	(0,27)
– dividend income	<b>(0,22)</b>	(0,29)
– other exempt income	<b>(0,21)</b>	–
– (over)/under-provisions relating to prior years	<b>(0,16)</b>	0,25
– other	<b>(0,30)</b>	0,67
Effective tax rate	<b>32,53</b>	35,25



## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

	2011 R'000	2010 R'000
<b>23. Earnings and headline earnings per share</b>		
Earnings per share (cents) (basic and diluted)	2 691	1 236
Headline earnings per share (cents) (basic and diluted)	2 690	1 249
The above calculations were determined using the following information:		
<b>Earnings</b>		
Profit attributable to shareholders of the holding company	3 219 754	1 479 524
<b>Headline earnings</b>		
Earnings as above	3 219 754	1 479 524
Adjusted for:		
Profit (before tax) on disposal of property, plant and equipment	(407)	(8 631)
Loss on disposal and scrapping of property, plant and equipment	–	5 858
Impairment of non-financial assets	–	16 664
Net tax effect of the above items	–	790
Headline earnings	3 219 347	1 494 205
Weighted number of ordinary shares in issue ('000)		
Ordinary shares in issue	139 607	138 435
Treasury shares (refer note 11)	(19 936)	(18 755)
Weighted average number of shares in issue for the year	119 671	119 680
<b>24. Dividends</b>		
<b>Dividends declared during the year</b>		
Final dividend No 107 of 240 cents (2010: 200 cents) per share – declared on 1 September 2010	335 057	275 717
Interim dividend No 108 of 200 cents (2010: 100 cents) per share – declared on 16 February 2011	279 214	139 607
Less: Dividends attributable to treasury shares	(87 716)	(56 309)
	526 555	359 015
Per share (cents)	440	300
<b>Dividends relating to the activities of the group for the year under review</b>		
Interim dividend No 108 of 200 cents (2010: 100 cents) per share – declared on 16 February 2011	279 214	139 607
Final dividend No 109 of 250 cents (2010: 240 cents) per share – declared on 24 August 2011	349 018	335 057
Less: Dividends attributable to treasury shares	(89 710)	(67 781)
	538 522	406 883
Per share (cents)	450	340

	2011 R'000	2010 R'000
<b>25. Notes to the statement of cash flow</b>		
<b>25.1 Cash generated by operations</b>		
Profit before taxation and State's share of profits	4 816 210	2 334 460
Adjusted for:	539 520	374 242
– Dividends received	(37 637)	(17 770)
– Interest received	(133 373)	(190 827)
– Profit on disposal of property, plant and equipment	(407)	(8 631)
– Net unrealised foreign exchange gains	(30 609)	(57 620)
– Amortisation of intangibles	180	180
– Cost of inventories written down	91 069	4 148
– Depreciation and impairment of property, plant and equipment	546 613	517 369
– Finance costs	77 790	123 633
– Movement in foreign currency translation reserve	(7 054)	7
– Loss on disposal of property, plant and equipment	–	5 858
– Movements in long-term provisions	19 601	3 674
– Movements in short-term provisions	5 323	(13 625)
– Provision for impairment of receivables and bad debts written off	–	414
– Other non-cash flow items	8 024	7 432
	<b>5 355 730</b>	<b>2 708 702</b>
<b>25.2 Dividend income</b>		
Credited to the income statement	37 637	17 770
<b>25.3 Movements in working capital</b>		
(Increase)/decrease in inventories	(324 669)	27 885
Increase in trade and other receivables	(99 363)	(830 753)
Increase in trade and other payables	231 647	357 438
Payments against short-term provisions	(5 895)	(10 515)
	<b>(198 279)</b>	<b>(455 945)</b>
<b>25.4 Taxation paid</b>		
Unpaid at beginning of year	(253 895)	(429 293)
Charged to the income statement	(1 566 524)	(822 963)
Movement in deferred taxation	425 964	348 500
Unpaid at end of year	192 345	253 895
	<b>(1 202 110)</b>	<b>(649 861)</b>
<b>25.5 Dividends paid</b>		
Unpaid at beginning of year	(245)	(95)
Declared during the year	(614 271)	(415 324)
Dividends attributable to treasury shares	87 716	56 309
Unpaid at end of year	571	245
	<b>(526 229)</b>	<b>(358 865)</b>
<b>25.6 Cash resources</b>		

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 in the notes to the financial statements (refer note 18).

## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

### 26. Financial risk management

The group is exposed to various financial risks due to the nature and diversity of its activities and the use of various financial instruments. These risks include:

- credit risk
- liquidity risk
- market risk

Details of the group's exposure to each of the above risks and its objectives, policies and processes for measuring and managing these risks are included specifically in this note and more generally throughout the consolidated financial statements together with information regarding management of capital.

The boards of directors (boards) of all group companies have overall responsibility for the establishment and oversight of the group's risk management framework. These boards have delegated these responsibilities to Executive Committees, which are responsible for the development and monitoring of risk management policies within the group. These committees meet on an ad hoc basis and regularly report to the respective boards on their activities. The risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the activities of the group.

The roles and responsibilities of the committees include:

- approval of all counterparties;
- approval of new instruments;
- approval of the group's foreign exchange transaction policy;
- approval of the investment policy;
- approval of treasury policy; and
- approval of long-term funding requirements.

The internal auditors undertake regular and ad hoc reviews of risk management, controls and procedures, the results of which are monitored by the Assore and Assmang Audit and Risk committees.

#### 26.1 Credit risk

Credit risk arises from possible defaults on payments by customers or, where letters of credit have been issued, by bank counterparties. The group minimises credit risk by the careful evaluation of the ongoing creditworthiness of customers and bank counterparties before transactions are concluded. Customers are generally required to raise letters of credit with banking institutions that have acceptable credit ratings. However, certain customers who have a well-established credit history are allowed to transact on open accounts.

Overdue amounts are individually assessed and if it is evident that an amount will not be recovered, it is impaired and legal action is instituted to recover the amounts involved.

**26. Financial risk management** (continued)**26.1 Credit risk** (continued)**Credit exposure and concentrations of credit risk**

The carrying amount of financial assets represents the maximum credit exposure at the reporting date and the following table indicates various concentrations of credit risk for all non-derivative financial assets held:

	<b>2011</b> R'000	2010 R'000
Loans and long-term receivables	<b>53 051</b>	31 906
Trade receivables	<b>1 618 028</b>	1 460 915
Local	<b>61 691</b>	85 128
Foreign	<b>1 556 337</b>	1 375 787
Other receivables – local	<b>14 242</b>	20 131
Total carrying amount per consolidated statement of financial position (refer note 8)	<b>1 685 321</b>	1 512 952
<b>Security held over non-derivative financial assets</b>		
Irrevocable letters of credit – issued by foreign banks	<b>123 403</b>	758 341

Aged as follows:

	2011				2010			
	Receivables not impaired R'000	Receivables impaired R'000	Impairment amount R'000	Carrying amount R'000	Receivables not impaired R'000	Receivables impaired R'000	Impairment amount R'000	Carrying amount R'000
<b>Loans and long-term receivables</b>	53 051	–	–	53 051	31 906	–	–	31 906
<b>Trade receivables</b>	1 618 028	–	–	1 618 029	1 460 915	–	–	1 460 915
Not past due, not impaired	1 618 028	–	–	1 618 028	1 459 873	–	–	1 459 873
Past due	–	–	–	–	1 042	–	–	1 042
<b>Other receivables</b>	14 242	–	–	14 242	20 131	–	–	20 131
Not past due, not impaired	14 242	–	–	14 242	20 131	–	–	20 131
As above	1 685 321	–	–	1 685 321	1 512 952	–	–	1 512 952

## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

### 26. Financial risk management (continued)

#### 26.2 Liquidity risk

The Executive Committees manage the liquidity structure of the group's assets, liabilities and commitments so as to ensure that cash flows are sufficiently balanced within the group as a whole. Updated cash flow information and projections of future cash flows are received by the Executive Committees from the group companies on a regular basis (depending on the type of funding required). Measures have been introduced to ensure that the cash flow information received is accurate and complete.

Surplus funds are deposited in liquid assets (eg liquid money market accounts) (refer note 25.6).

#### Undrawn credit facilities

In terms of the Articles of Association of the holding company, the borrowing powers are unlimited. However, based on their respective Articles of Association, restrictions on the following joint venture and subsidiary companies are in place. External borrowings at year-end amounted to R154,1 million (2010: R1 034,4 million).

#### Assmang Limited

Authorised in terms of the Articles of Association

Less: External borrowings at year-end

– Overdrafts and short-term borrowings

Unutilised borrowing capacity

#### Minerais U.S. LLC

Authorised in terms of the Articles of Association

External borrowings at year-end

Unutilised borrowing capacity

	2011 R'000	2010 R'000
	<b>8 753 613</b>	6 860 259
	<b>(2 359)</b>	(3 612)
	<b>8 751 254</b>	6 856 647
	<b>338 813</b>	382 940
	<b>(151 788)</b>	(98 032)
	<b>187 025</b>	284 908

The general banking facilities made available to group companies are unsecured, bear interest at rates linked to prime, have no specific maturity date and are subject to annual review by the banks concerned. The facilities are in place to issue letters of credit, bank guarantees and ensure liquidity.



## 26. Financial risk management (continued)

### 26.2 Liquidity risk (continued)

#### Exposure to liquidity risk

The following are the cash flows of the group's financial assets and liabilities at year-end as determined by contractual maturity date including interest receipts and payments but excluding the impact of any netting agreements with the third parties concerned.

	Carrying amount R'000	Total cash flows R'000	Less than 4 months R'000	Between 4 and 12 months R'000	Between 1 and 5 years R'000	More than 5 years R'000
<b>2011</b>						
<b>Financial assets</b>						
Available-for-sale investments	887 249	887 249	–	–	–	887 249
Other investments	30 789	30 789	–	–	30 664	125
Other non-current financial assets	53 051	53 051	–	–	–	53 051
Trade and other receivables	1 632 270	1 632 270	1 632 270	–	–	–
Cash deposits held by environmental trusts	70 292	70 292	70 292	–	–	–
Cash resources	2 264 442	2 264 442	2 264 442	–	–	–
	<b>4 938 093</b>	<b>4 938 093</b>	<b>3 967 004</b>	<b>–</b>	<b>30 664</b>	<b>940 425</b>
<b>Financial liabilities</b>						
Preference shares issued	–	–	–	–	–	–
Trade and other payables	1 238 051	1 238 051	1 238 051	–	–	–
Short-term borrowings and overdrafts	154 147	154 147	151 788	2 359	–	–
	<b>1 392 198</b>	<b>1 392 198</b>	<b>1 389 839</b>	<b>2 359</b>	<b>–</b>	<b>–</b>
<b>2010</b>						
<b>Financial assets</b>						
Available-for-sale investments	602 851	602 851	–	–	–	602 851
Other investments	73 267	73 267	–	–	73 142	125
Other non-current financial assets	31 906	–	–	–	–	31 906
Trade and other receivables	1 481 046	1 481 046	1 481 046	–	–	–
Cash deposits held by environmental trusts	57 927	57 927	57 927	–	–	–
Cash resources	1 849 982	1 849 982	1 849 982	–	–	–
	<b>4 096 979</b>	<b>4 065 073</b>	<b>3 388 955</b>	<b>–</b>	<b>73 142</b>	<b>634 882</b>
<b>Financial liabilities</b>						
Interest-bearing borrowings	6 345	6 345	–	3 612	2 733	–
Trade and other payables	1 006 078	1 006 078	1 006 078	–	–	–
Short-term borrowings and overdrafts	1 028 033	1 028 033	1 028 033	–	–	–
	<b>2 040 456</b>	<b>2 040 456</b>	<b>2 034 111</b>	<b>3 612</b>	<b>2 733</b>	<b>–</b>

### 26.3 Market risk

Market risk is defined as the risk that movements in market risk factors, in particular US dollar commodity prices and the US dollar/SA rand exchange rate will affect the group's revenue and operational costs as well as interest rate risk on the value of its holdings of financial instruments. The objective of the group's market risk management policy is to manage and control market risk exposures to minimise the impact of adverse market movements with respect to revenue protection and to optimise the funding of the business operations.

The group companies are responsible for the preparation and presentation of market risk information as it affects the relevant entity. Information is submitted to the Executive Committees where it is monitored and further analysed to be used in the decision-making process. The information submitted includes information on currency, interest rate and commodities and is used by the Executive Committees to determine the market risk strategy going forward. In addition, key market risk information is reported to the Executive Committees on a weekly basis and forecasts against budget are prepared for the entire group on a monthly basis.

## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

### 26. Financial risk management (continued)

#### 26.3 Market risk (continued)

##### Commodity price and currency risk

Commodity price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in metal and mineral prices. The group also has transactional foreign exchange exposures, which arise from sales or purchases by the group in currencies other than the group's functional currency. The group's markets are predominantly priced in US dollars and to a lesser extent in euros which exposes the group to the risk that fluctuations in the SA rand exchange rates may have an adverse effect on current or future earnings.

The group manages its commodity price risk where possible by entering into supply contracts with customers covering periods of between three months and a year, depending on the commodity traded. With respect to its exposure to foreign currency fluctuations, the group constantly reviews the extent to which its foreign currency receivables and payables are covered by forward exchange contracts taking into account changes in operational forecasts and market conditions and the group's hedging policy. No speculating in foreign currency is allowed within the group.

##### Interest rate risk

Interest rate risk arises due to adverse movements in domestic and foreign interest rates. The group is primarily exposed to downward interest rate movements on floating investments purchased and to upward movements on overdrafts and other banking facilities. There is no other exposure to fair value interest rate risk as all fixed rate financial instruments are measured at amortised cost.

The board determines the interest rate risk strategy based on economic expectations and recommendations received from the Executive Committees. Interest rates are monitored on an ongoing basis and the policy is to maintain short-term cash surpluses adequate to meet the group's ongoing cash flow requirements at floating rates of interest.

At the reporting date the interest rate profile of the group's interest-bearing financial instruments was as follows:

	2011 R'000	2010 R'000
<b>Variable rate instruments</b>		
<b>Liabilities</b>		
Finance leases (refer note 13)	2 359	6 345
Preference shares (included in short-term borrowings; refer note 18)	-	930 000
Overdrafts (refer note 18)	151 788	98 032
<b>Assets</b>		
Other non-current financial assets	53 051	31 906
Cash deposits held by environmental trusts per statement of financial position	70 292	57 927
Cash resources	2 264 442	1 849 982
<b>Fair value sensitivity analysis for fixed rate instruments</b>		
The group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not affect profit or loss.		
<b>Cash flow sensitivity analysis for variable rate instruments</b>		
An increase of 50 basis points in interest rates at the reporting date would have increased profit after tax by the amounts shown below. Net effect on profit or loss is equal but opposite for a 50 basis points increase in interest rates on the financial instruments. This assumes that all other variables remain constant and there is no impact on the group's equity.		
Variable rate instruments	7 911	6 663

**26. FINANCIAL RISK MANAGEMENT** (continued)**26.3 Market risk** (continued)

The group's exposure to currency risk at year-end was as follows:

Gross financial position exposure, relating to trade receivables

Estimated forecast sales

Net exposure

A 5% strengthening of the rand against the above currencies at 30 June would have decreased profit by the following amounts upon the revaluation of trade receivables:

A 5% weakening of the rand against the above currencies at 30 June would have had an equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

**Forward exchange commitments**

At year-end, a foreign subsidiary had forward commitments with regard to its inventory of ores, alloys and metals, which for accounting purposes are regarded as executory contracts and are therefore not included in the statement of financial position, but can be summarised as follows:

**Purchase contracts**

US dollar

**Sales contracts**

US dollar

2011		2010	
US dollar 000	Euro 000	US dollar 000	Euro 000
18 585	907	16 088	658
1 178 442	85 817	408 009	1 021
1 197 027	86 724	424 097	1 679
R'000	R'000	R'000	R'000
6 297	445	6 161	377

2011			2010		
Foreign currency nominal amount USD'000	Legal currency nominal amount R'000	Fair value R'000	Foreign currency notional amount USD'000	Legal currency notional amount R'000	Fair value R'000
12 700	86 058	86 058	4 300	32 933	32 933
29 100	285 762	285 762	25 600	196 065	196 065

## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

### 26. Financial risk management (continued)

#### 26.4 Fair value of financial assets and liabilities

The categorisation of each class of financial asset and liability, including their fair values, is included below:

Note	Available-for-sale investments R'000	Loans and receivables R'000	Liabilities at amortised cost R'000	Other assets and liabilities R'000	Total carrying value R'000	Fair value R'000
<b>2011</b>						
<b>Financial assets</b>						
Available-for-sale investments	5	887 248	–	–	887 248	887 248
Other investments	5	–	–	30 789	30 789	30 789
Other non-current financial assets	6	–	53 051	–	53 051	53 051
Trade and other receivables	8	–	1 632 270	–	1 632 270	1 632 270
Cash deposits held by environmental trusts		–	70 292	–	70 292	70 292
Cash resources	25.6	–	2 264 442	–	2 264 442	2 264 442
		<b>887 248</b>	<b>4 020 055</b>	<b>–</b>	<b>4 938 092</b>	<b>4 938 092</b>
<b>Financial liabilities</b>						
Interest-bearing borrowings	13	–	–	–	–	–
Trade and other payables	16	–	1 238 051	–	1 238 051	1 238 051
Short-term borrowings and overdrafts	18	–	154 147	–	154 147	154 147
		–	<b>1 392 198</b>	<b>–</b>	<b>1 392 198</b>	<b>1 392 198</b>
<b>2010</b>						
<b>Financial assets</b>						
Available-for-sale investments	5	602 851	–	–	602 851	602 851
Other investments	5	–	–	73 267	73 267	73 267
Other non-current financial assets	6	–	31 906	–	31 906	31 906
Trade and other receivables	8	–	1 481 046	–	1 481 046	1 481 046
Cash deposits held by environmental trusts		–	57 927	–	57 927	57 927
Cash resources	25.6	–	1 849 982	–	1 849 982	1 849 982
		<b>602 851</b>	<b>3 420 861</b>	<b>–</b>	<b>4 096 979</b>	<b>4 096 979</b>
<b>Financial liabilities</b>						
Interest-bearing borrowings	13	–	–	2 733	2 733	2 733
Trade and other payables	16	–	–	1 006 078	1 006 078	1 006 078
Short-term borrowings and overdrafts	18	–	–	1 031 645	1 031 645	1 031 645
		–	–	<b>2 040 456</b>	<b>2 040 456</b>	<b>2 040 456</b>

#### Determination of fair values

Quoted market prices at reporting date have been used to determine the fair value of available-for-sale investments. Where quoted, market prices were not available, a valuation technique, most commonly discounted cash flows, was used. For trade receivables and payables, the fair value was determined using the discounted cash flow method at market-related interest rate. Carrying amounts approximate fair value for all other financial assets and liabilities.

**26. Financial risk management** (continued)**26.4 Fair value of financial assets and liabilities** (continued)**Fair value hierarchy**

The group uses the following hierarchy of valuation techniques for determining the fair value of financial instruments measured at fair value:

Level 1: quoted prices in active markets for identical assets or liabilities when available

Level 2: other techniques using inputs that are observable, either directly or indirectly

Level 3: techniques using inputs that are not based on observable market data

2011 R'000	2010 R'000
<b>887 248</b>	602 851

Available-for-sale investments as above, measured at Level 1

**27. Capital management**

As the bulk of the group's sales are for export, the principal risks to which the group is exposed are movements in exchange rates and US dollar prices for the commodities in which it deals, mainly manganese, iron and chrome ores and to a lesser extent manganese and chrome alloys. All of these markets are priced principally in US dollars and these risks are to a large extent not controllable by the group other than by the use of hedging instruments.

The group holds mineral rights over resources with remaining lives which fluctuate in accordance with current commodity prices (refer "Mineral Resources and Reserves"). Decisions to exploit resources would be made at board level and only following the completion of a bankable feasibility study based on the current life of mine and estimated capital cost, operating cost and cost of finance, where required, to ensure that as far as possible the deposit can be mined on a sustainable basis to the end of its estimated life.

The board's policy is therefore to maintain a strong capital base so as to maintain stakeholder confidence and to sustain future development of the business. The group considers its capital to comprise total equity. The group may adjust its capital structure by way of issuing new shares and is dependent on its shareholders and its banking facilities for additional capital as required. The group manages its capital structure in light of changes in economic conditions and the board of directors monitors the capital adequacy, solvency and liquidity of the group on a continuous basis.

There were no changes in the group's approach to capital management during the year.



## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

	2011 R'000	2010 R'000
<b>28. Commitments</b>		
<b>Capital</b>		
Expenditure authorised and contracted for	<b>2 351 593</b>	2 678 910
Expenditure authorised but not contracted for	<b>335 220</b>	334 671
	<b>2 686 813</b>	3 013 581
Commitments will be financed from operating cash flows, undrawn committed borrowing facilities and project funding. The anticipated cash outflows with regard to the above commitments will be incurred in the following financial years:		
2011		1 594 224
2012	<b>2 597 908</b>	1 419 357
2013	<b>88 905</b>	–
	<b>2 686 813</b>	3 013 581
<b>Operating lease commitments</b>		
Future minimum rentals payable under non-cancellable operating leases over premises and equipment are payable as follows:		
Within one year	<b>587</b>	664
After one year but not more than five years	<b>196</b>	885
	<b>783</b>	1 549
<b>29. Contingent liabilities</b>		
<b>Holding company</b>		
Holding company guarantees issued to bankers as security for banking facilities provided to subsidiary companies	<b>338 813</b>	382 940
Performance guarantees issued to customers by subsidiary companies and joint-venture entity	<b>36 748</b>	85 178
	<b>375 661</b>	468 118
<b>Guarantee issued to bankers</b>		
The holding company has also issued guarantees to bankers to secure a short-term export finance agreement facility of R180 million (2010: 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. The facility was unused at year-end.		
<b>BEE transactions</b>		
Certain preference shares were issued as part of the BEE transaction entered into in 2006. If an event of default as defined in the contract is triggered in relation to the preference shares, the provisions of the relevant put option and call agreements entered into will become operative.		

	2011 R'000	2010 R'000
<b>30. Investment in joint-venture entity</b>		
50% (2010: 50%) interest in Assmang Limited (Assmang), which is controlled jointly in terms of the shareholders' agreement with African Rainbow Minerals Limited (ARM). The group financial statements include the following amounts relating to Assmang, which were proportionately consolidated:		
<b>Income statement</b>		
Turnover	9 537 471	6 434 857
Cost of sales	(5 008 510)	(4 160 472)
Gross profit	4 528 961	2 274 385
Other operating income	280 459	167 552
Other operating expenses	(587 089)	(440 136)
Income from investments	70 898	86 249
Finance costs	(12 729)	(7 175)
Profit before taxation and State's share of profits	4 280 500	2 080 875
<b>Statement of financial position</b>		
Property, plant, equipment and intangibles	7 570 914	6 035 177
Other investments	–	45 107
Other non-current financial assets	53 051	31 906
Current assets	4 713 372	3 828 680
Elimination of investment in joint-venture entity	(468 153)	(468 153)
Current liabilities – interest-bearing	2 359	3 612
– non-interest-bearing	1 146 466	1 048 138
Long-term borrowings – interest-bearing	–	2 733
Deferred taxation	2 060 661	1 648 598
Long-term provisions	203 884	194 534
Distributable reserves	8 455 815	6 575 100
<b>Cash flows</b>		
Cash retained from operating activities	2 413 202	763 043
Cash utilised in investing activities	(1 822 294)	(1 443 045)
Cash/(utilised in) generated by financing activities	(3 301)	1 444
Cash resources	1 531 539	943 933
<b>Commitments</b>		
Future capital expenditure:		
– contracted for	2 351 593	2 602 186
– not contracted for	335 220	334 671
	2 686 813	2 936 857
<b>Contingent liabilities</b>		
Contingent liabilities relating to the group's interest in the joint venture are referred to in note 29.		

### 31. Segmental information

The following segments are separately monitored by management and form the group's reportable segments:

#### Joint-venture mining and beneficiation

Assore's principal investment is its 50% share in Assmang Limited (Assmang).

Assmang's operations are managed by commodity mined, and where applicable, beneficiated at various works operations.

Accordingly, this segment is further analysed as follows:

- iron ore (Iron ore division);
- manganese ore and alloys (Manganese division); and
- chrome and charge chrome (Chrome division).

For purposes of presenting segmental information, disclosure is made of the entire value of the information pertaining to Assmang, with the portion attributable to the other joint-venture partner (50%) shown as part of the consolidation adjustments.

## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

### 31. Segmental information (continued)

#### Marketing and shipping

In terms of the joint-venture arrangement with Assmang, Assore and certain of its subsidiaries are responsible for the marketing and shipping of Assmang's product. In addition, another subsidiary provides consulting and engineering expertise to Assmang and other group companies.

#### Other mining and beneficiation

This segment contains the chrome operations managed by Rustenburg Minerals Development Company (Proprietary) Limited and Zeerust Chrome Mines Limited, as well as the pyrophyllite and ceramic operations by Wonderstone Limited.

	Joint-venture mining and beneficiation Iron ore division R'000	Manganese division R'000	Chrome division R'000	Sub-total R'000	Marketing and shipping R'000	Other mining and beneficiation R'000	Adjustments arising on consolidation* R'000	Total R'000
<b>Year to 30 June 2011</b>								
<b>Revenues</b>								
Third party	10 358 436	6 376 483	2 487 215	19 222 134	1 067 873	290 571	(9 400 543)	11 180 035
Inter-segment	-	-	-	-	628 448	3 388	(631 836)	-
Total revenues	10 358 436	6 376 483	2 487 215	19 222 134	1 696 321	293 959	(10 032 379)	11 180 035
Contribution to profit	4 650 908	1 369 738	(233 839)	5 786 807	408 983	(70 043)	(2 905 992)	3 219 755
Contribution to headline earnings	4 653 991	1 377 174	(233 844)	5 797 321	418 610	(85 333)	(2 911 249)	3 219 349
<b>Statement of financial position</b>								
Consolidated total assets	15 081 498	7 862 944	1 586 128	24 530 570	5 825 316	9 816 581	(25 140 513)	15 031 954
<b>Other information</b>								
Finance income	12 448	128 537	811	141 796	61 035	1 441	(70 898)	133 374
Finance costs	11 059	9 808	4 591	25 458	63 830	1 231	(12 729)	77 790
Depreciation, amortisation and impairment charges	592 661	287 119	147 806	1 027 586	18 059	24 406	(523 257)	546 793
Taxation	1 831 460	1 027 302	(84 573)	2 774 189	171 574	15 111	(1 394 350)	1 566 524
Capital expenditure	3 225 200	656 049	216 183	4 097 432	32 637	110 228	(2 048 716)	2 191 581
<b>Year to 30 June 2010</b>								
<b>Revenues</b>								
Third party	5 002 654	6 253 174	1 789 643	13 045 471	642 336	189 986	(6 312 211)	7 565 582
Inter-segment	-	-	-	-	422 223	2 240	(424 463)	-
Total revenues	5 002 654	6 253 174	1 789 643	13 045 471	1 064 559	192 226	(6 736 674)	7 565 582
Contribution to profit	1 436 649	1 480 222	(184 650)	2 732 221	163 318	(37 431)	(1 378 584)	1 479 524
Contribution to headline earnings	1 435 759	1 477 505	(184 649)	2 728 615	162 596	(20 225)	(1 376 781)	1 494 205
<b>Statement of financial position</b>								
Consolidated total assets	8 729 631	8 921 510	1 920 523	19 571 664	5 623 226	5 245 084	(18 089 975)	12 349 999
<b>Other information</b>								
Finance income	8 425	163 057	1 016	172 498	100 863	3 715	(86 249)	190 827
Finance costs	461	7 782	6 107	14 350	107 567	8 891	(7 175)	123 633
Depreciation and amortisation	544 301	250 073	142 071	936 445	2 876	28 946	(450 898)	517 369
Taxation	575 229	914 259	(59 962)	1 429 526	106 316	1 884	(714 763)	822 963
Capital expenditure	2 304 067	743 498	288 571	3 336 136	33 596	59 425	(1 668 068)	1 761 089

\* Adjustments arising on consolidation mainly represent the 50% share in Assmang attributable to the other joint-venture party.

**31. Segmental information** (continued)**Geographical information****Geographical segment by location of customers**

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

**Customers by locations**

Far East
Europe
USA
South Africa
Other – foreign
Sub-total <sup>1</sup>
Eliminated on proportionate consolidation <sup>2</sup>

<b>Group revenue by segment 2011 R'000</b>	Group revenue by segment 2010 R'000
<b>14 261 503</b>	8 147 495
<b>2 097 817</b>	2 649 638
<b>2 068 761</b>	1 169 836
<b>2 284 831</b>	903 112
<b>140 163</b>	1 322 247
<b>20 853 075</b>	14 192 328
<b>(9 673 040)</b>	(6 535 796)
<b>11 180 035</b>	7 656 532

Note:

There are no individual customers from whom 10% or more of revenue has been realised.

<sup>1</sup> Included in the sub-total of revenue for 2010, is revenue from one customer amounting to R2 304 million.

<sup>2</sup> The revenue is reflected at 100%, with 50% eliminated upon its proportionate consolidation (refer note 30).

Segmental analysis has not been provided with regard to capital expenditure as 99,99% of the group's property, plant and equipment is located in the Republic of South Africa.

**32. 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:

**Joint venture partner**

African Rainbow Minerals Limited  
– commissions paid by subsidiary company

**Joint venture company**

Assmang Limited (refer note 30)  
– gross commissions received  
– amounts payable to related parties at year-end  
– amounts receivable from related parties at year-end  
Refer note 30 for details of the joint-venture entity

**Subsidiary companies**

Remuneration of key management personnel of the group

**Foreign subsidiary**

Minerais U.S. LLC  
– commissions received  
– amounts receivable from related parties at year-end

<b>2011 R'000</b>	2010 R'000
<b>85 568</b>	73 139
<b>313 370</b>	439 907
<b>87 029</b>	61 088
<b>23 391</b>	42 347
<b>128 731</b>	107 147
<b>20 831</b>	17 683
<b>33 679</b>	46 359

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 steelmaking industry.

Refer note 29 for details of security and guarantees provided on behalf of related parties.

## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

### 33. Retirement benefit information

#### 33.1 Pensions

##### *Defined benefit – Assore Pension Fund*

In terms of the Pensions Fund Act, the Assore Pension Fund is actuarially valued every three years. The most recently completed statutory actuarial valuation of the fund was performed as at 1 July 2008 and revealed a 100,3% funding level. An interim funding check was performed for funding purposes as at 30 June 2011 which revealed a 91,4% funding level (2010: 93,9%). The financial positions at the year-end dates are set out below:

	2011 R'000	2010 R'000
Change in defined benefit obligation		
Benefit obligation at beginning of year	268 974	249 886
Current service cost	15 626	13 643
Interest cost	25 625	23 239
Actuarial (gain)/loss – experience	(5 804)	2 432
Actuarial loss/(gain) – assumptions	25 795	(10 042)
Benefits paid	(59 720)	(10 184)
Benefit obligation at end of year	270 496	268 974
Change in plan assets		
Fair value of plan assets at beginning of year	252 697	222 851
Expected return on plan assets	24 006	20 430
Actuarial (loss)/gain on plan assets – experience and assumptions	9 738	5 104
Employer contribution	15 186	9 664
Employees' contributions	5 415	4 832
Benefits paid	(59 720)	(10 184)
Fair value of plan assets at end of year	247 322	252 697
Net unfunded position	(23 174)	(16 277)
Unrecognised actuarial losses	23 174	24 447
Net pension fund asset (2010: no asset recognised)	–	8 170
Components of periodic expense		
Current service cost	15 626	13 643
Interest cost	25 625	23 239
Expected return on plan assets	(24 006)	(20 430)
Amortisation of actuarial loss	11 526	653
Net pension cost	28 771	17 105



### 33. Retirement benefit information (continued)

#### 33.1 Pensions (continued)

##### **Defined benefit – Assore Pension Fund** (continued)

The allocation of plan assets is as follows:

	2011 %	2010 %
Equity securities	68	63
Debt securities	27	32
Other (cash in current accounts as awaiting investment)	5	5
<b>Total</b>	<b>100</b>	<b>100</b>
The principal actuarial assumption for the valuations include:		
Expected return on assets	9,10	9,50
Post-retirement interest rate	4,20	4,60
Price inflation rate	6,51	6,50
Salary inflation rate	7,50	7,50
Pension increases	4,88	4,85
	<b>R'000</b>	<b>R'000</b>
Expected benefit payment next year	11 000	13 000
Experience adjustments – losses on plan assets and liabilities	5 804	25 804
Actual return/(deficit) on assets	33 744	(2 432)

##### **Other assumptions**

Active mortality – Nil.

Pensioner mortality PA (90) – ultimate table, adjusted for two years' additional longevity since the previous year-end.

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 funds – subsidiary companies**

Certain employees are members of a defined contribution fund, and funds are contributed on an agreed basis between the employer and employees at a rate of 15% of payroll. Contributions expensed in the year amounted to R1,6 million (2010: R1,4 million).

##### **Assmang pension and provident funds**

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.

Contributions to the funds are 15,0% of payroll, split on an agreed basis between members and the employer. The amount expensed in this regard in the current year was R44,2 million (2010: R34,8 million).

## Notes to the consolidated financial statements continued

for the year ended 30 June 2011

### 33. Retirement benefit information (continued)

#### 33.2 Medical aid

##### *Subsidiary companies*

Subsidiary companies within the group had 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 group companies amounted to R3,9 million (2010: R3,8 million).

##### *Joint-venture entity*

The joint-venture entity, Assmang, 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 recognised in the statement of financial position.

The following table summarises the components of the net increase/(decrease) in provision recognised in the income statement of the joint-venture entity:

	<b>2011</b>	2010
	<b>R'000</b>	R'000
Current service cost	<b>543</b>	498
Interest cost on benefit obligation	<b>2 125</b>	1 886
Benefits	<b>(769)</b>	(709)
Net actuarial loss/(gain) recognised during the year	<b>605</b>	(1 776)
Net increase/(decrease) in provision for the year	<b>2 504</b>	(101)

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

- a net discount rate of 1,00% per annum;
- an increase in healthcare costs at a rate of 9,11% per annum;
- assumed rate of return on assets at 10,2% per annum.

The liabilities raised are based on the present values of the post-retirement benefits and have been recognised in full, based on an actuarial valuation at 30 June 2011.

The provisions raised in respect of post-retirement healthcare benefits amounted to R23,7 million (2010: R21,2 million) at the end of the year. As shown above, an amount of R2,5 million was charged to the income statement in the current year (2010: R0,1 million credited to income), as a result of the increase in the obligation.

Medical aid contributions paid on behalf of current members of staff and pensioners by the joint-venture entity during the year amounted to R63,2 million (2010: R48,5 million).

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## Company statement of financial position

as at 30 June 2011

	Note	2011 R'000	2010 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in group companies	1	1 971 999	1 982 799
Available-for-sale investments	2	887 374	602 976
Loans to group companies	1	635 938	635 932
		<b>3 495 311</b>	<b>3 221 707</b>
<b>Current assets</b>			
Other receivables		17 481	2 883
Cash resources		20 196	495 493
		<b>37 677</b>	<b>498 376</b>
<b>Total assets</b>		<b>3 532 988</b>	<b>3 720 083</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	3	698	698
Share premium	4	264 092	264 092
Retained earnings		2 063 731	1 582 091
Other reserves	5	455 011	246 603
Total equity		<b>2 783 532</b>	<b>2 093 484</b>
<b>Non-current liabilities</b>			
Loans from group companies	1	628 039	628 039
Deferred taxation	6	73 821	39 893
		<b>701 860</b>	<b>667 932</b>
<b>Current liabilities</b>			
Other payables		31 434	17 784
Taxation		1 564	7 361
Amounts due to group companies		14 598	3 522
Short-term borrowings	7	–	930 000
		<b>47 596</b>	<b>958 666</b>
<b>Total equity and liabilities</b>		<b>3 532 988</b>	<b>3 720 083</b>

## Company income statement

for the year ended 30 June 2011

	Note	2011 R'000	2010 R'000
<b>Revenue</b>	8	<b>1 156 285</b>	584 614
Income from investments		1 156 285	584 614
Discount on redemption of preference shares		22 945	–
Preference share redemption fee		12 500	
Administrative expenses		(4 788)	(11 334)
Reversal of impairment of loan made to wholly owned subsidiary		–	539 718
Finance costs		(56 337)	(106 201)
Profit before taxation	9	<b>1 130 605</b>	1 006 797
Taxation	10	<b>34 694</b>	24 010
<b>Profit for the year</b>		<b>1 095 911</b>	982 787
Dividends declared per share (cents)	11	<b>340</b>	300

## Company statement of comprehensive income

for the year ended 30 June 2011

	2011 R'000	2010 R'000
<b>Profit for the year (as above)</b>	<b>1 095 911</b>	982 787
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>208 409</b>	143 702
Net gain/(loss) on revaluation of available-for-sale investments to market value	242 336	167 095
Deferred capital gains tax	(33 927)	(23 393)
<b>Total comprehensive income for the year, net of tax</b>	<b>1 304 320</b>	1 126 489



## Company statement of cash flow

for the year ended 30 June 2011

	Note	2011 R'000	2010 R'000
<b>Cash retained from operating activities</b>		<b>473 717</b>	13 767
Cash generated by operating activities		<b>1 157 055</b>	490 048
Cash generated by/(utilised in) operations	12.1	<b>18 157</b>	(11 235)
Investment income	12.2	<b>1 128 849</b>	517 919
Movements in working capital	12.3	<b>10 049</b>	(16 636)
Interest income		<b>27 436</b>	66 695
Finance costs		<b>(56 337)</b>	(106 201)
Taxation paid	12.4	<b>(40 491)</b>	(21 601)
Dividends paid	12.5	<b>(613 945)</b>	(415 174)
<b>Cash utilised in investing activities</b>		<b>(42 062)</b>	(1 507 896)
Investment in group companies		–	(1 512 206)
Redemption of shares by group companies		–	25 000
Acquisition of available-for-sale investments		<b>(42 062)</b>	(20 690)
<b>Cash (utilised in)/generated by financing activities</b>		<b>(906 953)</b>	1 056 895
Shares issued during the year		–	233 743
Short-term finance repaid		<b>(906 946)</b>	(500 000)
Movement in group company balances		<b>(7)</b>	1 323 152
<b>Cash resources</b>			
– decrease for the year		<b>(475 297)</b>	(437 234)
– at beginning of year		<b>495 493</b>	932 727
– at end of year		<b>20 196</b>	495 493

## Company statement of changes in equity

for the year ended 30 June 2011

	2011 R'000	2010 R'000
<b>Share capital</b>		
Balance at beginning of year	698	689
Ordinary shares issued	–	9
Balance at end of year	<b>698</b>	698
<b>Share premium</b>		
Balance at beginning of year	264 092	30 358
Arising on issue of ordinary shares	–	233 734
Balance at end of year	<b>264 092</b>	264 092
<b>Other reserves</b>		
Balance at beginning of year	246 603	102 901
Other comprehensive income – after tax gain on revaluation of available-for-sale investment	<b>208 408</b>	143 702
Balance at end of year	<b>455 011</b>	246 603
<b>Retained earnings</b>		
Balance at beginning of year	<b>1 582 091</b>	1 014 529
Profit for the year	<b>1 095 911</b>	982 886
Ordinary dividends declared during the year		
Final dividend No 107 of 240 cents (2010: 200 cents) per share – declared on 1 September 2010	<b>(335 057)</b>	(275 717)
Interim dividend No 108 of 200 cents (2010: 100 cents) per share – declared on 16 February 2011	<b>(279 214)</b>	(139 607)
Balance at end of year	<b>2 063 731</b>	1 582 091
<b>Share capital and reserves at year-end per statement of financial position</b>	<b>2 783 532</b>	2 093 484

## Notes to the company financial statements

for the year ended 30 June 2011

	2011 R'000	2010 R'000
<b>1. Investment in group companies</b>		
Joint-venture entity (refer below)	468 153	468 153
Subsidiary companies (refer below)	1 503 846	1 514 646
	<b>1 971 999</b>	1 982 799
<b>Investment in joint-venture entity</b>		
Assmang Limited		
1 774 103 (2010:1 774 103) ordinary shares at cost	468 153	468 153
Directors' valuation	30 650 717	19 265 766
<b>Investment in subsidiary companies</b> (refer note 13)		
Shares at cost	1 503 846	1 514 646
<b>Amounts due by/(to) subsidiary companies</b>		
Loan accounts receivable	635 938	594 330
Loan accounts payable	(628 039)	(628 039)
Current accounts (payable)/receivable	(14 598)	38 080
Per note 13	(6 699)	4 371
<b>2. Available-for-sale investments</b>		
Listed – at market value		
Balance at beginning of year	602 851	415 066
Purchases at cost	42 062	20 690
Fair value adjustment for the year	242 336	167 095
Balance at end of year	887 249	602 851
Unlisted – at cost and directors' valuation	125	125
Per statement of financial position	887 374	602 976
Listed – at cost	358 417	316 355
Fair value adjustment transferred to other reserves (refer note 5)	528 832	286 496
As above	887 249	602 851
<b>3. Share capital</b>		
<b>Authorised</b>		
200 000 000 (2010: 200 000 000) ordinary shares of 0,5 cents each	1 000	1 000
<b>Issued</b>		
At beginning of year (139 607 000 (2010: 137 858 260)) ordinary shares of 0,5 cents each	698	689
Shares issued during the prior year (1 748 735 ordinary shares of 0,5 cents each) in terms of the authority granted at a general meeting held on 19 January 2010	–	9
At end of year (139 607 000 (2010: 139 607 000) ordinary shares of 0,5 cents each)	698	698
<b>4. Share premium</b>		
Balance at beginning and end of year	264 092	30 358
Arising on shares issued during the year (refer note 3)	–	233 734
Balance at end of year	264 092	264 092

	2011 R'000	2010 R'000
<b>5. Other reserves</b>		
Surplus on the revaluation to fair value of available-for-sale investments (refer note 2)	528 832	286 496
Less: Deferred capital gains taxation	(73 821)	(39 893)
	<b>455 011</b>	246 603
<b>6. Deferred taxation</b>		
Balance at beginning of year	39 893	16 500
Arising on the revaluation of available-for-sale investments at year-end (refer note 5)	33 928	23 393
Balance at end of year	<b>73 821</b>	39 893
<b>7. Short-term borrowings</b>		
220 redeemable cumulative variable rate preference shares issued to SBSA on 15 September 2008, which are required to be redeemed annually in tranches of at least R500 million, commencing on the last day of February in 2010. Preference dividends accrued at a rate linked to the prime lending rate applied by SBSA.		
Balance at beginning of year (93 shares (2010: 143 shares))	930 000	1 430 000
Shares redeemed during the year (93 shares (2010: 50 shares))	(930 000)	(500 000)
Balance at end of year (nil (2010: 93 shares))	–	930 000
<b>8. Revenue</b>		
Revenue comprises:		
Dividends received	1 128 849	517 919
Interest received	27 436	66 695
	<b>1 156 285</b>	584 614
<b>9. Profit before taxation</b>		
Profit before taxation is stated after taking into account the following items of income and expenditure:		
<b>Income</b>		
Dividends received:	1 128 849	517 919
– Joint-venture entity	1 000 000	500 149
– Preference dividend received from subsidiary company	92 644	–
– Available-for-sale investments	36 205	17 770
Interest received	27 436	66 695
Preference dividend accrual adjustment	–	2 955
<b>Expenditure</b>		
Auditors' remuneration – fees	101	101
Directors' remuneration – paid by subsidiary	76 369	54 785
– fees	1 134	1 059
– other services	75 235	53 726

## Notes to the company financial statements continued

for the year ended 30 June 2011

	2011 R'000	2010 R'000
<b>10. Taxation</b>		
South African normal tax		
– current year	11 147	18 970
– Secondary tax on companies	30 727	–
– Securities transfer taxation	1 220	–
– (over)/under provisions relating to prior years	(8 400)	5 040
	<b>34 694</b>	<b>24 010</b>
<b>Reconciliation of tax rate (%)</b>		
Statutory tax rate	28,00	28,00
Adjusted for:		
– dividend income	(27,96)	(14,29)
– exempt income	(1,56)	(11,63)
– prior year adjustment	(0,7)	–
– disallowable expenditure	1,02	–
– Secondary tax on companies	2,7	–
– Securities transfer taxation	0,1	–
– other	1,47	0,30
Effective tax rate	<b>3,07</b>	<b>2,38</b>
<b>11. Dividends</b>		
<b>Dividends declared during the year</b>		
Final dividend No 107 of 240 cents (2010: 200 cents) per share – declared on 1 September 2010	335 057	275 717
Interim dividend No 108 of 200 cents (2010: 100 cents) per share – declared on 16 February 2011	279 214	139 607
	<b>614 271</b>	<b>415 324</b>
Per share (cents)	<b>340</b>	<b>300</b>
<b>Dividends relating to the activities of the group for the year under review</b>		
Interim dividend No 108 of 200 cents (2010: 100 cents) per share – declared on 16 February 2011	279 214	139 607
Final dividend No 109 of 250 cents (2010: 240 cents) per share – declared on 24 August 2011	349 018	335 057
	<b>628 232</b>	<b>474 664</b>
Per share (cents)	<b>450</b>	<b>340</b>

	2011 R'000	2010 R'000
<b>12. Notes to the statement of cash flow</b>		
<b>12.1 Cash generated by/(utilised in) operations</b>		
Profit before taxation	1 130 605	1 006 797
Adjusted for:		
– Dividends received	(1 112 448)	(1 018 131)
– Interest received	(1 128 849)	(517 919)
– Discount on redemption of preference shares	(27 436)	(66 695)
– Impairment of loan made to wholly owned subsidiary	(12 500)	–
– Finance costs	–	(539 718)
	56 337	106 201
	18 157	(11 235)
<b>12.2 Investment income</b>		
Received during the year	1 128 849	517 919
<b>12.3 Movements in working capital</b>		
Increase in other receivables	(14 598)	(2 750)
Increase in amounts owing by group companies	11 076	3 333
Increase/(decrease) in other payables	13 571	(17 219)
	10 049	(16 636)
<b>12.4 Taxation paid</b>		
Unpaid at beginning of year	(7 361)	(4 952)
Charged to the income statement	(34 694)	(24 010)
Unpaid at end of year	1 564	7 361
	(40 491)	(21 601)
<b>12.5 Dividends paid</b>		
Unpaid at beginning of year	(245)	(95)
Declared during the year	(614 271)	(415 324)
Unpaid at end of year	571	245
	(613 945)	(415 174)



## Notes to the company financial statements continued

for the year ended 30 June 2011

	Issued share capital 2011/2010 R	Direct interest in share capital 2011/2010 %	Shares at cost		Amounts due by/(to) subsidiary companies	
			2011 R'000	2010 R'000	2011 R'000	2010 R'000
<b>13. Interest of the company in its subsidiary companies</b>						
<b><i>Incorporated in South Africa</i></b>						
<b>Ordinary shares</b>						
African Mining and Trust Company Limited	1 000 000	100	1 200	1 200	(14 598)	38 080
Ceramox (Proprietary) Limited	100	100	1 124	1 124	-	-
Erven 40 and 41 Illovo (Proprietary) Limited	100	100	-	-	-	-
Erven 27 and 28 Illovo (Proprietary) Limited	100	100	-	-	-	-
Erf 1263 Parkview Extension 1 (Proprietary) Limited	1	100	-	-	-	-
General Nominees (Proprietary) Limited^	4	100	-	-	-	-
Main Street 460 (Proprietary) Limited*	-	100	-	-	-	-
Ore & Metal Company Limited	100 000	100	105	105	(628 039)	(628 039)
Rustenburg Minerals Development Company (Proprietary) Limited*	232 143	-	232 143	232 143	-	-
Wonderstone Limited	10 000	100	10	10	-	-
Wonderstone 1937 Limited^*	45 940	-	35	35	-	-
Xertech (Proprietary) Limited	100	100	-	-	-	-
Zeerust Chrome Mines Limited	1 300 000	100	1 114	1 114	-	-
<b>Preference shares</b>						
Main Street 350 (Proprietary) Limited	99#	100#	1 501 406	1 512 206	635 938	594 330
<b><i>Incorporated in Namibia</i></b>						
Krantzberg Mines Limited^	500 000	100	-	-	-	-
<b><i>Incorporated in Mozambique</i></b>						
Amhold Limitada^	2	100	-	-	-	-
<b><i>Incorporated in the United States of America</i></b>						
Minerais U.S. LLC*	17 756 100	51	11 418	11 418	-	-
			<b>1 748 655</b>	1 759 455	<b>(6 699)</b>	4 371
Less – held indirectly			<b>(243 696)</b>	(243 696)		
– provided against			<b>(1 113)</b>	(1 113)		
Per note 1			<b>1 503 846</b>	1 514 646	<b>(6 699)</b>	4 371

^ Dormant companies.

\* Held indirectly.

# Less than R1 000.

## 14. Financial risk management

The company is exposed to various financial risks due to the nature and diversity of its activities and the use of various financial instruments. These risks include:

- credit risk
- liquidity risk
- market risk

Details of the company's exposure to each of the above risks and its objectives, policies and processes for measuring and managing these risks are included specifically in this note and more generally throughout the company's financial statements together with information regarding management of capital.

The board of directors, which meets at least four times per year, has overall responsibility for the establishment and oversight of the company's risk management framework and is responsible for the development and monitoring of risk management policies within the company. The company's risk management policies are established to identify and analyse the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

The roles and responsibilities of the company's management:

- approval of all counterparties;
- approval of new instruments;
- approval of the company's foreign exchange transaction policy;
- approval of the investment policy;
- approval of treasury policy; and
- approval of long-term funding requirements.

The company also has an Internal Audit function, which undertakes regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

### 14.1 Credit risk

#### **Credit exposure and concentrations of credit risk**

The carrying amount of financial assets represents the maximum credit exposure at the reporting date and the following table indicates various concentrations of credit risk for all non-derivative financial assets held:

	2011 R'000	2010 R'000
Other receivables – local	17 481	2 883

Aged as follows:

	2011				2010			
	Receivables not impaired R'000	Receivables impaired R'000	Impairment amount R'000	Carrying value R'000	Receivables not impaired R'000	Receivables impaired R'000	Impairment amount R'000	Carrying value R'000
Not past due, not impaired	17 481	–	–	17 481	2 883	–	–	2 883

#### **Security held over non-derivative financial assets**

Other receivables are unsecured and overdue amounts are individually assessed and if it is evident that an amount will not be recovered, it is impaired and legal action is instituted to recover the amounts.

## Notes to the company financial statements continued

for the year ended 30 June 2011

### 14. Financial risk management (continued)

#### 14.2 Liquidity risk

The board manages the liquidity structure of the company's assets, liabilities and commitments so as to ensure that cash flows are sufficiently balanced within the company as a whole.

Surplus funds are deposited on call.

The borrowing capacity of the company is determined by its Memorandum of Incorporation in terms of which there is no restriction on its borrowing powers.

#### *Exposure to liquidity risk*

The following are the cash flows of the company's financial assets and liabilities at year-end as determined by contractual maturity date including interest receipts and payments but excluding the impact of any netting agreements with the third parties concerned.

	Carrying amount R'000	Less than 4 months R'000	Between 4 and 12 months R'000	Between 1 and 5 years R'000	More than 5 years R'000
<b>2011</b>					
<b>Financial assets</b>					
Investment in group companies	1 971 999	–	–	–	1 971 999
Available-for-sale investments	887 374	–	–	–	887 374
Loans to group companies	635 938	–	–	–	635 938
Other receivables	17 481	17 481	–	–	–
Cash resources	20 196	20 196	–	–	–
	<b>3 532 988</b>	<b>37 677</b>	<b>–</b>	<b>–</b>	<b>3 495 311</b>
<b>Financial liabilities</b>					
Loans from group companies	628 039	–	–	628 039	–
Other payables	31 434	31 434	–	–	–
Amounts due to group companies	14 598	14 598	–	–	–
Short-term borrowings	–	–	–	–	–
	<b>674 071</b>	<b>46 032</b>	<b>–</b>	<b>628 039</b>	<b>–</b>
<b>2010</b>					
<b>Financial assets</b>					
Investment in group companies	1 982 799	–	–	–	1 982 799
Available-for-sale investments	602 976	–	–	–	602 976
Loans to group companies	635 932	–	–	–	635 932
Other receivables	2 883	2 883	–	–	–
Cash resources	495 493	495 493	–	–	–
	<b>3 720 083</b>	<b>498 376</b>	<b>–</b>	<b>–</b>	<b>3 221 707</b>
<b>Financial liabilities</b>					
Loans from group companies	628 039	–	–	628 039	–
Other payables	17 784	17 784	–	–	–
Amounts due to group companies	3 522	3 522	–	–	–
Short-term borrowings	930 000	930 000	–	–	–
	<b>1 579 345</b>	<b>951 306</b>	<b>–</b>	<b>628 039</b>	<b>–</b>

## 14. Financial risk management (continued)

### 14.3 Market risk

Market risk is defined as the risk that movements in market risk factors will affect the company's revenue and operational costs as well as the value of its holdings of financial instruments. The objective of the company's market risk management policy is to manage and control market risk exposures to minimise the impact of adverse market movements with respect to revenue protection and to optimise the funding of the business operations.

Market risk information is prepared and submitted to the board where it is monitored and further analysed to be used in the decision-making process. The information submitted includes information on currency and interest rates and is used by the company's management to determine the market risk strategy going forward. In addition, key market risk information is reported to the Executive Committee on a weekly basis and forecasts against budget are prepared on a monthly basis.

#### Interest rate risk

Interest rate risk arises due to adverse movements in domestic and foreign interest rates. The company is primarily exposed to downward interest rate movements on floating investments purchased and to upward movements on overdrafts and other borrowings. There is no other exposure to fair value interest rate risk as all fixed rate financial instruments are measured at amortised cost.

The board determines the interest rate risk strategy based on economic expectations and recommendations received from the Executive Committee. Interest rates are monitored on a regular basis and the policy is to maintain short-term cash surpluses at floating rates of interest.

At the reporting date the interest rate profile of the company's interest-bearing financial instruments was as follows:

	2011 R'000	2010 R'000
<b>Variable rate instruments</b>		
Liabilities		
Short-term borrowings	–	930 000
Assets		
Cash and cash equivalents	<b>20 196</b>	495 493
<b>Fair value sensitivity analysis for fixed rate instruments</b>		
The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not affect profit or loss.		
<b>Cash flow sensitivity analysis for variable rate instruments</b>		
An increase of 50 basis points in interest rates at the reporting date would have decreased profit after tax by the amounts shown below. This assumes that all other variables remain constant. There is no impact on the company's equity.		
Variable rate instruments	<b>73</b>	1 890

Net effect on profit or loss is equal but opposite for a 50 basis points increase on the financial instruments listed above.

## Notes to the company financial statements continued

for the year ended 30 June 2011

### 14. Financial risk management (continued)

#### 14.4 Fair value of financial assets and liabilities

The categorisation of each class of financial asset and liability, including their fair values, are included below:

Note	Available-for-sale investments R'000	Loans and receivables R'000	Liabilities at amortised cost R'000	Other assets and liabilities R'000	Total carrying value R'000	Fair value R'000
<b>2011</b>						
<b>Financial assets</b>						
Investment in group companies	1	–	–	1 971 999	1 971 999	1 971 999
Available-for-sale investments	2	887 249	–	125	887 374	887 374
Loans to group companies		–	635 938	–	635 938	635 938
Other receivables		–	17 481	–	17 481	17 481
Cash resources		–	20 196	–	20 196	20 196
		<b>887 249</b>	<b>673 615</b>	<b>–</b>	<b>1 972 124</b>	<b>3 532 988</b>
					<b>3 532 988</b>	<b>3 532 988</b>
<b>Financial liabilities</b>						
Loans from group companies		–	628 039	–	628 039	628 039
Other payables		–	31 434	–	31 434	31 434
Amounts due to group companies		–	14 598	–	14 598	14 598
Short-term borrowings	7	–	–	–	–	–
		–	–	674 071	674 071	674 071
<b>2010</b>						
<b>Financial assets</b>						
Investment in group companies	1	–	–	1 982 799	1 982 799	1 982 799
Available-for-sale investments	2	602 851	–	125	602 976	602 976
Loans to group companies		–	635 932	–	635 932	635 932
Other receivables		–	2 883	–	2 883	2 883
Cash resources		–	495 493	–	495 493	495 493
		<b>602 851</b>	<b>1 134 308</b>	<b>–</b>	<b>1 982 924</b>	<b>3 720 083</b>
					<b>3 720 083</b>	<b>3 720 083</b>
<b>Financial liabilities</b>						
Loans from group companies		–	628 039	–	628 039	628 039
Other payables		–	17 784	–	17 784	17 784
Amounts due to group companies		–	3 522	–	3 522	3 522
Short-term borrowings		–	930 000	–	930 000	930 000
		–	1 579 345	–	1 579 345	1 579 345

## 14. Financial risk management (continued)

### 14.4 Fair value of financial assets and liabilities (continued)

#### Determination of fair values

Quoted market prices at reporting date have been used to determine the fair value of loans and receivables and interest-bearing borrowings. Where quoted market prices are not available, a valuation technique, most commonly discounted cash flows, was used. For other receivables and payables, the fair value was determined using the discounted cash flow method at market related interest rate. Carrying amounts approximate fair value for all other financial assets and liabilities.

#### Fair value hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active markets for identical assets or liabilities when available

Level 2: other techniques using inputs that are observable, either directly or indirectly

Level 3: techniques using inputs that are not based on observable market data

2011 R'000	2010 R'000
887 374	602 851

Available-for-sale investments as above measured at Level 1

## 15. Capital management

The company holds interests in companies that own mineral rights over resources with remaining lines which vary in accordance with current prices (refer "Mineral Resources and Reserves"). Decisions to exploit resources would be made at board level and only following the completion of a bankable study based on the current life of mine and estimated capital cost, operating cost and cost of finance, where required, so that the deposit can be mined on a sustainable basis to the end of its estimated life.

The board's policy is therefore to maintain a strong capital base so as to maintain stakeholder confidence and to sustain future development of the business. The company considers its capital to comprise total equity. The company may adjust its capital structure by way of issuing new shares and is dependent on its shareholders for additional capital as required. The company manages its capital structure in light of changes in economic conditions and the board of directors monitors the capital adequacy, solvency and liquidity of the company on a continuous basis.

There were no changes in the group's approach to capital management during the year.

2011 R'000	2010 R'000
338 813	382 940

## 16. Contingent liabilities

#### Guarantees

Guarantees issued to bankers as security for facilities provided to subsidiary companies

#### Joint-venture entity

The company has issued guarantees to bankers to secure a short-term export finance agreement facility of R180 million (2009: R180 million). The facility is primarily utilised for and on behalf of Assmang in which the company 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 transactions

Certain preference shares were issued as part of the BEE transaction entered into in 2006. If an event of default as defined in the contract is triggered in relation to the preference shares, the provisions of the relevant put option and call agreements entered into will apply.



## Corporate information

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### Executive directors

Desmond Sacco (Chairman)\*  
CJ Cory (Chief Executive Officer)  
PC Crous (Group Technical Director)

### Non-executive directors

EM Southey (Deputy Chairman and  
lead independent director)\*\*  
RJ Carpenter  
ZP Manase†  
DMJ Ncube†  
WF Urmson\*\*  
Dr JC van der Horst\*\*

### Alternate directors

PE Sacco (Alternate to Desmond Sacco)  
AD Stalker (Alternate to CJ Cory)  
BH van Aswegen (Alternate to PC Crous)

# Member of the Remuneration Committee

† Independent

\* Member of the Audit and Risk Committee

### 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](mailto:info@assore.com)

[www.assore.com](http://www.assore.com)

### Transfer secretaries and share transfer office

Computershare Investor  
Services (Proprietary) Limited  
70 Marshall Street  
Johannesburg, 2001

### Auditors

Ernst & Young Inc.  
Wanderers Office Park  
52 Corlett Drive  
Illovo  
Johannesburg, 2196

### Attorneys

Webber Wentzel  
10 Fricker Road  
Illovo Boulevard  
Johannesburg, 2196  
Norton Rose South Africa  
15 Alice Lane  
Sandton, 2196

### Bankers

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

### Corporate information

Assore Limited  
Incorporated in the Republic of South Africa  
Company registration number: 1950/037394/06  
Share code: ASR  
ISIN: ZAE000146932



