Overburden drilling at Khumani.

Contents

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).

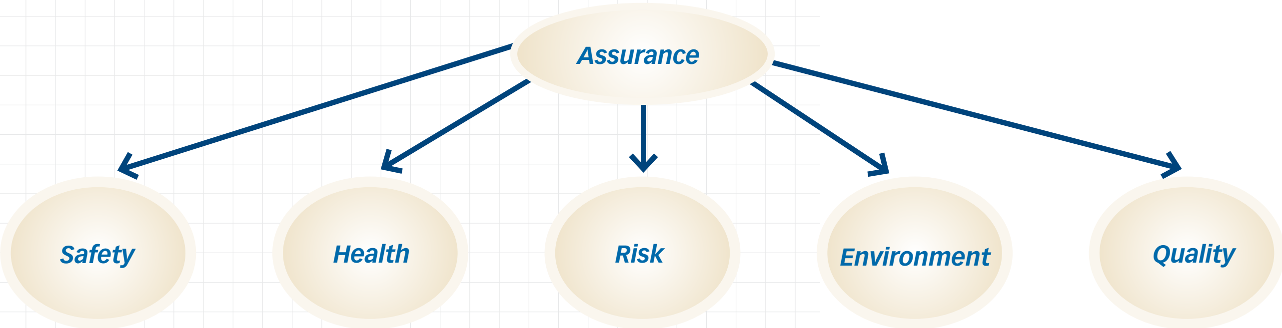
Besides the Assmang operations, the group also has interests in other chrome deposits and industrial minerals and maintains a portfolio of investments in other mining companies listed on the JSE Limited.

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) Codes of Good Practice, issued by the Department of Trade and Industry (DTI)	Pages 55 to 57 and throughout
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
	Provider	**Provider**	
Safety and Health	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
Risk	Sizwe Ntsaluba Gobodo	KPMG	COSO framework
Environment	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
Quality	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.

ASSORE

1928 – 1934

- Gloucester Manganese Mines (Postmasburg) Limited established by Guido Sacco in 1928.
- Formation of Ore & Metal Company Limited (1930) and African Mining and Trust Company Limited (AMT) in 1931.

1935 – 1939

- AMT partnered with Anglo Transvaal Consolidated Investment Company Limited (Anglovaal) now African Rainbow Minerals (ARM) to form The Associated Manganese Mines of South Africa Limited (Assmang).
- Acquisition of the Wonderstone Mine.
- Various prospecting activities and mining manganese deposit on farm Gloucester and adjoining farms.
- First export of manganese through Durban.

1940 – 1960

- Obtaining of mining lease at Black Rock where the first manganese ore was mined in 1940.
- Listing on JSE as The Associated Ore and Metal Corporation Limited in 1950.
- Ferralloys Limited incorporated in 1957.
- First production of ferromanganese at the Cato Ridge Works by Assmang (1959).
- First production of iron ore by Assmang at Beeshoek, and export through Durban (1960).
- Agency relationship with Sumitomo Corporation of Japan.

1961 – 1995

- First production of charge chrome at Machadodorp by Assmang (1971).
- Mining of chrome deposit at Rustenburg (Rustenburg Minerals Development Company (Proprietary) Limited) (1972).
- Commissioning of the Nchwaning Manganese Ore Mine (1973).
- Mining of chrome deposit at Zeerust (Zeerust Chrome Mines Limited).
- Gloria Manganese Ore Mine commissioned in 1979 and Nchwaning II mine came into production in 1981 and Nchwaning III in 2001.

1996 – 2001

- Beeshoek South Mine expansion commissioned in 1997. Cato Ridge Alloys (CRA), a joint venture to produce refined ferromanganese for export at Cato Ridge, between Assmang's Ferroalloys Limited and Japanese partners established in 1996.
- Mining of chrome deposit by Assmang at Dwarsrivier (1999).
- Change of name to Assore Limited, and twenty-for-one sub-division of ordinary shares.

2002 – 2005

- First production of manganese ore from Nchwaning III.
- Assmang's Khumani Iron Ore Mine established, following issue of new-order mining rights, and increase of production to 10 million sales tons per annum.
- First empowerment transaction in 2005, whereby 11,76% and 3,26% of Assore's shares respectively were sold to Shanduka Resources and the Bokamoso Trust.

2006 – present

- Acquisition of minorities in, and delisting of Assmang, and 50/50 joint-venture agreement with African Rainbow Minerals Limited (ARM) finalised in relation to Assmang's operations in 2006.
- Approval of the Khumani Expansion Project ("KEP") to increase iron ore output to 16 million tons per annum (2009).
- Conclusion of Second Empowerment Transaction in 2010, whereby a further effective 11,05% of Assore's shares were acquired by the Bokamoso Trust (refer "Black Economic Empowerment Status report").
- Five-for-one sub-division of ordinary shares in 2010.
- Conclusion of first phase of the Third Empowerment Transaction, whereby 11,78% of Assore shares have been bought back from Shanduka Resources for application in broad-based trusts, as part of the second phase of this transaction to be completed in due course (refer "Black Economic Empowerment Status report").

Location of markets

Organisational overview and activities continued

Group at a glance

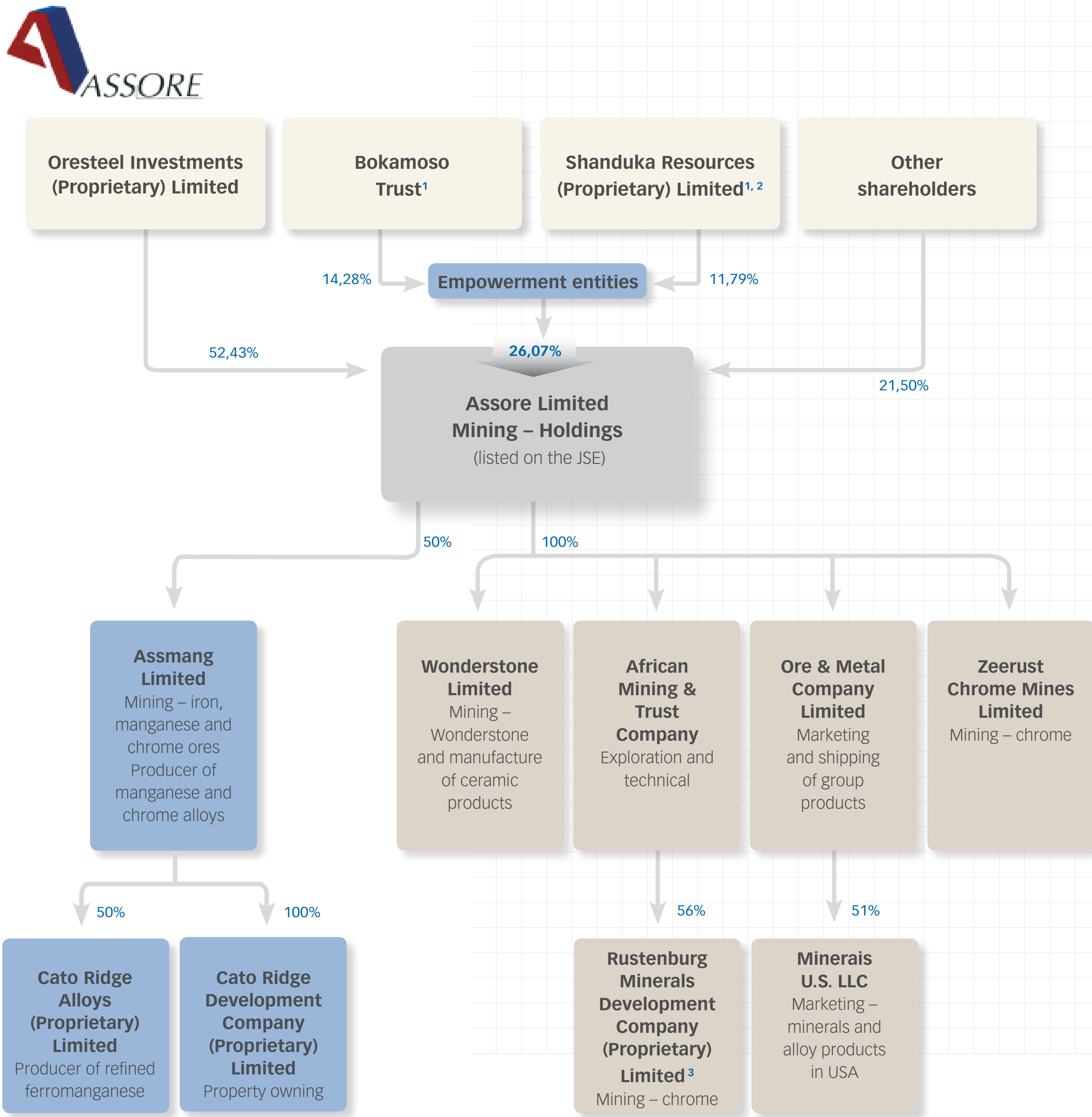
OPERATING ENTITIES	COMMODITY MINED	TYPE OF OPERATION
Joint-venture entity (Assmang)		
IRON ORE DIVISION	Iron ore *(see page 14)*	Mining, crushing, screening and dense medium jigging
MANGANESE DIVISION	Manganese *(see page 16)*	Mining, washing and screening of ore Smelting of ferromanganese Production of refined ferromanganese
CHROME ORE DIVISION	Chrome ore *(see page 17)*	Mining and concentrating of ore Pelletising of ore and smelting and production of ferrochrome
Subsidiary companies		
RUSTENBURG MINERALS DEVELOPMENT COMPANY	Chrome ore *(see page 17)*	Mining and concentrating of ore
ZEERUST CHROME MINES	Chrome ore *(see page 17)*	Mining and concentrating of ore of chrome
WONDERSTONE	Wonderstone *(see page 18)*	Mining and beneficiation of Wonderstone and manufacture of ceramic products
ORE & METAL COMPANY	Non-mining operation	Marketing, sales and shipping of products (see page 19)
MINERAIS U.S. LLC	Non-mining operation	Marketing of minerals and alloys in USA (see page 19)
AFRICAN MINING AND TRUST COMPANY	Non-mining operation	Operational management, exploration and technical adviser (see page 19)

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



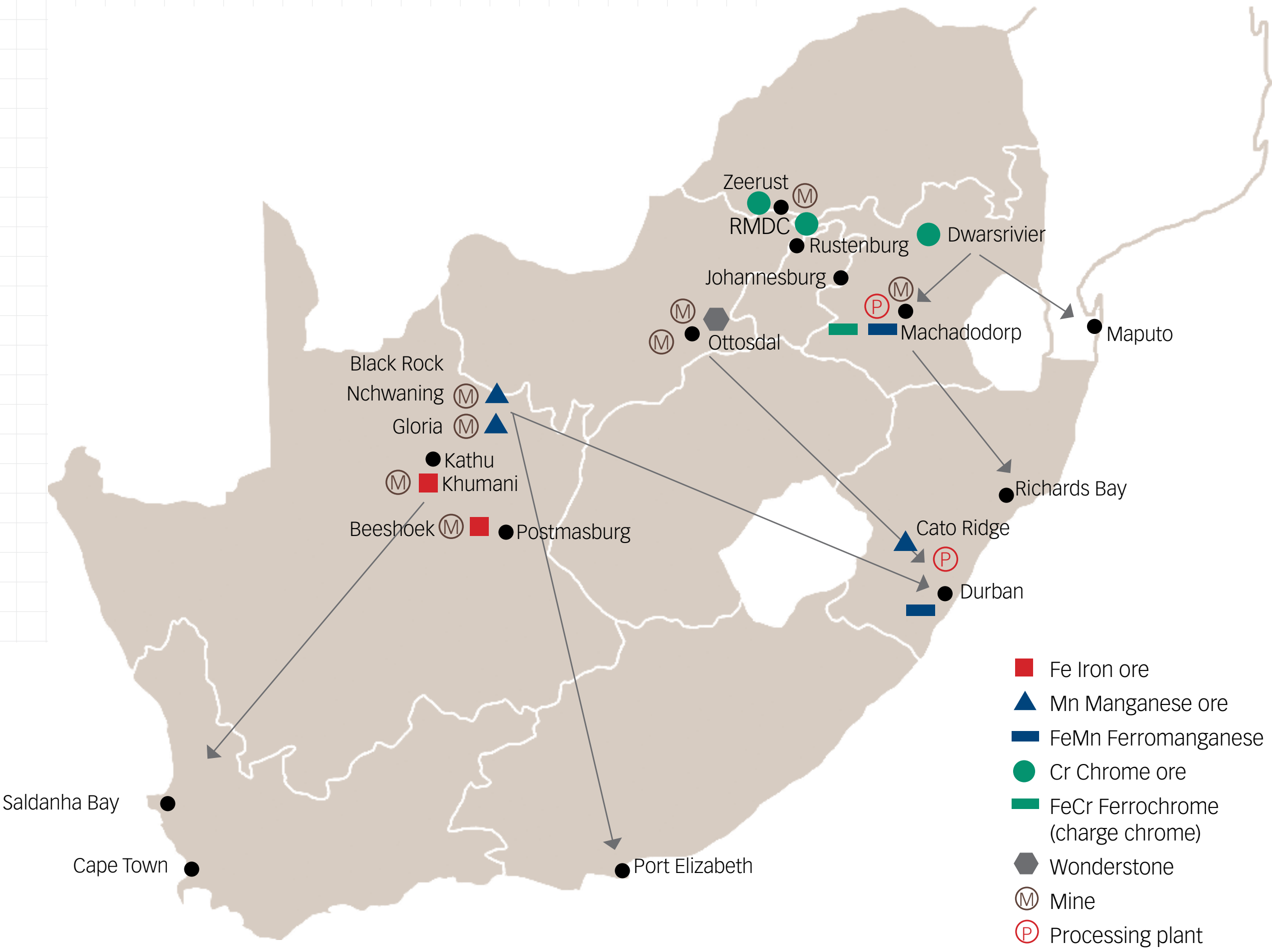
[1] *Black economic empowered entity.*

[2] *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).*

[3] *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
Fe	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.
Mn FeMn	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.
Cr FeCr	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.
Cr	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.
Wonderstone	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.



Organisational overview and activities continued

Governance structure

The governance structure for the group is set out below:

Board of directors – Assore Limited

Non-executive
EM Southey (Deputy Chairman)
RJ Carpenter
ZP Manase*
DMJ Ncube*
WF Urmson*
Dr JC van der Horst*

** Independent*

Executive
Desmond Sacco (Chairman)
CJ Cory (Chief Executive Officer)
PC Crous (Technical and Operations)

Alternate
PE Sacco
AD Stalker
BH van Aswegen

Statutory committees

Audit and Risk Committee
EM Southey (Chairman)
WF Urmson
Dr JC van der Horst

Remuneration Committee
EM Southey (Chairman)
Desmond Sacco
WF Urmson
Dr JC van der Horst

Operational committees

Executive Committee (Excom)
Desmond Sacco (Chairman)
CJ Cory
PC Crous
RA Davies
AD Stalker
F Kalp
BH van Aswegen

Treasury Committee
CJ Cory (Chairman)
AD Stalker
RA Davies

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)).

Board of directors – Assmang Limited

Assore directors
Desmond Sacco (Chairman)
PC Crous (Executive)
AD Stalker (Executive)
CJ Cory
S Matsimela
P Sacco

Audit Committee
CJ Cory (Chairman)
Two members appointed by ARM

ARM directors
Six directors appointed by ARM

Operations Committee (OpsCom)
PC Crous
T van Aswegen
AD Stalker
Three members appointed by ARM

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
Financial risks		
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
Operational risks		
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
Operational risks continued		
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

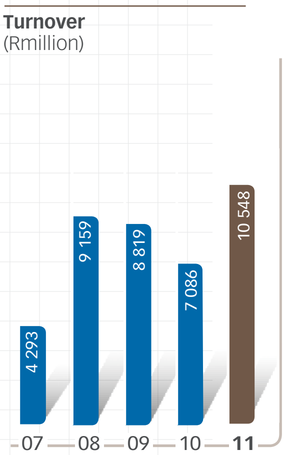
iron ore prices

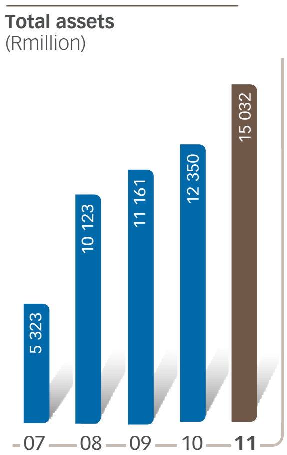
Earnings

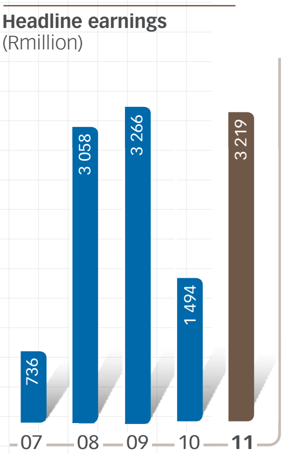
more than doubled

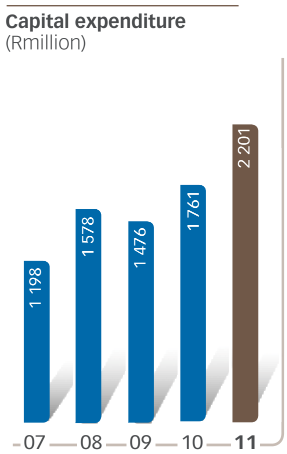
Final dividend

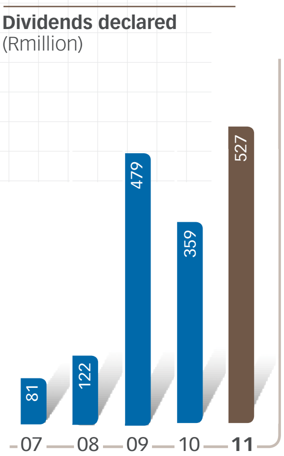
increased to R2,50 making a total dividend for the 2011 financial year of R4,50











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	**10 006**	9 799	2
Manganese ore*	**2 882**	3 095	(7)
Manganese alloys*	**218**	238	(8)
Charge chrome	**238**	189	26
Chrome ore*	**373**	272	37

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

Iron ore

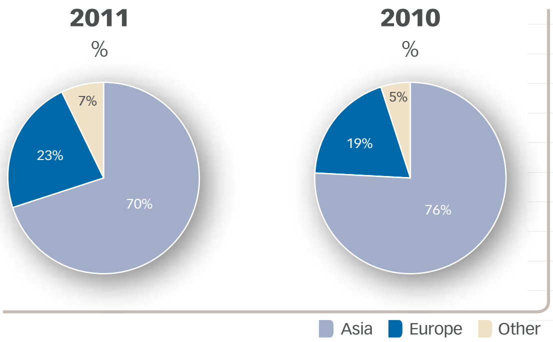
Iron ore sales for the year increased marginally to 10,0 million tons (2010: 9,8 million tons), mainly due to the continuing demand from China, South Korea and Japan, as well as increased sales to the South African steel industry. European steel capacity utilisation has not completely recovered to its 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:



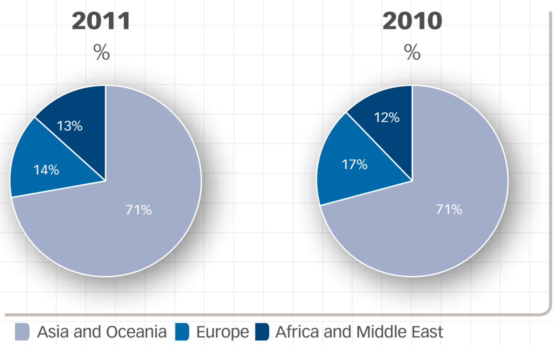
Prices for the short term are expected to remain at high levels, underpinned by the relative higher cost of iron ore mining in China, continued supply constraints and robust Chinese steel production. Sales volumes for next financial year are expected to increase in line with increased capacity achieved 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.

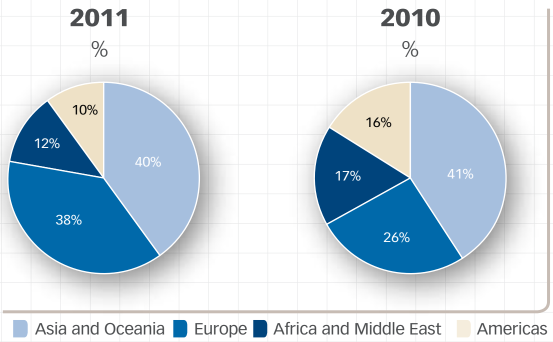
Steel production in Asia continued to post impressive gains throughout the year. However, in contrast crude steel production in North America and Europe only posted moderate gains as a result of the sluggish economic recovery in those regions. The main developing markets for manganese ore are in Asia, 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:



Americas comprising 2% in 2011

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.

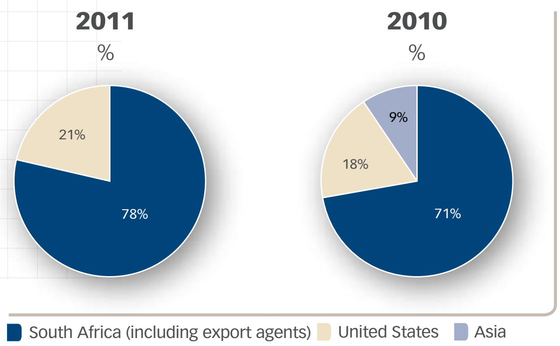
The lower sales volumes and prices for both manganese ore and alloys for the financial year 2011, resulted in the contribution to the headline earnings of Assore from this division declining to R685 million (2010: R740 million). Capital expenditure spent during the year in the manganese division amounted 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:



Europe comprising 2% or less

Integrated report

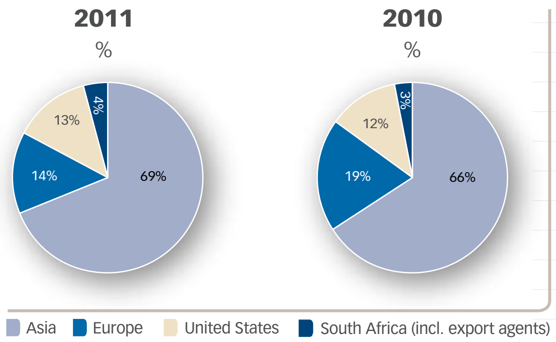
Reviews and reports

Financial statements

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 Grootegeluk 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

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

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.