ASSORE

Integrated annual report 2012

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Profile

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 Johannesburg Stock Exchange (JSE) under "Assore" in the general mining sector.

26,07% of the company's shares are controlled by two broad-based black economic empowerment community trusts: the Bokamoso Trust* (14,28%), and the Fricker Road Trust (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.

Scope and boundary

The integrated annual report (IR) of Assore Limited (Assore or group) covers the period 1 July 2011 to 30 June 2012. The group's financial year ends on 30 June, and unless otherwise indicated or described, the information included in this report refers to the years ended 30 June 2012 and 30 June 2011. The previous IR covered the period 1 July 2010 to 30 June 2011. Where any restatements have been made to any disclosures in the previous IR, these are explained within the relevant sections.

The entities reported on include the following:

- Assmang Limited (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),
  - Cato Ridge Alloys Proprietary Limited (CRA);
  - Dwarsrivier Chrome Mine (Dwarsrivier); and
  - Machadodorp Works (ferrochrome and ferromanganese smelter).

In addition to determining the strategy and monitoring of the overall management of Assmang in terms of the joint-venture agreement with ARM, Assore has the sole marketing and distribution agency for Assmang's products and the emphasis on Assmang in this report relates primarily to this role (refer "Business model", page 2).

- AMT operations, being the subsidiary companies of Assore, which include:
  - Rustenburg Minerals Development Company Proprietary Limited (Rustenburg Minerals);
  - 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), where relevant.

Report feedback

Feedback on this report can be made directly to Mr RA Davies at rossdavies@assore.com.

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 strongly 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", "Location of operations" and "Group structure of operating companies" on pages 6 to 8, 12 and 13 respectively 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, a wholly owned subsidiary of Assore, 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 93 and note 30 to the financial statements) and further insight into the management of Assmang is provided under "Governance structure" (refer page 14).

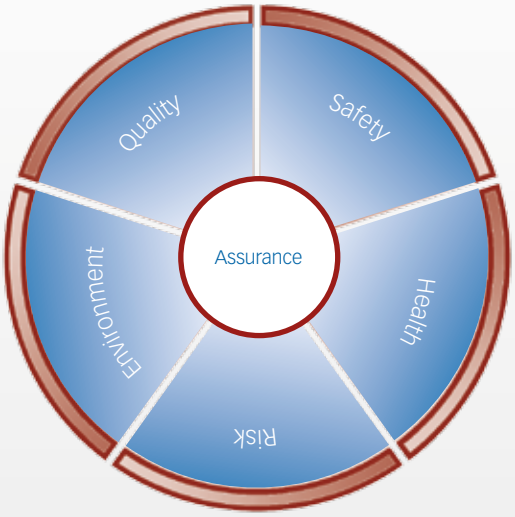
Besides the Assmang operations, the group also has interests in other chrome deposits and industrial minerals and maintains a portfolio of investments in other mining companies listed on the JSE.

The IR has been prepared on the basis of the group's consolidated financial statements, prepared in accordance with IFRS and 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
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 32 to 55
Corporate governance and risk management report	King Code on Corporate Governance, issued in September 2009 (King III)	Pages 56 to 63 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 64 to 67 and throughout
Sustainability report	Various relevant guidelines, as well as those contained in the global reporting initiative (GRI) G3 indicators	Pages 68 to 85 and throughout
Annual financial statements	IFRS, South African Companies Act and JSE Listings Requirements	Pages 88 to 155

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	PROVIDER		STANDARD(S) AND COMMENT
	Assore	**Assmang**	
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 report to Assore's Audit and Risk Committee on their findings, while in Assmang, KPMG report related findings to Assmang's Audit Committee, supported by its Social and Ethics Committee. The Audit and Risk Committee, supported by their respective social and ethics committees (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.

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 R21,8 billion (2011: R17,8 billion) were marketed and distributed in these regions during the year.

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.
- Alloy producer, Ferralloys Limited incorporated by Assmang in 1957.
- First production of ferromanganese at the Cato Ridge Works by Assmang (1959).
- First production of iron ore by Assmang at Beeshoek, and exported through Durban (1960).
- Agency relationship established with Sumitomo Corporation of Japan.

1961 – 1995

- First production of charge chrome at Machadodorp by Assmang (1971).
- Mining of chrome deposit by 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.

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 (1996).
- Mining of chrome deposit by Assmang at Dwarsrivier (1999).
- Change of name to Assore Limited, and twenty-for-one subdivision of ordinary shares.
- Commissioning of Nchwaning III Manganese Ore mine (2001).

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 (refer "Black economic empowerment status report").

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) in 2009 to increase design capacity of iron ore output to 16 million tons per annum, completed in 2012, on time and within budget.
- Five-for-one subdivision of ordinary shares in 2010.
- Conclusion of second empowerment transaction in 2010, whereby a further effective 11,05% of Assore's shares were acquired by the Bokamoso Trust.
- Conclusion of third empowerment transaction in 2012, whereby 11,78% of Assore shares have been bought back from Shanduka Resources and applied in broad-based trusts (refer "Black economic empowerment status report").

Group at a glance

Joint venture entity (Assmang)

IRON ORE DIVISION	MANGANESE DIVISION	CHROME DIVISION
		
COMMODITY MINED		
Iron ore *(see page 20)*	Manganese ore *(see page 22)*	Chrome ore *(see page 22)*
TYPE OF OPERATION		
Mining, crushing, screening and dense medium jigging	Mining, crushing, washing and screening of ore Smelting of ferromanganese Production of refined ferromanganese	Mining, crushing and concentrating of ore Pelletising of ore and smelting and production of ferrochrome
DESCRIPTION		
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.	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 and at the Machadodorp Works in Mpumalanga. 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 mainly from Assmang's manganese mines and the bulk of both ore and alloy production is exported.	Chrome ore is mined at the Dwarsrivier Mine near Lydenburg in Mpumalanga province and is either supplied to the Machadodorp Ferrochrome Works or exported.
ATTRIBUTABLE PROFIT/(LOSS) **R million**		
2012: R2 917,8 2011: R2 325,5	2012: R611,6 2011: R684,9	2012: (R87,4) 2011: (R116,9)

Subsidiary companies

RUSTENBURG MINERALS DEVELOPMENT COMPANY	ZEERUST CHROME MINES	WONDERSTONE
		
Chrome ore *(see page 22)*	Chrome ore *(see page 22)*	Wonderstone *(see page 23)*
Mining and concentrating of ore	Concentrating of chrome ore tailings	Mining and beneficiation of Wonderstone and manufacture of ceramic products
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 2013. The underground operations will replace the existing opencast operations.	Chrome ore tailings are processed at the Zeerust Chrome Ore Mine, located in the vicinity of Zeerust in the North West province.	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 and 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. These tiles are also installed on a project basis in certain cases.
2012: R17,5 2011: R17,4	2012: (R53,4) 2011: (R8,4)	2012: (R7,0) 2011: R2,6

Group at a glance continued

Subsidiary companies continued

ORE & METAL COMPANY	MINERAIS U.S. LLC	AFRICAN MINING AND TRUST COMPANY
		
TYPE OF OPERATION		
Marketing, sales and shipping of products (see page 24)	Marketing of minerals and alloys in USA (see page 24)	Operational management, exploration and technical adviser (see page 24)
DESCRIPTION		
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.	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.	African Mining and Trust Company Limited is technical adviser to Assmang and other group companies and provides operational management to group mines and plants.
ATTRIBUTABLE PROFIT/(LOSS) R million		
2012: R254,6 2011: R187,5	2012: R5,9 2011: R11,4	2012: R147,6 2011: R134,1

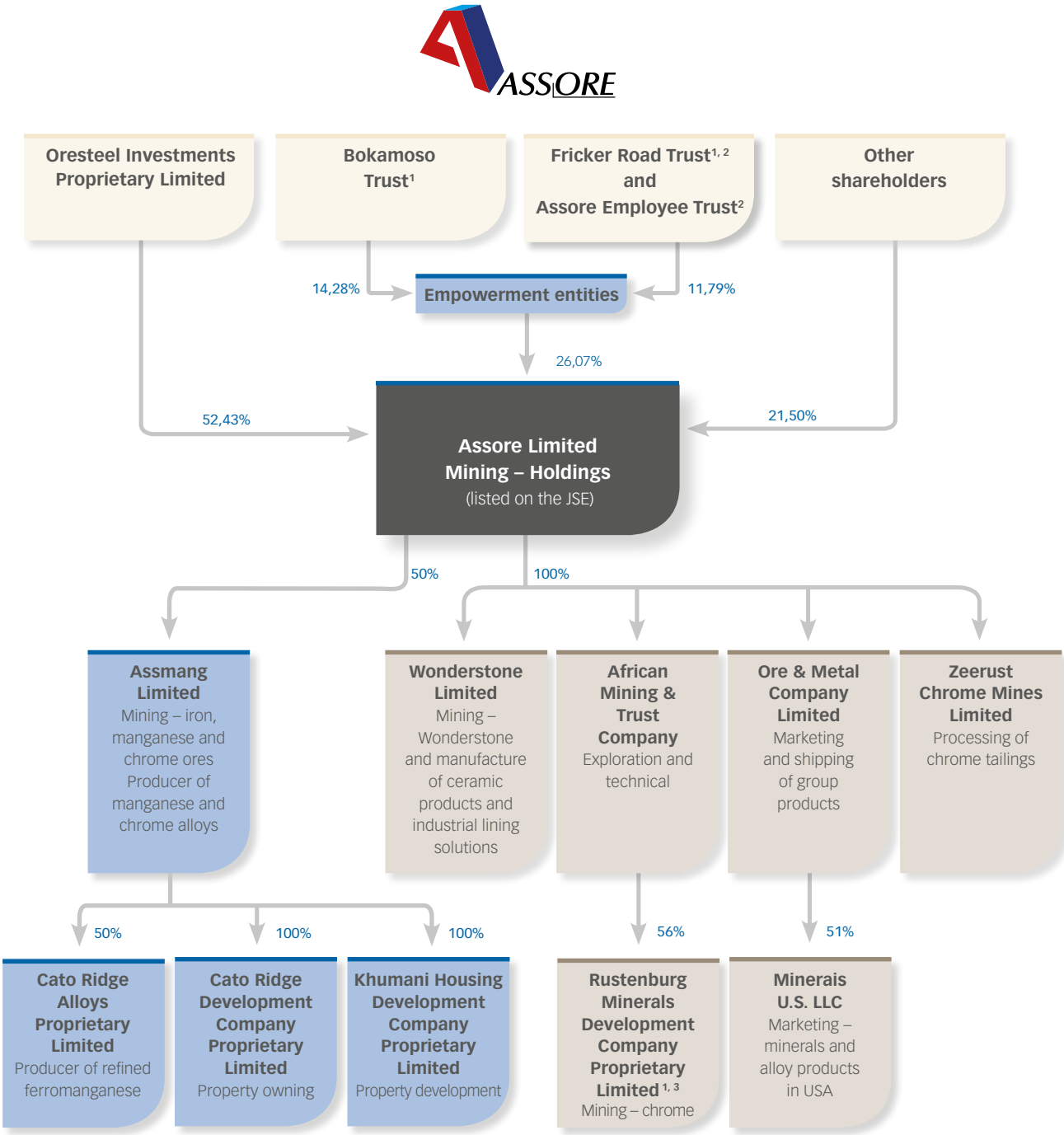
Location of markets

Underground machinery at Black Rock Manganese Mine

Location of operations

DESCRIPTION			
Fe	Mn FeMn	Cr FeCr Cr	Wonderstone
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.	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 and at the Machadodorp Works in Mpumalanga. 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.	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. Chrome ore is mined near Rustenburg in the North West province, in open-cast operations and production is supplied mainly to the local market. The company expects the bulk of its required chrome ore supply to be satisfied from its two underground shafts during calendar 2013, until which time, the opencast operations will supply the necessary ore quantities. Chrome ore tailings are processed at Zeerust Chrome Mines.	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, and other installation solutions and services for these tiles.

Group structure of operating companies



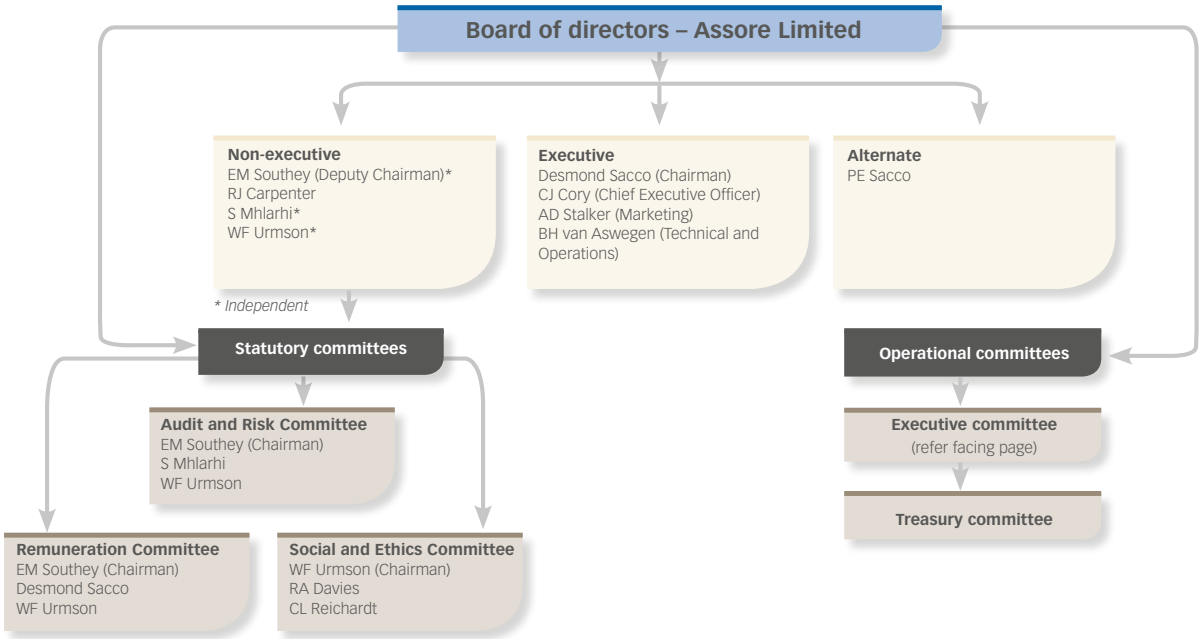
[1] *Black economic empowered entity.*

[2] *The Fricker Road Trust is a black economic empowered entity that controls the majority of the voting rights in a special-purpose vehicle that owns 11,79% of Assore's issued ordinary shares. The Assore Employee Trust controls the remainder of the voting rights.*

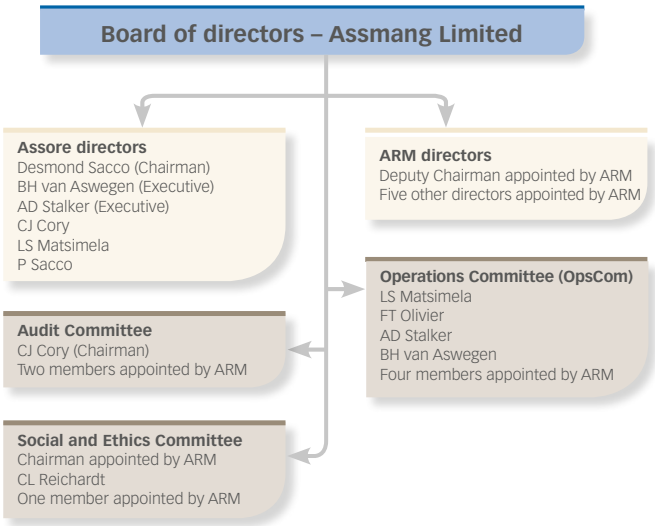
[3] *A black economic empowerment entity, Mampa Investment Holdings Proprietary Limited has a 44% equity interest in Rustenburg Minerals Development Company Proprietary Limited. (Refer "Black economic empowerment status report").*

Governance structure

The governance structure for the group is set out below:



For changes to the board of directors, refer "Directors' report" (page 95).



Assore's subsidiary operations (refer "Group structure of operating companies", page 13) 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 eight members, with four representatives each from Assore and ARM. In addition, Assmang has an Audit Committee, chaired by Assore's CEO, with two additional representatives from ARM.

Assmang has established a Social and Ethics Committee (SEC), that reports to its board. Assore is entitled to appoint one person to the SEC, while ARM is entitled to appoint the chairman and one other member.

Assore Executive committee

Name	Designation	Academic qualifications and professional registration	Years' service
Desmond Sacco	Chairman	BSc (Hons) (Geology)	45
CJ Cory	Chief Executive Officer	BA, CA(SA), MBA	23
AD Stalker	Group Marketing Director	BSc (Hons) (Geology), GDE	18
BH van Aswegen	Group Technical and Operations Director	BEng (Metallurgy), BCom, MEng	9
RP Burnand	Group General Manager Wonderstone	BTech (MatSci), PhD (Eng Science)	12
C Claassen	Senior Sales Manager: Chrome	BCom (Marketing and Communication)	10
RA Davies	Group Accountant	BCompt (Hons), CA(SA)	4
C Els	Senior Sales Manager: Iron Ore	BCom, BEng (Industrial)	6
HH Gouws	Senior Project Manager	BEng (Mechanical), PrEng	3
FH Kalp	Group General Manager: Chrome	BSc (Hons) (Geology)	17
CAAP Magalhaes	Manager Technical Services	GDE (Mining Engineering)	6
LS Matsimela	Senior Project Manager	BSc (MechEng), MSc (Project Mgt) PrEng	8
A McAdam	Group Manager: New Business	BSc (Hons) (Metallurgy), MBA	13
FT Olivier	Group Mining Engineer	BEng (Mining), MCom, GDE	12
PE Sacco	Deputy Managing Director: Ore & Metal	BA (Indus Psych), MA (Marketing)	9
HL Smith	Group Consulting Metallurgist	BEng (Metallurgy)	1
JC Venter	Senior Sales Manager: Manganese	BEng (Industrial)	12

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, together with demand and supply dynamics, drives *inter alia* US dollar prices for commodities and exchange rates, which are the two 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 and existing mineral deposits;
- The establishment of new, technologically advanced facilities;
- The existence of, or establishment, of efficient overland logistics;
- The availability of suitable vessels, 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 where ores and crude and stainless steel production plants are located.

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 82 and 83. 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 is generated by 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

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" (refer pages 32 to 52))
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" (refer pages 64 to 67))

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 26 and 27 to 29 respectively)
Tonnages sold (per segment) and regional concentration of customers	Operational review and commentary (refer pages 20 to 24)
Sustainable exploitation of mineral deposits	Risks and opportunities and Mineral Resources and Reserves (refer pages 16 and 17 and 32 to 52 respectively)
Compliance with the requirements of the Mining Charter, specifically those pertaining to black economic empowerment (BEE)	Refer "Black economic empowerment status report" (pages 64 to 67)
Ongoing improvement in the group's safety record	Sustainability report (refer pages 68 to 85)

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 aligned with the group's long-term strategies and needs to be continually reviewed.

Product reclaimer at Khumani Iron Ore Mine

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. Refer "Risks and opportunities" (pages 16 and 17) for further details on risks and opportunities.

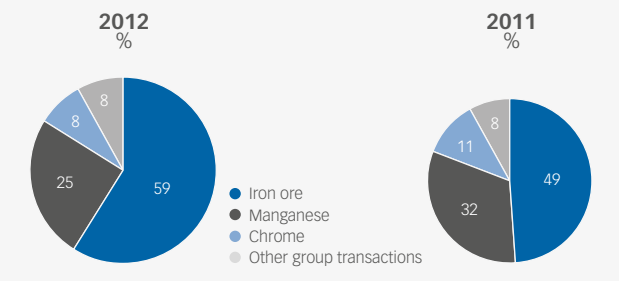
The group

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, principally in its activities to collect cash from the sales it has concluded. 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 are in place. The impact of the factors that influence the volumes 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. The sales volumes for Assmang for the current and previous year are as follows:

	2012 metric tons '000	2011 metric tons '000	Increase/ (decrease) %
Iron ore	**14 753**	10 006	47
Manganese ore*	**2 905**	2 882	1
Manganese alloys*	**270**	218	24
Charge chrome	**174**	238	(27)
Chrome ore*	**521**	373	40

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

The contributions of Assmang's divisions to Assore's turnover for the current and previous financial year are illustrated as follows:



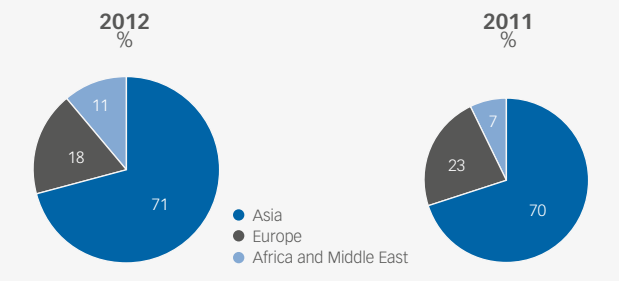
Iron ore

Assmang's Khumani Iron Ore Mine ramped up its production for the year to 14 million tons, which enabled additional sales volumes of iron ore. Iron ore sales for the year increased to 14,75 million tons (2011: 10,0 million tons). Continuing demand from China and a recovery of the Japanese steel industry after the March 2011 tsunami supported the growth in sales. An increased off-take from the South African steel industry also helped improve sales from Assmang's Beeshoek Iron Ore Mine, which increased to 1,4 million tons (2011: 753 000 tons). European steel capacity utilisation has still not recovered to its previous levels and, with the ongoing sovereign debt issues in Europe and, to a lesser extent in the United States, these markets are expected to remain subdued for the short to medium term. Because of limited growth in some of the group's traditional markets and the growing reliance on China, Assmang's strategy to enter new markets, including those of India and Turkey, during the year, has now started to bear fruit.

In the past financial year, contract prices for iron ore were largely based on spot price indices, set retrospectively on a quarterly basis. Certain customers have elected to use monthly pricing. Only a small percentage of Assmang's iron ore was sold on the spot market, as a result of the group's strategy of building long-term relationships with a predictable and consistent customer base.

Although there was a reduction in the average realised selling price of iron ore, the increase in volume more than compensated for this and iron ore revenue increased by 47,1% to R15,3 billion (2011: R10,4 billion). Iron ore prices decreased by around 7% year-on-year in US dollar terms and, specifically, spot prices for iron ore delivered in China averaged US$160 per ton on a delivered basis, before dropping to around US$135/ton by year-end. The gradual fall in the iron ore price was driven by weaker demand from steel mills in the developed world as well as an increase of iron ore seaborne supply from Australia and Brazil.

The contribution to Assore's headline earnings by Assmang's Iron Ore division increased to R2 968 million (2011: R2 326 million). The proportion of iron ore sales on a per-region basis for the current and previous financial year is illustrated as follows:



The economic slowdown over the current calendar year in China, together with the overcapacity in steelmaking added to the price weakness for steel and iron ore. Iron ore prices in the short term are expected to remain under pressure as a lack of buying confidence and negative outlook for the downstream steel sector weighs heavily on spot prices. However, sales volumes for the next financial year are expected to remain at similar levels in line with the group's current allocation on the Sishen/Saldanha dedicated iron ore rail line.

Capital expenditure during the year in Assmang's Iron Ore division amounted to R3,3 billion (2011: R3,2 billion). Of this amount R3 billion was spent at the Khumani Iron Ore Mine (Khumani), with R1,3 billion being spent on the Khumani Expansion Project (KEP), designed to produce 16 million tons of ore per annum from July 2012. The KEP has been completed on schedule and within budget. A further R1,2 billion was spent on development of the mine, largely on waste-stripping. As part of the beneficiation optimisation at Khumani, the wet high-intensity magnetic separation (WHIMS) project was approved by Assmang's board in the previous financial year. The total cost of the project amounts to R1,3 billion, and is expected to be commissioned on time, and within budget by the end of the 2013 financial year.

The iron ore expansion – a success story

Assore, through Assmang, has been mining iron ore at the Beeshoek Mine since 1960 and the first exports were done in 1964 through Durban port. The commissioning of the dedicated iron ore line from Sishen to the new iron ore terminal at Saldanha in 1976 changed the business and by 1979 the first exports of Beeshoek ore on this logistic channel took place.

From then, until the early part of this century, as the capacity on this channel increased, Assmang negotiated increases in rail allocation but it was apparent that Beeshoek had insufficient ore reserves to sustain the higher levels of production. Assmang had title to the mineral rights on the farms Bruce, King and Mokaning on which it undertook extensive exploration. A decision was made in December 2005 to commence with a multi-phase new mine, to be named Khumani, on these properties. Three issues were critical:

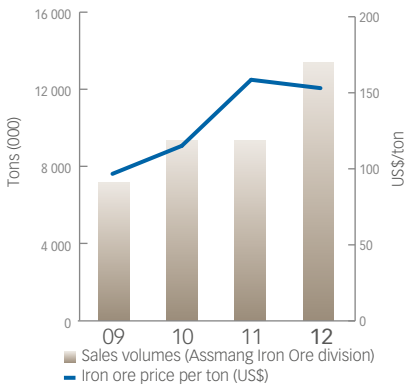
- To secure the new order mining rights;
- To negotiate with Transnet to secure sufficient rail capacity in each stage of the Sishen-Saldanha corridor expansion to justify the significant capital expenditures necessary for each phase of Khumani's development; and
- Through Ore & Metal, to gain market acceptance for the products from the new mine and to secure customers.

New order mining rights were obtained in November 2006 and construction started immediately. By 2008, when Assmang's allocation had increased from 6 to 8,4 million tons per year, the first tonnages from Khumani were exported. A contract to export 10 million tons per year was signed in 2010 and with the Sishen-Saldanha corridor currently ramping up to 60 million tons per year, Assmang's rail allocation has increased to 14 million tons per year. The final phase of the KEP (Khumani Expansion Project) has been completed on budget and before schedule.

The impact of this transformation on Assmang's iron ore business in terms of sales volumes of iron ore has been significant. However, the fact that it coincided with a period of extremely high global prices for iron ore had an even more dramatic effect on Assmang's iron ore turnover, as illustrated below:

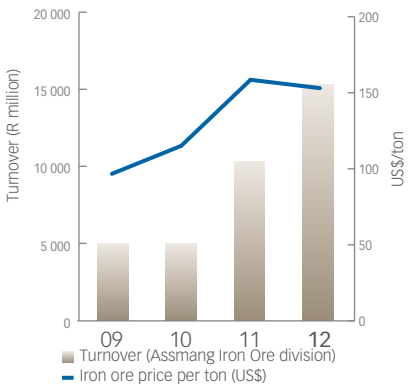
Assmang's iron ore export sales volumes and spot prices

(US$/ton)



Assmang's iron ore turnover value and spot prices

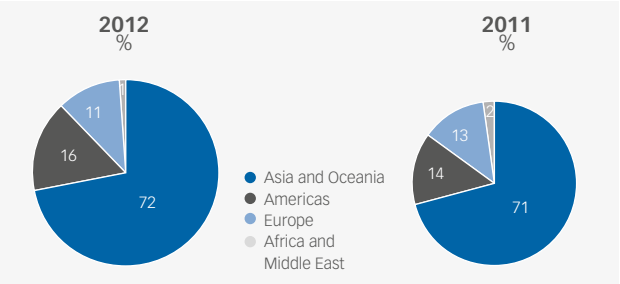
(US$/ton)



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 and Machadodorp Works. Cato Ridge Alloys Proprietary Limited, a joint venture between Assmang, Mizushima Ferroalloys Company and Sumitomo Corporation (both of Japan), produces refined ferromanganese by "blowing" oxygen through a lance into a converter which contains molten metal supplied by Cato Ridge Works, producing a product with a reduced carbon content. During the year under review, the two smallest high-carbon ferromanganese furnaces at the Cato Ridge Works became uneconomical to operate and were taken out of operation. 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 varying quantities in the production of steel, providing it with strength and a degree of malleability.

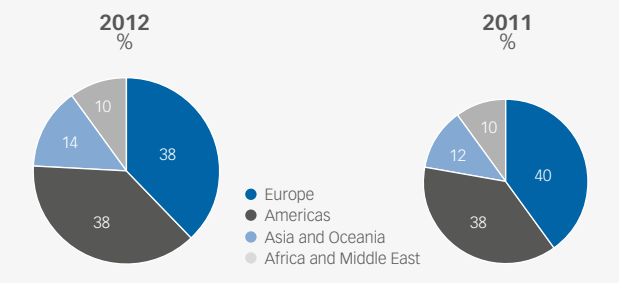
Demand for manganese ore from China, India and South Korea continued to increase during the year. Despite this increased demand, the world market remained oversupplied for most of the year under review, and as a result, the price of high-grade ore weakened further from US$5,30 per metric ton unit (mtu) to lows of US$4,60 per mtu. Supply from marginal miners reduced at this price level, resulting in a recovery in the price to just above US$5,00 per metric ton unit by year-end. The level of sales volumes of manganese ore was similar to that of the previous year, and sales on a per-region basis for the current and previous financial years are illustrated as follows:



Higher sales volumes were achieved for manganese alloys in the current year, due to additional volumes from the furnaces at Machadodorp recently converted from ferrochrome to ferromanganese production, with total sales volumes amounting to 270 000 tons (2011: 218 000 tons).

Despite stable demand in North America, manganese alloy prices in both North America and Europe weakened further during the year under review. The weakened demand in Europe resulted in production cuts by certain manganese alloy producers, which started to have a positive effect on prices for ferromanganese towards the latter part of the 2011 calendar year. However, the price gains were quickly eroded as supply increased and demand weakened further by the end of the year under review.

The proportion of ferromanganese sales on a per-region basis for the current and previous financial year is illustrated as follows:



The contribution to Assore's headline earnings from the Manganese division declined somewhat to R611 million in the current year (2011: R685 million). Capital expenditure during the year in Assmang's Manganese division amounted to R886 million (2011: R656 million). R450 million was spent on the mines, mostly on replacement capital items and mobile mining equipment and includes R86 million of the R5,6 billion intended spend on the expansion of the manganese mines, initially from three to four million tons per annum, to be followed by further possible expansionary project work to five million tons per annum. R153 million was spent on the ongoing development of the Nchwaning Manganese Mine. A further R150 million was spent at Cato Ridge Works on environmental and other sustainability projects. The conversion of two chrome furnaces to ferromanganese furnaces at Machadodorp Works continues and it is expected that these will be commissioned in the third and fourth quarters of calendar 2012.

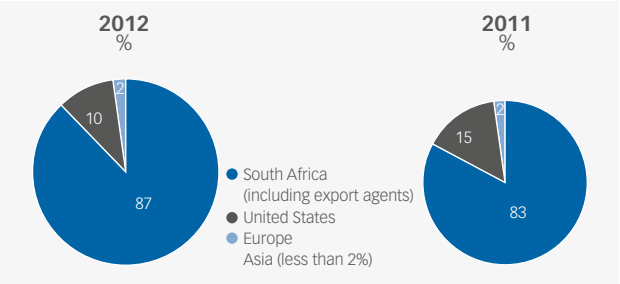
Chrome ore and charge chrome

Chrome ore is mined at Assmang's Dwarsrivier Mine near Lydenburg in the Mpumalanga province. The group also mines chrome ore near Rustenburg (Rustenburg Minerals) from established open-cast and underground operations. In addition the group is processing tailings from previous mining operations at Zeerust Chrome Mines Limited (Zeerust), which is located about 70 kilometre 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.

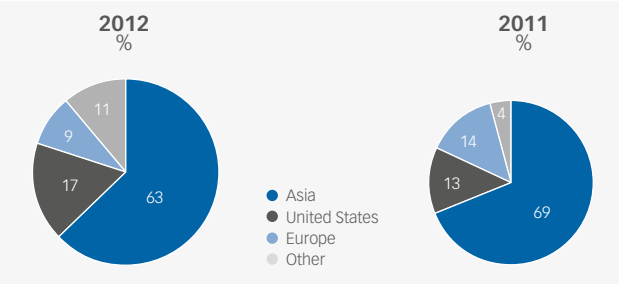
The bulk of chrome ore mined worldwide is converted to ferrochrome and utilised in the production of stainless steel. Since the world economic turmoil in 2008, the world production of steel market has grown strongly and continued to grow in 2011 at a rate of 3% year-on-year. The stainless steel market, though, remains

split into two geographic areas being Asia and Europe, each with very different dynamics. During the year under review, Chinese stainless steel production was approximately 13,8 million tons, up 11% year-on-year and accounted for approximately 41% of total world stainless steel production. Conversely, both the USA and Europe continue to lag China, with production in the United States reducing by 5,8% and European growth contained at 0,9% year-on-year. Total world production of stainless steel for 2012 is expected to be around 3% higher than 2011, at approximately 34,4 million tons (2011: 33,4-million tons). Chrome ore sales on a per-region basis for the current and previous financial years are illustrated as follows:



Despite reasonable levels of demand for charge chrome during the year under review, prices have been 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, and combined with the Eskom power buyback initiatives early in 2012, production was significantly reduced in the first half of the year. In conjunction with other increased input costs and continued weak selling prices, the increased electricity prices have influenced Assmang's conversion of two additional ferrochrome furnaces to ferromanganese to be commissioned in the 2013 financial year, whilst the one remaining ferrochrome furnace, Furnace 1, has been taken out of production temporarily.

Assmang's charge chrome sales decreased by 27% to 174 000 tons for the financial year (2011: 238 000 tons), while chrome ore sales increased by 40% to 521 000 tons (2011: 373 000 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 201 000 tons (2011: 179 000 tons) run of mine, lumpy and concentrate grades and Zeerust produced and sold approximately 60 000 tons (2011: 19 000 tons). R39 million has been spent on the development of two underground chromite mines at Rustenburg Minerals, the scheduled commissioning of which is expected to meet their planned production volumes during calendar 2013.

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, abrasive-resistant and filtration properties. The bulk of the material mined is beneficiated and reworked into finished components for export to the USA, the United Kingdom and the Far East. 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, and are sold as ceramic products. In addition, alumina wear-resistant tiles are produced by the Ceramox division of Wonderstone (Ceramox), most of which are supplied to the local tile installation market, which has shown significant sales growth over the past six years.

To date, mining has been undertaken in terms of old order mining right, which with effect from October 2012, has been successfully converted to a new order mining right.

Wonderstone's turnover for 2012 was R54 million (2011: R48 million), while the profit after tax for the year amounted to R1,8 million (2011: R2,6 million), excluding the impact of the acquisition of Group Line Projects Proprietary Limited (Groupline). The increased turnover and profitability was mainly due to a more favourable sales mix of ceramic product, due to increased demand from the international synthetic diamond industry, resulting in marginally increased selling prices. In addition, demand for Wonderstone powder from the Far East and the United States has also increased.

The demand for Ceramox alumina tiles was depressed in the first half of the year, due to delays in projects locally, brought about by the lack of supply of structural steel in the local market.

Wonderstone acquired Groupline in October 2011, whose business includes specification, selection and installation of a range of lining products, including Ceramox alumina tiles, to assist in solving a range of industrial wear and flow problems. The acquisition of Groupline places Wonderstone in a favourable position to be able to offer wear tiles as well as their installation, in a single competitive offering for wear-resistant lining applications.

Wonderstone, through Groupline, secured major projects in the year under review, including Exxaro's Grootegeluk Coal Mine expansion project (Phase 1), Assmang's Khumani Iron Ore Mine and some maintenance work on the Moatize Coal Mine (Phase 1). As a result of a number of local wear tile-supplying and installation companies importing standard dimension tiles (mostly from China), prices for Ceramox's standard wear tiles have come under pressure, and the sales prices for these tiles have reduced by an average of 15%.

Recent developments in the ceramic products market for Wonderstone are encouraging, with an increase by customers in the demand for synthetic diamond brought about by increased drill rig activity for oil and natural gas. In particular, there is an apparent increased level of demand from the local synthetic diamond sector, which requires both run-of-mine and machined components, while the pursuit of export opportunities for the sale of run-of-mine material to China is at an advanced stage, with promising feedback received on the testing of the product. As a result of increased pressure on prices for standard dimension wear tiles, Ceramox is increasing its focus on engineered wear tiles, and has also established relationships with key customers, including large local and international engineering works, in this respect. Ceramox will also be in a position to supply Groupline with its requirement for wear tiles, for those projects for which Groupline is successful in its tendering, which include the second phases of the Moatize and Exxaro projects. In the event success is achieved with these tenders, the advantages of establishing off site offices will be evaluated. Investigations into, and the formulation of, an appropriate business model to exploit the filtration properties of Wonderstone are currently under way. These products are expected to be used in the bulk filtration of hydrocarbon fuels and oils, amongst other applications. The Wonderstone business has recently relocated its offices to the industrial area of Spartan, which is better suited to all of its activities.

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 R23,7 billion (2011: R19,1 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 increased sales volumes of iron ore throughout the year, trading profit after taxation increased to R255 million (2011: R188 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. Due to weaker demand for alloys and reduced alloy prices, the contribution by the company to the group's attributable profit decreased to R6 million (2011: R11 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 R148 million (2011: R134 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. In order to limit the group's exposure to its recently incurred debt pursuant to the group's third empowerment transaction (refer "Black economic empowerment status report"), it disposed of a significant portion of its investment portfolio, and applied the proceeds of R664 million against this debt. The cost of the shares sold was R191 million, and the group realised a profit of R460 million net of capital gains tax on the disposal. In accordance with IFRS, 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 R239 million (2011: R887 million) based on a cost of R167 million (2011: R358 million). Dividends received on the portfolio for the year were R28 million (2011: R38 million).

Other income includes interest received of R183 million (2011: R133 million) generated on cash in excess of current requirements which was invested on a short-term basis in the money market. The increased level of interest received is due to the strong cash generation by Assmang during the financial year, mainly as a result of its increased sales volumes of iron ore.

Future performance objectives

Taking into account management's assessment of the risks and opportunities identified under "Risks and opportunities" (refer pages 16 and 17), the specific KPIs for the short and medium term include:

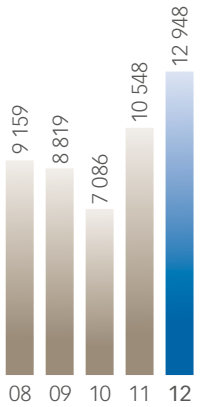
- The completion of the Wet High Intensity Magnetic Separation (WHIMS) project at Assmang's Khumani Iron Ore Mine, which aims to achieve consistently high yields of iron content per ton of ore mined;
- Increasing the capacity of Assmang's Gloria and Nchwaning manganese mines and processing plants, improving 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; and
- The optimisation of alloy production across the group's ferromanganese and ferrochrome facilities.

Remuneration

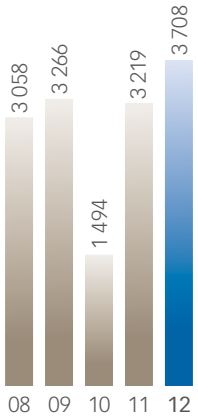
The group's remuneration policy is structured to ensure that all staff are remunerated fairly for the level of responsibility assumed in performing their roles. The policy also takes into account that mining is a long-term business, and that certain essential skills are required to ensure the sustainability 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 57), 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. In order to create value for all of Assore's employees, the group has, pursuant to the third transaction (refer page 65), recently introduced a dividend and equity participation scheme (refer "The Assore Employee Trust" on page 66), whereby non-managerial staff participate in the dividends declared by the group, as well as in the growth in Assore's share price over a predetermined vesting period. Directors and senior staff do not participate in this scheme.

Financial highlights

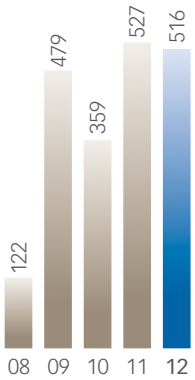
Turnover[1]
(R million)



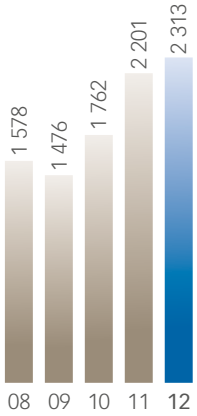
Headline earnings
(R million)



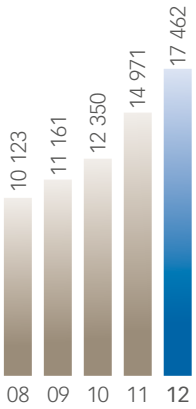
Dividends declared[2]
(R million)



Capital expenditure
(R million)



Total assets
(R million)



Note:
1. *Turnover and capital expenditure exclude the 50% portion of sales and expenditure respectively, attributable to the joint-venture party.*
2. *Dividends declared exclude dividends on treasury shares.*

Iron ore volumes

Up by 47%

to a record 14,8 million tons

Headline earnings

Up by 15,2%

to a record R3,7 billion

Dividends per share

Up by 22,2%

to R5,50 for the 2012 financial year

HDSA ownership now all

broad-based

Desmond Sacco Chairman

"The undoubted success for this year has been the group achieving record sales volumes of iron ore at a time when iron ore prices have been at their strongest."

I am pleased to report that headline earnings for the financial year to 30 June 2012 have increased by 15,2% as compared with the previous year to an all-time record of R3,7 billion, due mainly to the significant increase in the earnings of Assmang Limited (Assmang). The increase in Assmang's earnings was primarily due to higher sales volumes of iron ore and a weaker average rand/US dollar exchange rate across the year.

This year has been characterised by significant uncertainty in world financial markets. Sovereign debt issues, particularly in Europe and to a lesser extent in the United States, have persisted. Despite this, world steel production, which is the primary driver for the markets for the group's products, has remained remarkably strong. Global production of steel in calendar 2011 was at a record level of just over 1,5 billion tons, with this level of production being maintained for the first half of 2012. However, signs of a long overdue cutback in Chinese production have become evident, together with significant slowdowns in other major steel producing regions. Despite the strong steel production, prices for the group's products were generally weaker in US dollar terms than in 2011, as supply caught up with demand and negative economic sentiment became prevalent. These price reductions were partly compensated for by the weaker rand/US dollar exchange rate, particularly in the second half of the year when US dollar prices were generally lower than in the first half.

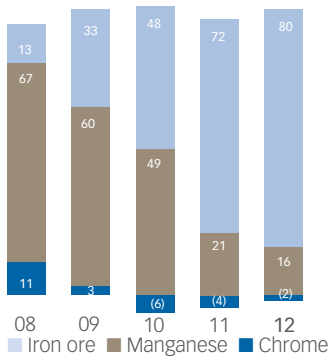
The year under review

The undoubted success for this year has been the group achieving record sales volumes of iron ore at a time when iron ore prices have been at their strongest. These sales volumes were 47% higher than the previous year, at nearly 14,8 million tons between the two iron ore mines, and were largely attributable to Assmang's Khumani Expansion Project (KEP) being brought in on time and within budget. Khumani Iron Ore Mine now has the capacity to produce 14 million tons of iron ore per year for the export market, in line with Assmang's rail allocation.

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. The impact of the increased sales volumes of iron ore, together with the similar rand prices for the group's products and the mix of sales volumes for the remainder of the group's commodities, is shown in the bar chart on the next page, which indicates the contribution to the group's headline earnings over the past five years by commodity and the group's relative exposure to these markets. The change in the mix of the contribution by the respective commodities over the past two years is mainly due to the increased volumes and high prices of iron ore. Prices for iron ore have since declined, which will result in a more balanced contribution, particularly from manganese.

Percentage of headline earnings

(%)



Capital expenditure

The bulk of the capital expenditure occurs in Assmang, in which the group has a 50% interest and amounted to R4,5 billion (2011: R4,1 billion) for the year under review. R3 billion was spent at the Khumani Iron Ore Mine, which included R1,3 billion on the Khumani Expansion Project, and R1,2 billion on mine development, largely on waste-stripping.

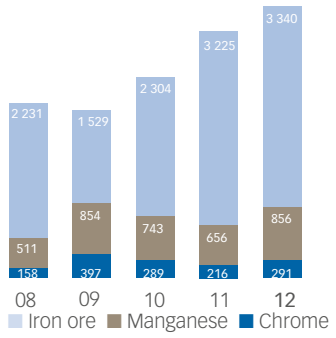
Assmang's manganese ore mines spent R450 million, most of which was on replacement capital items and additional mobile mining equipment. Transnet's growth strategy includes a target of increasing manganese ore export capacity to 12 million tons per annum for all manganese producers on the rail corridor from the Northern Cape to a new manganese terminal at Coega port near Port Elizabeth, which is due to be completed by 2017/18. R86 million was spent during the year on feasibility studies to enable the mines to sustainably produce four million tons per annum, and thereafter to expand to five million tons per annum, which includes a replacement shaft at the Gloria Mine and expenditure to address increased tramming distances. In total, it is estimated that this project may cost in the region of R5,6 billion. However, the decision on the expansion will depend on the availability of adequate rail capacity and on the market.

The conversion of two ferrochrome furnaces to ferromanganese furnaces at Machadodorp Works continues and it is expected that the furnaces will be commissioned in the third calendar quarter of 2012. The total cost to complete the conversion and associated upgrade of the infrastructure is estimated at R600 million.

Assmang has spent approximately R17,6 billion in capital over the past five years, and capital expenditure is summarised by division for the past five years as follows:

Assmang's capital expenditure

(R million)



Black economic empowerment

During the year, the group restructured its HDSA control and ownership, and is pleased to be in the position in which all of its BEE shareholding, as required by the Mining Charter, is broad-based, resulting in benefits flowing to the communities in the areas in which our mines operate. It provided the group with a further opportunity to implement a scheme for our non-managerial staff to participate in the company's dividends and capital appreciation through the Assore Employee Trust (refer "Black economic empowerment status report", pages 64 to 67).

Dividends

As mentioned, the group's earnings for the year were at record levels, and the board increased the interim dividend to 250 cents (2011: 200 cents) per share, and increased the final dividend to 300 cents (2011: 250 cents) per share. The total dividend for the year therefore amounts to 550 cents (2011: 450 cents) per share, an increase of 22%, part of which was in recognition of the introduction of dividends tax.

Outlook

Further to the results announcement in August, European sovereign debt issues are still prevalent in the global markets in which the group operates and are negatively impacting steel production in Europe, and to a lesser extent in the United States. Lower demand in China more recently has placed additional pressure on prices of the group's products in that region. In addition, significant global and local political events are due to take place before the end of the calendar year, the uncertainty of which is impacting global economic growth negatively and is creating further downward pressure on prices for the group's products.

The group is mindful of recent cost increases for labour in South Africa, and is closely monitoring developments in this respect. Continued above-inflation increases in electricity costs have, in part, also necessitated realignment of alloy production.

These factors, together with volatility in exchange rates, make it difficult to comment with any confidence on the performance of the group in the short and longer term.

Directors

Following his indicated intention to resign from the board in September 2011, Dr Johannes van der Horst resigned with effect from 31 December 2011. We are grateful for the invaluable contribution he made over the combined 17 years that he served on the Assore board.

On 1 November 2011, Ms Zodwa Manaze resigned from the board, due to a potential conflict of interest, while on 3 May 2012, Mr Don Ncube resigned as a director.

After the year-end, Mr Phil Crous indicated his intention to resign from the board with effect from 31 August 2012. Phil served on the board as Group Technical and Operations Director for 19 years, during which he made a significant contribution to the group. Headline earnings rose from R38,5 million to R3,7 billion over this time.

On 1 September 2012, Mr Alastair Stalker was appointed to the board as Group Marketing Director, and Mr Tiaan van Aswegen was appointed as Group Technical and Operations Director. Both Alastair and Tiaan were previously appointed as alternate directors, and have served the group for 18 and nine years respectively in various senior positions. The board welcomes them both, and looks forward to their contributions in the future.

We welcome Mr Sydey Mhlarhi to the board who has agreed to join the board with effect from 15 October 2012 as an independent non-executive director and as a member of the Audit and Risk Committee. Sydney, who is a chartered accountant, is a founder and director of Tamela Holdings Proprietary Limited, and has extensive banking and financial experience.

Appreciation

The achievement of record profits for the year has been made possible by the significant contribution by management and members of staff, in very challenging market conditions. I am grateful for the efforts of all within the group who have contributed to these results, as well as for the continued support received from our partners, customers, suppliers, shareholders and bankers.

Desmond Sacco
Chairman
19 October 2012

Executive directors

Desmond Sacco
Chairman
BSc (Hons) (Geology)

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).

Christopher 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).

Alastair D Stalker
Group Marketing Director
BSc Hons (Geology) (Aberdeen), GDE

Alastair, after working as an exploration geologist, and later in strategic planning and marketing for various companies, joined Ore & Metal Company Limited in 1994 and was appointed as Managing Director in 2011. He was appointed as a director of Assmang in 2011 and has been on the board of The International Manganese Institute (IMnI) for many years and was Chairman from 2007 to 2010 and is a Fellow of the Geological Society of South Africa. He was appointed as Group Marketing Director in September 2012.

Bastiaan H van Aswegen
Group Technical and Operations Director
BEng (Metallurgy), BCom, MEng

Tiaan obtained a BEng (Metallurgical) degree from the University of Pretoria (UP) in 1982 and later obtained BCom (Unisa) and MEng (UP) degrees. After working for Iscor and Samancor in production and on projects, he was appointed by Samancor as General Manager of the Palmiet Ferrochrome Operation (Mogale) in 1999. He joined Assore in 2003 as Consulting Metallurgist and is a member of the Assmang Operations Committee. In September 2012 he was appointed Group Technical and Operations Director of Assore and a director of Assmang.

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

Phil obtained a BSc (Eng) degree at Pretoria University in 1975. He joined Iscor, and in 1977 took up a position with Assmang, advancing to Mine Manager. In 1982, he joined Sasol as General Mine Manager and was promoted to Operations Manager at Secunda Collieries. In 1988 he joined manufacturing company Sandock-Austral as Managing Director. He joined Assore in 1991 in his current position as Group Technical Director and was appointed to the Assmang board in 1992. Following his indication to take early retirement, Phil resigned from the board and from the group on 31 August 2012.

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.

Sydney Mhlarhi
Independent non-executive director
CA(SA)

Sydney qualified as a chartered accountant in 1998 following the completion of his articles at Ernst & Young in 1997. He co-founded Tamela Holdings Proprietary Limited (Tamela) in 2008, which holds investments in various industries. Sydney has held various senior positions in the investment banking sector, including those of divisional director at Standard Bank and chief investment officer of Makalani Holdings Limited, a mezzanine financier which listed on the JSE in 2005. Sydney was appointed to the board on 15 October 2012 and serves on the group's Audit and Risk Committee.

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, and chairs the group's Social and Ethics Committee. 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 and remains as a part-time consultant to the exchange with responsibility for internal audit.

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 on 28 February 2011, on which date he accepted an appointment as a non-executive director.

Alternate director

Patrick E Sacco
Deputy managing director, Ore & Metal
BA (Industrial Psychology), MA (Marketing)

Pat joined the Assore group in 2003 after completing a masters' degree at the University of Colorado (USA). He was appointed a director of Ore & Metal, the selling and marketing agent for all the group's products, in 2007, and is currently its Deputy Managing Director. Pat was appointed as a director of Assmang in 2008, and is on the board of Oresteel Investments Proprietary Limited, the ultimate holding company of Assore. With effect from 1 July 2007, he was appointed as alternate to Mr Desmond Sacco on the Assore board. He is also an alternate director to Alastair Stalker of the IMnI.

Desmond Sacco
Chairman

Christopher J Cory
Chief Executive Officer

Alastair D Stalker
Group Marketing Director

Bastiaan H van Aswegen
Group Technical and Operations Director

Philip C Crous
Group Technical and Operations Director (until 31 August 2012)

Edward M Southey
Deputy Chairman and lead independent non-executive director

Sydney Mhlarhi
Independent non-executive director

William F Urmson
Independent non-executive director

Robert J Carpenter
Non-executive director

Patrick E Sacco
Alternate

Assmang (jointly held)

	Measured and Indicated		Proved and Probable	
	Mineral Resources		Mineral Reserves	
	Mt	Fe %	Mt	Fe %
Iron ore mines				
BEESHOEK	117,45	63,73	54,00	64,05
Dumps			12,50	55,44
KHUMANI				
Bruce	227,79	64,53	168,73	64,15
King	481,18	64,13	344,13	64,61
Dumps			1,76	56,22

	Measured and Indicated			Proved and Probable		
	Mineral Resources			Mineral Reserves		
	Mt	Mn %	Fe %	Mt	Mn %	Fe %
Manganese ore mines						
NCHWANING						
Seam 1	142,38	43,9	9,0	110,34	43,9	9,0
Seam 2	180,80	42,4	15,5			
GLORIA						
Seam 1	126,79	37,6	4,7	93,82	37,6	4,7
Seam 2	29,40	29,9	10,1			
BLACK ROCK						
Seam 1	43,60	40,6	18,1			
Seam 2	26,81	38,6	19,8			

	Measured and Indicated		Proved and Probable	
	Mineral Resources		Mineral Reserves	
	Mt	Cr_2O_3%	Mt	Cr_2O_3%
Chromite mine				
DWARSRIVIER	55,03	38,11	39,15	34,01

Subsidiary companies

	Mineral Resources				Mineral Reserves		
	Measured Mt	Indicated Mt	Inferred Mt	Total Resource	Proved Mt	Probable Mt	Total Reserve
Chromite mines							
RUSTENBURG MINERALS	3,5	1,9	7,0	12,4	2,2	1,1	3,3
ZEERUST CHROME	1,8	1,5	8,8	12,1	2,2	0,3	2,5
Pyrophyllite mine							
WONDERSTONE	4,8	0,0	104,8	109,6	4,6		4,6

Blast drilling at Khumani Iron Ore Mine

Salient features for the year ended 30 June 2012

Beeshoek

A total of 12,50 million tons on the contaminated ore dumps has been included in the Mine's Reserve inventory.

Khumani

Significant increase in King Measured and Indicated Resources from 376,46 to 481,18 million tons after drilling additional boreholes and remodelling.

Nchwaning

Mineral Reserves increased by 4% to 110,34 million tons due to the increase in the mining cut from 3,5 to 4,5 metres for Nchwaning 3.

Gloria

The drilling of 27 new boreholes and remodelling of Seam 1 resulted in an increase of 37% in Mineral Reserves to 93,82 million tons.

Dwarsrivier

17% increase in Mineral Reserves to 39,15 million tons due to inclusion of 47 new boreholes in the Mineral Resources and Reserves update.

Competent person's report on Mineral Resources and Mineral Reserves

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

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).

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 2012. External consulting firms audit the resources and reserves of the Assmang operations on a three-to four-year cycle basis.

Underground resources are in-situ tonnages at the postulated mining width, after deductions for geological losses. 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 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 classification into Measured, Indicated and Inferred Mineral Resources is done by means of geostatistical parameters such as kriging efficiency, kriging variance, slope of regression and a combination of the number of samples used and the dynamic search volume to inform a block. The spacing of boreholes as well as the geological structures are also considered in the classification.

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 are 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.

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. Certain operations have already had their conversions approved while some are still in various stages of application.

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

Definitions

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

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 subdivided, and must be so reported, in order of increasing confidence in respect of geoscientific evidence, into Inferred, Indicated or Measured categories.

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.

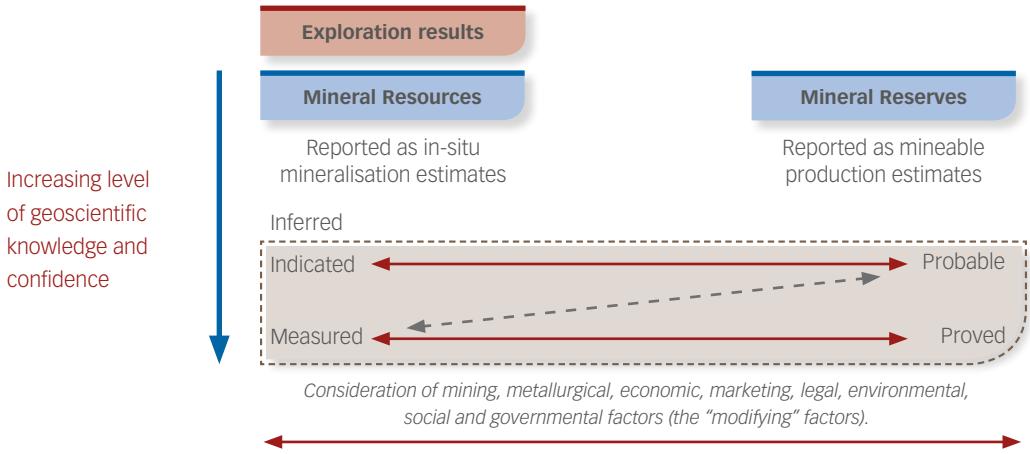
A "Measured Mineral Resource" is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable information from exploration, sampling and testing of material 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.

Relationship between exploration results, Mineral Resources and Mineral Reserves



Waste loading operations at Khumani Iron Ore Mine


860E
KOMATSU
DT9-059

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 seven kilometres west of Postmasburg and the Khumani open pits are adjacent to, and south-east of, the Sishen Mine, which is operated by Kumba Resources. Beeshoek and Khumani are 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 mainly supplied to local customers, with some ore exported via Khumani.

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 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 in 2012 produced nearly 12 million tons with expansion plans to 16 million tons per annum.

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 converted mining right was executed on 16 March 2012. Registration of the right is in process.

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 executed on 25 January 2007 and was registered on 5 March 2007.

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 haematite 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 haematite bodies. The boundaries of high-grade haematite orebodies crosscut primary sedimentary bedding, indicating that secondary haematisation 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 haematite 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.

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

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 and fines product stockpiles; and a rapid load-out facility. No chemical is being used in any of the treatment plants.

Mineral Resources and Reserves

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 per cent 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 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^3 (60 percent Fe) to 5,01 t/m^3 (68 percent Fe). A default density of 3,2 t/m^3 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_2O), sodium oxide (Na_2O), silica (SiO_2), aluminium oxide (Al_2O_3), 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 Iron Ore Mine: Resources and Reserves

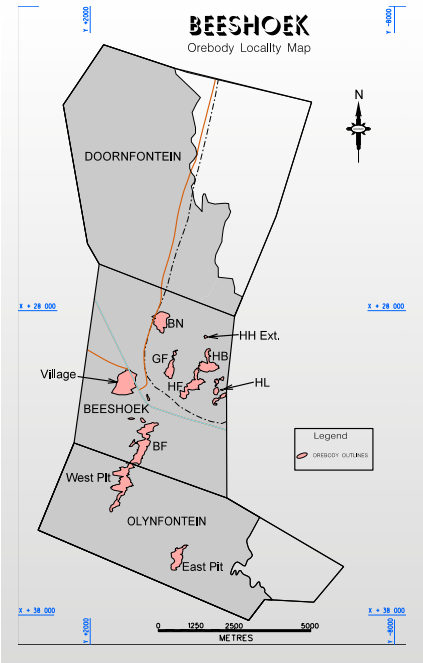
	Measured Resources		Indicated Resources		Inferred Resources		Total Resources Measured and Indicated		Proved Reserves		Probable Reserves		Total Reserves	
Pit/Area	Mt	Fe %	Mt	Fe %	Mt	Fe %	Mt	Fe %	Mt	Fe %	Mt	Fe %	Mt	Fe %
BN	22,44	63,30					22,44	63,30	12,79	63,53			12,79	63,53
HF/HB	16,00	64,10					16,00	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	2,69	64,93	0,05	65,03			2,74	64,93						
West Pit	9,45	63,19			0,050	61,88	9,45	63,19						
Detrital*					2,500	60,00								
Total 2012	**114,06**	**63,73**	**3,39**	**63,55**	**2,553**	**60,04**	**117,45**	**63,73**	**53,99**	**64,05**	**0,01**	**63,64**	**54,00**	**64,05**
Total 2011	115,58	63,76	3,39	63,55	2,553	60,04	118,97	63,75	55,12	64,04	0,01	63,64	55,13	64,04

Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.
Modifying factors: Economic pit design, customer product specifications.
**Detrital is loose fragmented material occurring in various areas at Beeshoek.*

Beeshoek ROM Dumps

Area	Proved Reserves Mt	Proved Reserves Fe %	Probable Reserves Mt	Probable Reserves Fe %	Total Reserves Mt	Total Reserves Fe %
North Mine (B Dump)	–	–	0,60	60,00	0,60	60,00
North Mine (C Dump)	–	–	2,10	55,00	2,10	55,00
South Mine (B Dump)	–	–	0,50	60,00	0,50	60,00
South Mine (C Dump)	–	–	9,30	55,00	9,30	55,00
***Total 2012 Dumps**	**–**	**–**	**12,50**	**55,44**	**12,50**	**55,44**

Totals are rounded off.
**Dumps are beneficiated to produce a saleable product.*



Beeshoek year-on-year change

Measured and Indicated resources for Beeshoek Mine decreased to 117,45 from 118,97 million tons, mainly due to mining depletion. Mineral Reserves also decreased from 55,13 to 54,00 million tons. A total of 12,50 million tons at 55,44% Fe of contaminated ore dumps have been declared as Probable Reserves. Beneficiation of these dumps results in a saleable product. A feasibility study for Village pit is still in progress.

Khumani Iron Ore Mine: Resources and Reserves

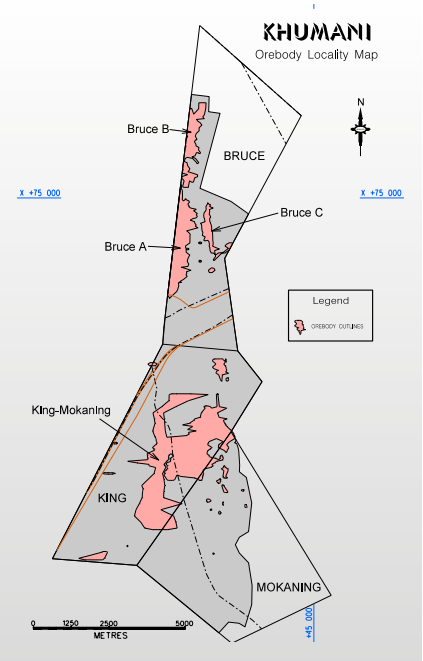
Pit/Area	Measured Resources Mt	Measured Resources Fe %	Indicated Resources Mt	Indicated Resources Fe %	Inferred Resources Mt	Inferred Resources Fe %	Total Resources Measured and Indicated Mt	Total Resources Measured and Indicated Fe %	Proved Reserves Mt	Proved Reserves Fe %	Probable Reserves Mt	Probable Reserves Fe %	Total Reserves Mt	Total Reserves Fe %
Bruce A	79,79	64,63	36,72	64,36	0,07	64,11	116,51	64,54	64,83	64,36	26,95	63,76	91,78	64,18
Bruce B	74,73	64,50	20,60	63,90	7,79	64,95	95,33	64,37	59,08	64,17	9,38	63,15	68,46	64,03
Bruce C	11,35	65,40	4,60	65,54	0,30	62,88	15,95	65,44	7,66	64,78	0,83	64,95	8,49	64,80
King/Mokaning	311,03	64,40	170,15	63,65	11,70	62,18	481,18	64,13	202,93	64,72	141,20	64,44	344,13	64,61
Detrital*					4,00	60,00								
Total 2012	**476,90**	**64,48**	**232,07**	**63,82**	**23,86**	**62,73**	**708,97**	**64,26**	**334,50**	**64,55**	**178,36**	**64,27**	**512,86**	**64,46**
Total 2011	414,14	64,53	189,29	64,40	9,42	61,80	603,43	64,49	387,63	64,60	157,73	64,41	545,36	64,54

Mineral Resources are inclusive of Mineral Reserves.
Totals are rounded off.
Modifying factors: Economic pit design, customer product specifications.
**Detrital is loose fragmented material occurring in various areas at Khumani.*

Khumani ROM Dumps

Area	Proved Reserves Mt	Proved Reserves Fe %	Probable Reserves Mt	Probable Reserves Fe %	Total Reserves Mt	Total Reserves Fe %
Bruce (Off-grade)	–	–	1,33	55,00	1,33	55,00
King (Detrital)	–	–	0,43	60,00	0,43	60,00
***Total 2012 Dumps**	**–**	**–**	**1,76**	**56,22**	**1,76**	**56,22**

Totals are rounded off.
**Dumps are beneficiated to produce a saleable product.*



Khumani year-on-year change

At Khumani Mine Measured and Indicated resources significantly increased from 603,43 to 708,97 million tons mainly due to remodelling of King which incorporated new borehole information. Conversion of these Mineral Resources to Reserves is in process. Total reserves decreased to 512,86 from 545,36 million tons in 2011 due to mining depletion. A total of 1,76 million tons of contaminated ore dumps at 56,22% Fe have been reported as Probable Reserves.

Historical production at Beeshoek and Khumani Mines (saleable product)

Financial year	Beeshoek Mt	Khumani Mt
2007/2008	5,30	2,00
2008/2009	2,66	6,65
2009/2010	0,52	8,77
2010/2011	0,96	8,73
2011/2012	**2,10**	**11,60**

Underground crusher load-out facility at Black Rock Manganese Mine

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 as well as Durban and Richards Bay.

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 thrusted ore bodies comprising Black Rock (Koppie), Belgravia 1 and Belgravia 2 are collectively known as Black Rock ore bodies. 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 + 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 to 4,5 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 up to 4,5 metres are mined, using a manganese marker zone for control. There is, therefore, minimum dilution. Limited mining of Nchwaning Seam 2 has been done while no mining has been undertaken on Gloria Seam 2.

Nchwaning Mineral Resources and Reserves

Mineral Resource classification at 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 captured in a Geological Database Management System (GDMS) developed by CAE Mining. 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 and 22 648 underground sample sections were considered in the grade estimation for Nchwaning Seam 1. The data was optimised over a thickness of 4,5 metres (Nchwaning 3) and 3,5 metres for the rest of Nchwaning, and exported into data files for computerised statistical and geostatistical manipulation to determine the grades of Mn, Fe, silica (SiO_2), calcium (CaO) and magnesium (MgO).

Ordinary kriging interpolation within Datamine was used to estimate the grade of each 50 x 50 x (3,5/4,5) 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^3.

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 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 (Seam 1) increased by 4% to 110,34 million tons mainly due to an increase in the optimised evaluation cut from 3,5 to 4,5 metres for Nchwaning 3. The Mineral Resources for Seam 1 increased from 126,69 to 142,38 million tons. Nchwaning Seam 2 Mineral Resources remained at 180,8 million tons.

Nchwaning Mine: Seam 1 Manganese Resources and Reserves

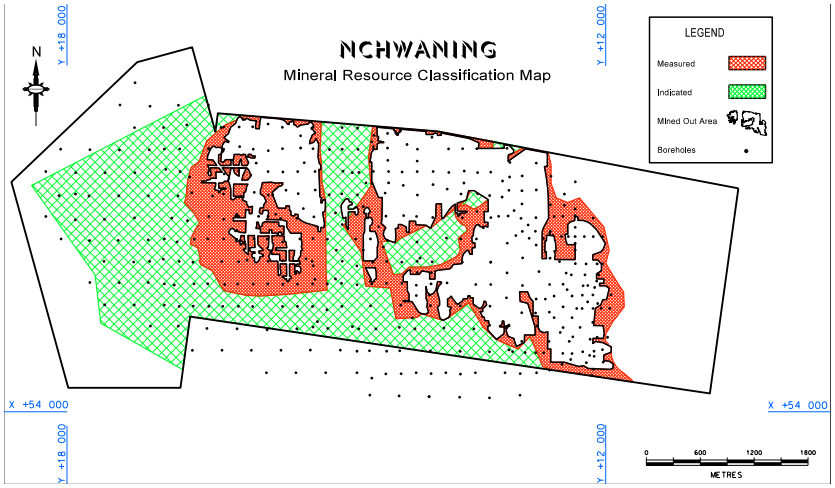
	Mineral Resources				Mineral Reserves		
	Mt	Mn %	Fe %		Mt	Mn %	Fe %
Measured	42,89	45,8	9,4	Proved	33,24	45,8	9,4
Indicated	99,49	43,1	8,8	Probable	77,10	43,1	8,8
Total Resources (Seam 1) 2012	**142,38**	**43,9**	**9,0**	**Total Reserves (Seam 1) 2012**	**110,34**	**43,9**	**9,0**
Total Resources (Seam 1) 2011	126,69	44,9	8,6	Total Reserves (Seam 1) 2011	106,28	44,9	8,6

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

Nchwaning Mine: Seam 2 Manganese Resources

Mineral Resources	Mt	Mn %	Fe %
Measured	53,37	42,0	16,3
Indicated	127,43	42,6	15,2
Total Resources (Seam 2) 2012	**180,80**	**42,4**	**15,5**
Total Resources (Seam 2) 2011	180,80	42,4	15,5

Totals are rounded off.



Black Rock Mineral Resources

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

Black Rock: Seam 1 Manganese Resources

Mineral Resources	Mt	Mn %	Fe %
Measured	9,03	40,3	18,1
Indicated	34,57	40,7	18,1
Total Resources (Seam 1) 2012	**43,60**	**40,6**	**18,1**
Total Resources (Seam 1) 2011	43,60	40,6	18,1

Totals are rounded off.

Black Rock: Seam 2 Manganese Resources

Mineral Resources	Mt	Mn %	Fe %
Measured	8,23	37,4	19,8
Indicated	18,58	39,2	19,8
Total Resources (Seam 2) 2012	**26,81**	**38,6**	**19,8**
Total Resources (Seam 2) 2011	26,81	38,6	19,8

Totals are rounded off.

Gloria Mineral Resources and Reserves

Procedures for drilling and assaying at Gloria Mine are the same as at Nchwaning. A total of 165 boreholes and 6 480 underground samples were considered in the evaluation of the Gloria Seam 1. The underground sampling values were used in evaluating areas close to current mining. The boreholes were optimised over an evaluation width of 3,5 metres and the relative density was taken as 3,8 t/m^3. The seams were evaluated by means of statistical and geostatistical methods to determine the grades of Mn, Fe, SiO_2, 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. Mineral resource classification techniques are the same as for Nchwaning.

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. 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 ore is processed in a similar way as at Nchwaning.

Gloria year-on-year change

Remodelling of Gloria Seam 1 after drilling of 27 new boreholes resulted in a 7,8% increase in Measured Mineral Resources to 33,92 million tons and a 52,8% increase in Indicated Mineral Resources to 92,87 million tons. Inferred Resources decreased from 84,00 to 48,49 million tons due to upgrade to Indicated Mineral Resources. Mineral Reserves increased from 68,25 to 93,82 million tons. The Mineral Resources for Gloria Seam 2 remained the same. No markets exist for Gloria Seam 2 ore at this time.

Gloria Mine: Seam 1 Manganese Resources and Reserves

	Mineral Resources				Mineral Reserves		
	Mt	Mn %	Fe %		Mt	Mn %	Fe %
Measured	33,92	37,7	4,9	Proved	25,10	37,7	4,9
Indicated	92,87	37,6	4,6	Probable	68,72	37,6	4,6
Total Resources (Seam 1) 2012	**126,79**	**37,6**	**4,7**	**Total Reserves (Seam 1) 2012**	**93,82**	**37,6**	**4,7**
Total Resources (Seam 1) 2011	92,23	37,8	4,9	Total Reserves (Seam 1) 2011	68,25	37,8	4,9
Inferred 2012	48.49	36.7	5.0				

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

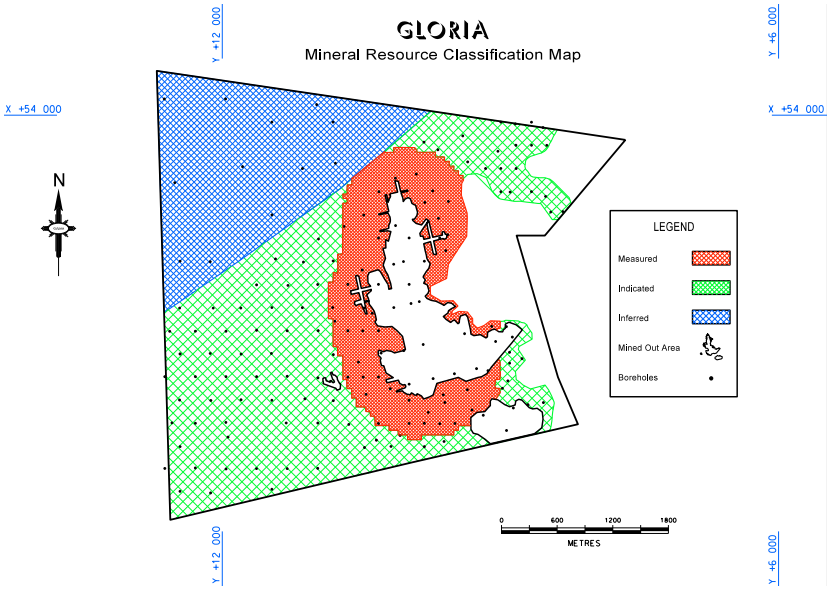
Gloria Mine: Seam 2 Manganese Resources

Mineral Resources	Mt	Mn %	Fe %
Measured	–	–	–
Indicated	29,40	29,9	10,1
Total Resources (Seam 2) 2012	**29,40**	**29,9**	**10,1**
Total Resources (Seam 2) 2011	29,40	29,9	10,1
Inferred 2012	128,24		

Totals are rounded off.

Historical manganese production at Nchwaning and Gloria Mines (saleable product)

	Nchwaning	Gloria
Year	Mt	Mt
2007/2008	2,71	0,41
2008/2009	2,63	0,51
2009/2010	1,30	0,67
2010/2011	2,35	0,70
2011/2012	**2,46**	**0,84**



Shaft reef and waste surface bins at Groenfontein shaft at Rustenburg Minerals

Chromite mine

Locality

Chromite operations at 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 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 pit 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 pit 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. 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 for export.

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

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 eight 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 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 normally strike northeast-southwest. No significant grade variation is evident, especially not vertically in the ore seam in the Dwarsrivier resource.

Mineral Resources and Reserves

Mineral Resources were estimated from boreholes on 150 to 3 000 metre grid spacing.

All possible resources down to a mineable depth of 350 metres below surface 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 Dwarsrivier Mine are based on a total of 284 diamond boreholes, inclusive of 47 new boreholes, 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 (Cr_2O_3), SiO_2, FeO, Al_2O_3, MgO and CaO. Three laboratories, all ISO 17025 accredited for this method, are used. Every tenth sample is analysed in duplicate. The density for each sample is measured using a gas pycnometer.

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 percent Cr_2O_3, with a yield of 80 percent. In the spiral section of the plant the finer fraction is upgraded to 44 percent Cr_2O_3, and 46 percent Cr_2O_3 respectively, for metallurgical grade fines and chemical grade fines. A 67 percent yield is achieved in the spiral circuit.

Dwarsrivier Chrome Mine: Chrome Resources and Reserves

	Mineral Resources				Mineral Reserves		
	Mt	Cr_2O_3 %	FeO %		Mt	Cr_2O_3 %	FeO %
Measured	20,43	38,45	22,62	Proved	12,99	33,79	21,15
Indicated	34,60	37,91	22,50	Probable	26,16	34,12	21,33
Total Measured and Indicated 2012	**55,03**	**38,11**	**22,54**	**Total Reserves 2012**	**39,15**	**34,01**	**21,27**
Total Measured and Indicated 2011	48,77	39,05	23,03	Total reserves 2011	33,44	35,69	22,03
Inferred	48,17	38,35	22,96				

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

Year-on-year change

Significant increases have been reported in Measured and Indicated Resources mainly due to the new borehole data which increased resource confidence. An increase from 17,25 million tons at 39,20% Cr_2O_3 to 20,43 million tons at 38,45% Cr_2O_3 was realised for Measured Resources while Indicated Resources increased from 31,52 million tons at 38,97% Cr_2O_3 to 34,60 million tons at 37,91% Cr_2O_3. Mineral Reserves increased to 39,15 million tons at 34,01% Cr_2O_3 from 33,44 million tons at 35,69% Cr_2O_3.

Historical production at Dwarsrivier Chrome Mine (ROM)

Financial year	Mt
2007/2008	1,24
2008/2009	1,03
2009/2010	0,78
2010/2011	1,25
2011/2012	**1,50**

Competence

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

Paul van der Merwe graduated with a BSc (Hons) in Geology from Free State University. He spent four years as an exploration geologist for FOSKOR. He then joined the Uranium Resource Evaluation Group of the then Atomic Energy Corporation of South Africa for 12 years. While employed there he studied

geostatistics and spent some time at the University of Montreal, Canada. In 1991 he joined Anglovaal Mining (now ARM) in the Geostatistics Department and evaluated numerous mineral deposit types for this group in Africa. In 2001, he was appointed as Mineral Resources Manager for the 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.

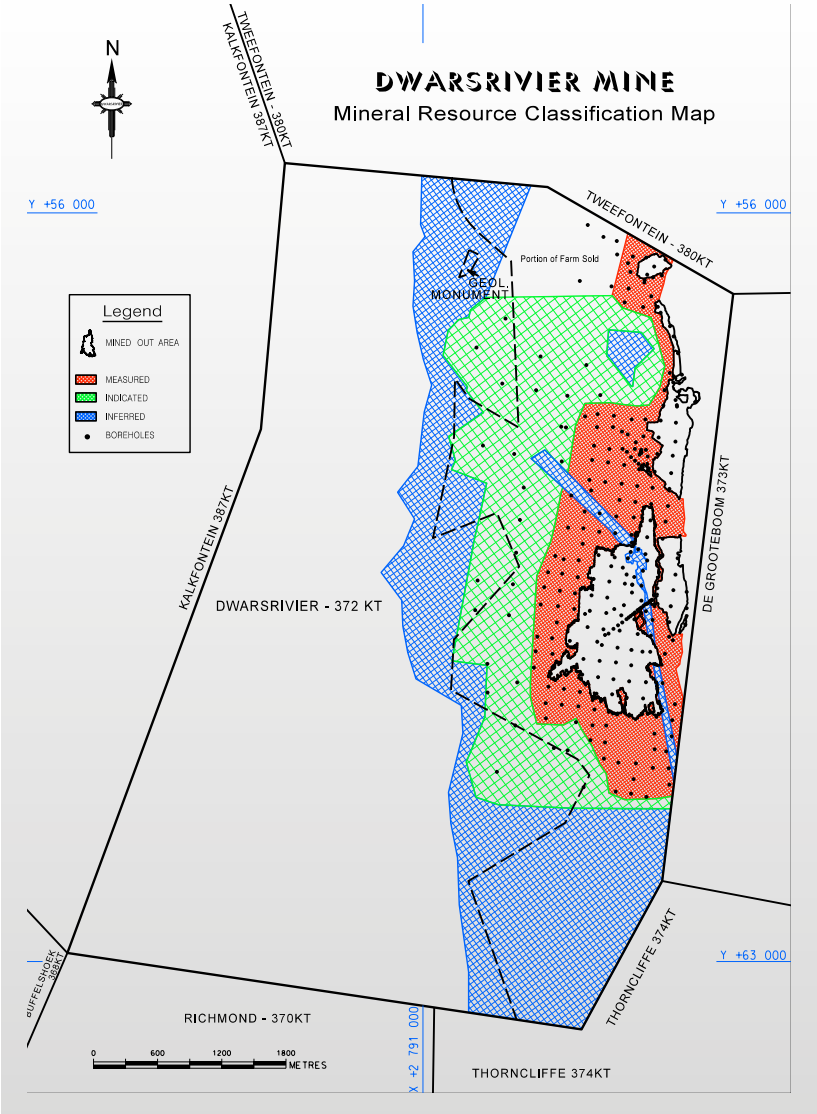
All competent persons at the operations have sufficient relevant experience in the type of deposit and in the activity for which they have taken responsibility. Details of the competent persons are available from the Company Secretary on written request.

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

M Burger, *PrSciNat*	Iron
S v Niekerk, *PrSciNat*	Iron
B Ruzive, *PrSciNat*	Manganese
A Pretorius*, *PrSciNat*	Chrome
S Kadzviti, *PrSciNat*	Chrome/Manganese

**External consultant.*

PJ van der Merwe
24 Impala Road, Chislehurston, Sandton
16 October 2012



Ore feed to conveyor plant at Black Rock Manganese Mine

Stacker/reclaimer facilities in the final product yard at Khumani Iron Ore Mine

The Assore board (the board) is of the opinion that strong corporate governance and risk management not only enhance sustainability of an organisation, but 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 related to the achievement of the organisation's objectives on a sustainable basis. The process of quantification takes into account qualitative aspects in addition to their potential 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; and
- 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, which requires all listed companies to comply with the Code of Corporate Practices as set out in the King Report on Corporate Governance (King III).

Management reviews business practice across the group on an ongoing basis and has determined that the group is 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, comprising eight directors, four of whom are executive and four non-executive.

Of the four non-executive directors, Mr Bobby Carpenter was appointed to the board in a non-executive capacity, following his retirement as executive director and deputy chairman in February 2011 after 47 years of service with the group. The other three non-executive directors are independent and hold directorships in other listed and unlisted companies registered in South Africa.

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 their contracts, while the Chief Executive Officer (CEO) also conducts regular discussions with the non-executive directors concerned 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.

Remuneration

The approach to the remuneration of executive directors is described on page 25 of this report, while details of emoluments paid to directors and directors' interests in shares of the company are disclosed in the "Directors' report" (refer pages 94 and 95 respectively). None of the executive directors has signed a service agreement with the company which specifies either a paid notice period or an additional compensation obligation on the group in the event of termination. 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 36 cents (2011: 23 cents), amounting to 0,94% (2011: 0,84%) 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 (the Companies Act). Details of these procedures and relevant information are set out in the notice to members, which was sent to shareholders registered at the record date, as at 29 October 2012 by separate registered mail.

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 30 and 31. The appointment to the board and the assessment of continued eligibility on the board of directors are made by the executive directors with the oversight of the non-executive directors and in consultation with the board as a whole. Therefore a formal policy appointing board members and a Nomination Committee are unnecessary. 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 appraised 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 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 CEO 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 pages 14 and 15 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
DJ Ncube*	3	3
WF Urmson	4	4
Dr JC van der Horst#	2	2

** Resigned on 3 May 2011.*
 # Resigned on 31 December 2011.

Board and committee performance evaluation

Ongoing evaluation of the board and its various committees does not occur on a formal basis. 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 in accordance with legal requirements without financial obligations to the group. Documented terms of reference for the board are not required, since all of the directors have substantial business experience at a senior level. The composition of the board as described above has an equal number of executive and 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 other stakeholders, is assessed in all of the board's actions and not in isolation. The chairman is appointed by the controlling shareholder 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	3
S Mhlarhi*	CA(SA)	–
WF Urmson	CA(SA)	2
Dr JC van der Horst#	BA LLD	9

** Appointed on 15 October 2012.*
 # Resigned on 31 December 2011.

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 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 the conduct of their activities in the year under review. The committee recommended the acceptance of the integrated annual report 2012 to the board on 19 October 2012.

The terms of reference of the Audit and Risk Committee are documented, have been 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" below);
- 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 staff (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 professional 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	3	3
Dr JC van der Horst	1	1

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 and evaluation of internal controls, as well as issues that may have a bearing on the external audit process and objectives. Internal audit certifies 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 to 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 given rise or may give rise to material financial losses, fraud or material errors during the year under review.

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.

Social and Ethics Committee

	Qualifications
WF Urmson (Chair)	CA(SA)
RA Davies	CA(SA)
CL Reichardt	BSc (Hons), MSc

Section 72(4) of the Companies Act requires that, *inter alia,* listed companies establish a Social and Ethics Committee (SEC) and the SEC was appointed on 17 October 2012. The functions of the required SEC in terms of the Companies Act have, until its formation and appointment of its membership, been adequately performed by the Audit and Risk Committee. The SEC reports to the board, and the key aspects of its terms of reference include the monitoring of the group's activities relating to any relevant legislation, other legal requirements or prevailing codes of best practice with regard to matters relating to:

- social and economic development;
- good corporate citizenship;
- the environment, health and public safety, including the impact of the group's activities and of its products or services;
- consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws; and
- labour and employment.

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 all applicable provisions of the Companies Act and other regulatory aspects are applied in the affairs and management of the group.

Remuneration Committee

EM Southey (Chair)
Desmond Sacco
WF Urmson

This 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 the remuneration for the year is determined at the Annual General Meeting (AGM) in the previous year.

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 is not individually disclosed; however, the total cost of the remuneration of senior employees is disclosed (on page 137), and directors' remuneration for the current and previous financial year is disclosed on page 94.

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 company. 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 inherent feature of business in general, and in the mining industry it is characterised specifically by the remoteness of location of the 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 this industry has to comply. These risks are compounded by the volatility of exchange rates and commodity prices applicable to the resources sector.

Group risk management is therefore critical to the sustainability of the group and 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 on the assessments which are 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", 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.

Details of the risks to which the group is exposed is included on pages 16 and 17 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.

Legal compliance

The board has delegated the responsibility for oversight of legal compliance to the Audit and Risk, and Social and Ethics committees. Suitably qualified consultants have been appointed 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. In future, these reports will be issued to the Social and Ethics 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 16 and 17). 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 or IT systems implementation, separate independent investigations take place on an ad hoc basis in addition to the programmed reviews referred to above.

Ethics

Ethical issues are managed by way of executive involvement in day-to-day management processes of the group and senior management who interact with staff at all levels to ensure that high ethical standards commensurate with board expectations are maintained. Issues not addressed by management are addressed by way of oversight by the Social and Ethics Committee (SEC, refer above). Due to the size of the group, the establishment of a documented code of ethics and conduct is not considered necessary. The group has various channels to facilitate effective whistle-blowing procedures. 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 is closely involved with external legal counsel in unfamiliar and complex areas.

Assore strongly endorses 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 a number of 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 26% HDSA ownership of mining assets within 10 years (ie by 1 May 2014). This 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 for achieving employment equity at management level and procuring goods and services from black empowered organisations on a preferential basis in accordance with the predetermined criteria set out in such plans. Since 2004, with a view to meeting the Charter's requirements, Assore, through its various group companies, has achieved the following empowerment 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 Assmang's 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), both in Assmang, 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 67); 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 schools and crèches, 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, both at the Excom level and by the board, through the Audit and Risk Committee and 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.

Following the introduction of the MPRD Act, Assore has, specifically at a holding company level, entered into the following empowerment-related transactions:

- 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% (16 464 450 shares) of Assore's ordinary shares in issue at that date. As part of Assore's strategy to ensure that the black-empowered control resulting from its empowerment transactions is broad-based, these shares were sold to a special-purpose vehicle (SPV) on 19 August 2011, as part of the first phase of its third empowerment transaction (refer below). As the group's empowerment partner for approximately six years, Shanduka realised a profit in excess of R2,3 billion upon the sale of its interest in the company; 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.
- In February 2012, the second phase of the company's third empowerment transaction was completed, in terms of which the control of the shares previously held by Shanduka, and subsequently sold to the SPV (refer above), were vested as to 51% and 49% in the Fricker Road Trust and the Assore Employee Trust respectively (refer "The Fricker Road Trust and the Assore Employee Trust" below). Assore has, at its own risk, assumed funding required for the acquisition of these shares in the amount of R2,8 billion, and has guaranteed the debt in the SPV. The extent of funds available to the trusts depends on Assore's continued ability to declare dividends, which impacts the debt obligation by the SPV to Assore directly.

Upon the completion of the third empowerment transaction, the entire shareholding controlled by empowered entities is now broad-based in nature, which ensures that the benefits derived from the respective trusts flow directly to the relevant communities, as specified in the trust deeds. In addition, the interest that these trusts hold in Assore cannot be realised or disposed of unless changes to the MPRD Act are brought about that release mining companies from the requirement to have HDSA control.

The control by HDSAs of Assore's shares at 30 June 2012 is as follows:

Shareholder	% shareholding
Bokamoso Trust	14,28
Fricker Road Trust	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. The majority of the Board of Trustees (the Trustees) are 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. The Board of Trustees of the Trust is as follows:

Dr TG Sibiya (Chairman)*
CJ Cory#
Ms K Makhaya*
LS Matsimela#
Ms Mtshali*
Ms TPJ Ngxulelo*

* *Independent trustee*
\# *Founder trustee*

Assore concluded a relationship agreement with the Trust in order to regulate the respective relationships 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.

To date, and pursuant to the trust deed, the Trustees have approved projects to the value of R3,7 million, details of which are as follows:

Operation	Description	
Zeerust Chrome Mines	Mmasebodule Primary School	R2 600 000
Wonderstone	Ramagopa Primary School	R800 000
Rustenburg Minerals	Imfundo Likusasalethu, primary educational intervention	R288 000

The Fricker Road Trust and the Assore Employee Trust

Pursuant to the completion of the third empowerment transaction, these trusts have been established, the activities of which are summarised below:

The Fricker Road Trust

As part of Assore's commitment to the social and economic development and empowerment of the beneficiaries, the sole object of the Fricker Road Trust is to facilitate the group's activities pursuant to its trust deed, with specific focus on the areas of health and education. The beneficiaries of the Fricker Road Trust are the members of the communities comprising HDSA persons who are living, working or operating in and around the mining and beneficiation operations of the Assore group. At current dividend levels, and allowing for necessary expenses, the Fricker Road Trust will have approximately R10 million available for distribution per annum. As the objectives of the Fricker Road Trust and the Bokamoso Trust are aligned, the group is in the process of merging the two trusts, and registering the merged trust as a Public Benefit Organisation (PBO). This registration will allow for the efficient combination of these trusts, both in terms of their assets as well as their respective trust deeds, and will result in optimising the awarding of benefits.

The Assore Employee Trust

The Assore Employee Trust was established by Assore for the purposes of economically benefiting the non-managerial employees of the Assore group by facilitating their participation in the dividend income distributed by Assore and also participating in the increase in the value of Assore's ordinary shares listed on the JSE. The beneficiaries of the Assore Employee Trust are full-time, permanent non-managerial employees of the Assore group, and exclude senior management and board members.

Preferential procurement

Assore is committed to bringing previously disadvantaged South Africans into the mainstream of the economy and the mining industry by identifying and developing business opportunities by making them available to BBBEE suppliers at all its operations. Without compromising on quality, Assore has adopted a policy of precluding vendors who do not have valid empowerment credentials from supplying goods and services to its operations.

A summary of the percentage BBBEE procurement measured against total discretionary procurement is presented in the table below:

2012	Total discretionary procurement# R million	Aggregate BBBEE expenditure* R million	Aggregate % BBBEE
Assmang	**11 071,5**	**10 258,5**	**92,7**
Rustenburg Minerals	**187,0**	**70,1**	**37,5**
Zeerust	**72,9**	**11,8**	**16,2**
Wonderstone	**33,6**	**24,0**	**71,4**
African Mining and Trust	**93,9**	**67,2**	**71,2**
2011			
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

Total discretionary procurement is defined as total procurement less procurement effected through related entities (intercompany transactions). Prior to 2012, total procurement excluded procurement effected through public sector vendors, eg rates and taxes and utility service providers.

* *Aggregate BBBEE expenditure is recognised based on the respective recognition levels of the suppliers, in accordance with the codes published by the Department of Trade and Industry (DTI).*

The significant increase of the proportion of BBBEE expenditure in Assmang is mainly due to the inclusion of procurement conducted from state-owned enterprises, which comprises a significant proportion of Assmang's expenditure.

While the percentages for Wonderstone and African Mining and Trust show pleasing developments, those for Rustenburg Minerals and Zeerust have declined due to the failure of the mining contractor, appointed at both operations to conduct the opencast mining activities, to renew its empowerment credentials.

As opencast activities are scheduled to reduce significantly in the short term, due mostly to Rustenburg Minerals' strategy to conduct mining operations underground into the future. It is therefore impractical to obtain the services of another BEE-accredited contractor for the remaining opencast mining activities and, accordingly, the group's procurement department has embarked on a process to assist the contractor concerned to obtain the necessary accreditation.

Sustainable development issues are material to Assore's business beyond the level of mere legal compliance, and sustainability strategy and management systems provide the group with the ability to respond to customer requirements, address stakeholder expectations and engage with the regulatory authorities. Assore also seeks 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, as well as allowing management to anticipate and address current and future issues that may present opportunities or threats to the group's business.

This sustainability report covers all of the entities in which the Assore group has an interest, other than portfolio investments, and distinguishes between Assmang's operations and the AMT operations as defined in the "Scope and boundary" (refer page 1).

Sustainability management and reporting systems

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

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 intends to seek certification in the first half of the coming financial year.

Measuring sustainability performance

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 this report meets application level C of the GRI G3 Sustainability Reporting guidelines and the associated Metals and Minerals Sector supplement, details of which are available at www.assore.com.

More detail on the assurance of the sustainability data sets is included on page 3.

In previous years, the group has focused on developing sustainability management systems that have facilitated the collection and reporting of credible and relevant data sets. This information is vital for informing and monitoring the effectiveness of the group's sustainability initiatives and has also allowed the integration of non-financial risk considerations into the group's business strategy. These systems are now yielding increasingly robust data sets that allow health, safety, environmental and sustainability considerations to inform decision-making on a systemic and ongoing basis.

The group's sustainability reporting systems have now matured to a point where it is possible to establish quantifiable targets for sustainability performance. The area in which this is best advanced is in respect of energy management, where clear targets have been established for energy efficiency and emissions reduction at the smelters and have been linked to the Key Performance Indicators for operational staff and management.

Structure of the sustainability function

In both the Assmang and AMT structures, site-based environment, health and safety staff as well as corporate social responsibility (CSR) practitioners report directly to mine management. The sites are supported by corporate staff who are responsible for establishing group-wide policy and performance standards, facilitating internal and external reporting and auditing operational performance.

Within the Assore structure, the Senior Manager: Safety, Health, Environment, Risk & Quality reports directly to Assore's Group Technical and Operations Director, and a similar structure exists within Assmang, with the Divisional SHEQ Manager reporting to the Chief Executive: ARM Ferrous, who carries the legal responsibilities for Assmang.

Legal compliance

Legal compliance forms 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 maintains a site-specific legal register detailing the applicable legislation with which the operation needs to comply on an ongoing basis.

External auditing of legal compliance

All mining operations within the group have approved Environmental Management Programmes (EMPs), as required in terms of the Mineral and Petroleum Resources Development (MPRD) Act. 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.

Internal and external audits of the Assmang and the AMT operations confirm that, with one exception, all sites have been granted all permits, licences, authorisations and exemptions required to operate in compliance with the requirements of South African health, safety and environmental law. The single aspect of ongoing administrative non-conformance remains the issuing and updating of the integrated water licences for the AMT operations. All three mines have submitted applications, however, the processing of these applications, some of which were submitted as far back as 2006, has yet to be completed. Whilst they await the issuing of their new licences, these sites continue to operate under their old permit conditions and in accordance with the additional commitments made in their applications. Assore management continues to liaise with the Department of Water Affairs on a monthly basis to confirm that there are no outstanding queries or data requirements to impede the processing of these applications.

In May 2012, the biannual safety, Health and Environment (SHE) legal compliance audit of the AMT operations was conducted by Environmental Resource Management Southern Africa Proprietary Limited (ERM). In line with the integration of risk management processes across the Assore group, for the first time the ERM audit team was supplemented by an auditor appointed by Assore's internal auditors, Sizwe Ntsaluba Gobodo (SNG).

The findings recorded by ERM did not indicate any material issues of health, safety or environmental risk. In almost all cases, corrective action was implemented within six weeks to close out the audit findings. The only area of uncertainty related to technical issues around tailings management, and a specialist study will be undertaken in the coming financial year to determine whether or not any remedial action is required.

Directors' liability audits are conducted once every two years on the Assmang sites by a team of external auditors, with the most recent audits being conducted between March and May 2011, prior to the commencement of this reporting year. These audits confirmed that there has been a significant improvement in safety, health and environmental management on all Assmang sites since the previous round of audits, as illustrated by the marked reduction in material risks identified during the audits. Corrective action plans were drawn up to address each of the identified areas of risk, and in November 2011, Assmang's Divisional SHEQ Manager conducted an assessment of the status of the corrective actions, the findings of which were reported back to the Assmang OpsCom, via the Chief Executive: ARM Ferrous.

Legal compliance status

No administrative penalties, fines or prosecutions were incurred by either Assmang or the AMT operations over the current financial year, nor was the group prosecuted for any anti-competitive behaviour or anti-trust or monopolistic practices. Similarly, neither Assore nor its operating divisions received any fines for non-compliance in respect of laws and regulations concerning the provision and use of products and services.

The year saw an increase in the number of section 54 and 55 notices served on the group's operations by the Department of Mineral Resources (DMR) in terms of the Mine Health and Safety Act.

There has been an increase in the number of section 54 notices served on Assmang operations from four in 2011 to eight in 2012, resulting in 27 shifts lost in 2012 (2011: 10). The number of section 54 notices issued to the AMT operations remained stable, with one issued in each of 2012 and 2011.

The number of section 55 notices issued to Assmang operations increased over the reporting year from five in 2011 to 13 in 2012, and a corresponding increase was seen at the AMT operations, which were issued with four section 55 notices over the reporting period (2011: two).

The increased number of notices served reflects an increased drive towards compliance by the DMR combined with the application of higher standards in line with the tripartite commitment between the DMR, unions and mining companies in order to reduce fatalities.

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.

Energy consumption and climate change

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, are a material environmental issue for the Assmang and the AMT operations.

Energy consumption for the year under review

Operation	**Diesel use 2012 ('000ℓ)**	Diesel use 2011 ('000ℓ)	**Electricity used 2012 (kWh)**	Electricity used 2011 (kWh)
Beeshoek	**7 549**	2 048	**39 974**	31 193
Khumani	**37 838**	27 535	**158 561**	101 078*
Black Rock	**4 355**	4 119	**99 063**	105 186
Cato Ridge Works	**492**	524	**747 392**	588 410
Dwarsrivier	**1 402**	1 429	**47 604**	40 523
Machadodorp Works	**1 273**	1 501	**825 131**	1 007 538
Rustenburg Minerals	**2 776**	2 642	**9 649**	4 092
Zeerust	**1 648**	1 993	**2 952**	1 821*
Wonderstone	**167**	212	**1 904**	2 147

**Note that the electricity consumption for Khumani and Zeerust in 2011 has been restated from that reported in the previous year.*

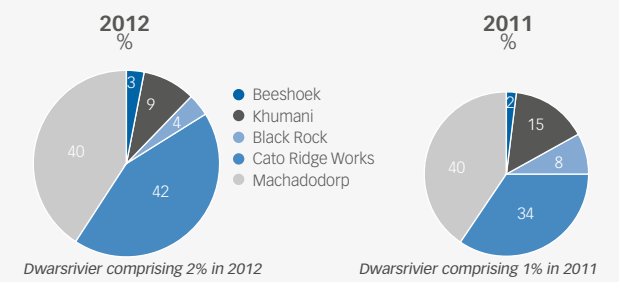
The greatest percentage change in diesel consumption took place at Beeshoek, where the resumption of mining during 2012 resulted in a 269% increase in diesel consumption year-on-year. A 37% increase in diesel consumption was also recorded at Khumani, and reflects the ramping up of mining activity as a result of the Khumani Expansion Project and a resultant upscaling of the mining fleet.

Cato Ridge electricity consumption increased by 27% year-on year, which reflects a return to normal production after the switching out of Furnaces #1 and #2 for upgrade in December 2011, which had reduced electricity consumption in 2011. By contrast, electricity consumption at the Machadodorp smelter reduced by 18,1%, as a result of the switching out of Furnace 1 between March and June 2012 due to weak market demand for ferrochrome.

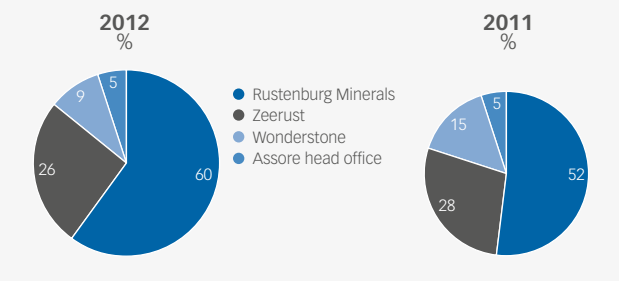
Corporate carbon footprint

Corporate carbon footprints (CCFs) have been annually calculated for the Assmang and Assore operations since 2009 and form the foundation of the group's strategy for managing issues relating to energy efficiency and climate change.

Assmang carbon emissions



AMT carbon emissions



As in previous years, the CCFs include sites, subsidiaries, operations and activities over which the group has operational control. Thus, greenhouse gases (GHGs) generated by activities associated with the group, but over which the group has no operational control, are not taken into account.

In line with the methodology laid down in the Greenhouse Gas Protocol – Corporate Standard, as well as ISO14064, GHG emissions are reported under 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 is predominantly generated by coal-fired power stations
- **Scope 3:** GHG emissions that are a consequence of the company's activities but occur from sources not owned or controlled by the company (eg product transportation and business travel)

The GHG emissions from the group operations for the year under review per scope are summarised in the table below:

	Scope 1 tons CO_2e*	Scope 2 tons CO_2e	Total emissions CO_2e
2012			
Assmang	858 431	1 808 549	**2 666 980**
AMT operations	12 047	14 869	**26 916**
2011			
Assmang	573 055	1 426 879	**1 999 934**
AMT operations	12 891	8 174	**21 065**

CO_2 equivalent.

The breakdown of emissions on a site basis illustrates that, as in previous years, the most energy-intensive operations are the smelters at Cato Ridge and Machadodorp.

The bulk of GHG emissions generated by the group fall within Scope 2, which reflect electricity consumption by the smelters at Cato Ridge Works and Machadodorp. Scope 2 emissions by Assmang operations in 2012 totalled 2 666 980 tons CO_2e, a 9,8% increase on the previous year, as a result of increased electricity consumption at the Cato Ridge Works and Khumani. Scope 1 emissions also increased markedly on Assmang operations during the reporting year, primarily due to higher diesel consumption at Khumani.

The AMT operations' emissions profile has shifted fundamentally in 2012, with Scope 1 emissions now being exceeded by Scope 2 emissions. This has occurred as a result of the continued development of the Groenfontein and Zandspruit underground sections at Rustenburg Minerals, which consume proportionately more electricity than diesel.

In the financial year under review, submissions to the Carbon Disclosure Project (CDP) were made in respect of both the Assmang and the AMT operations.

Business risks associated with climate change

The group is in the process of integrating climate change considerations into its business strategy and risk management processes. The departure point for this process has been the identification of the business risks associated with climate change, which include changes to the legislative and fiscal environment in which we operate, as well as physical risks to infrastructure posed by possible shifts in prevailing weather patterns.

Water management

Water management remains a critical issue for the group, whose operations are mainly located in water-scarce regions of South Africa that experience marked seasonal variations in rainfall.

Water consumption for the year under review

Operation	2012 m^3	2011 m^3
Beeshoek	**6 190 014**	4 611 620
Khumani	**3 772 149**	2 611 648
Black Rock	**862 842**	857 030
Cato Ridge Works	**395 083**	374 163
Dwarsrivier	**129 990**	362 522
Machadodorp Works	**142 928**	130 620
Rustenburg Minerals	**247 666**	286 202
Zeerust	**233 710**	222 550*
Wonderstone	**1 267**	1 137

**Restated from the figure reported in 2011 due to a transposition error.*

The biggest increases in water consumption on the Assmang operations have been reported at the iron ore mines, with Khumani and Beeshoek reporting year-on-year increases of 44% and 34% respectively. These increases reflect a ramping up of production on both mines, resulting from the development of the King Pit as part of the Khumani Expansion Project and the recommencement of mining at Beeshoek.

Over the reporting year, there has been a decrease of 64% in water consumption at Dwarsrivier due to the implementation of water recycling initiatives that have allowed dewatering discharge to be substituted for borehole water in order to meet process water requirements.

The group's operations obtain their water from a combination of boreholes located on mine property and water purchased from water supply utilities such as Umgeni Water (which supplies the Cato Ridge Works) and Sedibeng Water, which supplies water from the Vaal-Gamagara Water Scheme to Khumani and Black Rock. Integrated Water Use Licences have been applied for by all sites (see legal section for more clarification on the status of these applications) and the amount of water abstracted by each site remains within the volumes stipulated by the Department of Water Affairs based on their resource allocation. No water is drawn from a source whose sustainability or dependent ecosystems are adversely affected by the extraction.

Ongoing monitoring of groundwater levels and water quality in accordance with water use licence conditions confirms that in no case is a water source significantly affected by withdrawal of water by any of the group's mines or smelters.

During 2012, a major upgrade of the stormwater management system at the Cato Ridge Works was completed. This system has been designed to increase the recycling of stormwater – thus reducing the requirement for water purchase – and will also minimise pollution potential as a result of zero discharge to the surrounding environment. Substantial improvements in process water management were also achieved at Dwarsrivier during the year, where several existing process water dams have been relined and where the new tailings dam has been constructed with a plastic (HDPE) liner to minimise water seepage to the underlying aquifer.

Waste generation

Mining and smelting operations produce a range of waste streams that require specialist management and disposal. As a result, financial provision for the rehabilitation of mine waste facilities such as tailings dams, waste rocks and slag dumps constitute a large proportion of the group's closure provision (refer Mine closure and financial provisions).

No waste that is deemed hazardous in terms of the Basel Convention is imported, exported or transported over an international boundary by the group's mines or smelters.

The most significant increases in mine waste generation over the reporting year resulted from substantially increased rates of waste rock generation at Dwarsrivier and Khumani (305% and 252% respectively).

The substantially increased rate of waste rock generation at Dwarsrivier reflects overburden removal required to prestrip the North Pit. Over the same period, tailings generation increased by 63%, reflecting increased volumes of ore through the plant. During the year, Dwarsrivier also completed the construction of a new, lined tailings disposal facility, which will be used to dispose of tailings arising from future production, as well as historical tailings reprocessed through the plant.

The increase in waste rock generation on the iron ore mines reflects the development of the King Pit as part of the Khumani Expansion Project, and the recommencement of mining at Beeshoek (whose production was restricted to stockpile reprocessing during the previous financial year). The increases in waste rock production have been mirrored by an increase in tailings generation resulting from increased throughput through the plants.

In line with the DMR's stated objective of maximising the value realised from South Africa's mineral endowment, the group continues actively to seek economic opportunities relating to the reprocessing of historic mine wastes and the sale of waste products. Thus, both Dwarsrivier and Zeerust have continued to reclaim and reprocess historic tailings during the past year.

Over the past year, Cato Ridge Works has made significant improvements in the way that slag from the smelter is managed. In May 2011, the first cell of the new lined slag facility was commissioned, which is used to dispose of processed slag that is deemed "unsellable" as aggregate. Now that the new facility is operational, no new slag will be placed on the old slag dump, allowing the old dump to be decommissioned and rehabilitated.

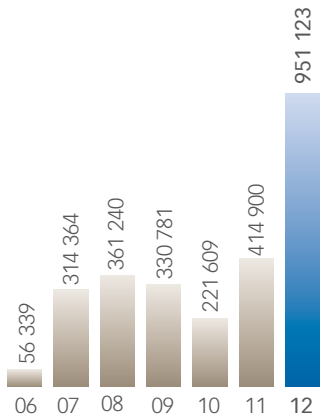
Waste generated by operations

Operation	**Waste rock 2012 m³**	**Slag/tailings 2012 tons**	Waste rock 2011 m³	Slag/tailings 2011 tons
Beeshoek	**848 328**	**956 436**	–	1 025 030
Khumani	**41 444 833**	**1 994 369**	11 776 314	1 262 318
Black Rock	**46 359**	**199 347**	97 265	158 550
Cato Ridge Works	**Not applicable**	**175 648**	Not applicable	163 483
Dwarsrivier	**1 414 000**	**603 306**	348 893	369 483
Machadodorp Works	**Not applicable**	**268 603**	Not applicable	539 185
Rustenburg Minerals	**1 809 868**	**37 008**	1 587 966	36 005
Zeerust	**1 809 868**	**37 008**	1 587 966*	36 005*
Wonderstone	**104 319**	**Not applicable**	149 470	Not applicable

**Values restated from those reported in the 2011 annual report.*

In parallel, Cato Ridge Works has continued substantially to reduce the volume of slag disposed of on site by reclaiming slag from the old slag dump which is sold as aggregate for infrastructure projects. In 2012, Cato Ridge Works sold a total of 951 123 tons of slag, more than double that sold in the previous year (2011: 414 900 tons). This is equivalent to about six years of slag production from the smelter, based on the total of 169 438 tons of new slag generated at the Cato Ridge Works in 2012. The progression of sales of slag is depicted as follows:

Cato Ridge slag sales
(tons per year)



Land management and mine closure

Land management

As a requirement of the National Environmental Management: Biodiversity Act, operations are required to develop and implement a Biodiversity Action Plan (BAP) to manage their impacts on site ecosystems. BAPs focus on identifying and implementing sustainable land management practices including the protection of vulnerable ecosystems and species, the control and eradication of alien and invasive species and veld fire management. These plans are also used to inform decisions on site rehabilitation and revegetation by identifying rehabilitation techniques and species that are compatible with both the natural ecosystem and sustainable post-closure land uses.

BAPs have been developed for all the group's operations and confirm that no Red List species are present on the sites. The actions recommended in the BAPs have been integrated into the sites' land use management procedures and include measures to conserve protected ecosystems and species present on the sites.

The table below summarises the areas of land disturbance at each operation at the end of the reporting year:

Operation	**Area currently disturbed 2012 ha**	Area currently disturbed 2011 ha
Beeshoek	**970**	865
Khumani	**1 680**	658
Black Rock	**1 441**	1 441
Cato Ridge Works	**80**	50
Dwarsrivier	**164**	143
Machadodorp Works	**142**	19
Rustenburg Minerals	**140**	115
Zeerust	**86**	63
Wonderstone	**34**	30

The past year has seen relatively small increases in the area of land disturbance at the mining operations. The major exception has been at Khumani, where an additional 1 022 ha of land was disturbed during 2012, primarily as a result of the development of the King Pit. This development has more than doubled the disturbed footprint of the mine in the past year.

During the year, a contaminated land survey was undertaken at Machadodorp which identified the scale and extent of land impacted by the works. Thus, although no additional land was disturbed over the reporting year, the area of land disturbance reported for 2012 has been revised sharply upwards due to the identification of additional areas of contaminated land that will require remediation, as reflected by a doubling of the closure provision for the site.

The Cato Ridge Works also saw a significant increase in land disturbance during 2012. This was due to the completion of a number of major projects, including:

- The completion of the stormwater management system to ensure that no discharge of water takes place from the site to the surrounding environment
- The construction of a new, lined facility for slag disposal to safeguard the quality of water in the underlying aquifer
- The construction of a new entrance to the site to ease traffic congestion.

Mine closure and financial provisions

Financial provision for mine closure and rehabilitation constitutes the single largest environmental liability for the group's mines, with a total liability of R724 million (2011: R569 million) for Assmang operations and R16 million (2011: R17 million) for the AMT operations.

Financial provision for closure as at 30 June

Operation	**Total liability (R'000) 2012**	**Environmental fund (R'000) 2012**	**Current guarantees in place (R'000) 2012**	Total liabilities (R'000) 2011	Environmental fund (R'000) 2011	Current guarantees in place (R'000) 2011
Mines						
Beeshoek	**84 700**	**63 836**	**38 389**	89 441	60 443	38 389
Khumani	**211 856**	**28 542**	**187 032**	235 764	19 779	95 833
Black Rock	**199 338**	**34 506**	**122 668**	114 502	26 150	46 536
Dwarsrivier	**41 472**	**11 536**	**33 673**	38 759	9 735	33 673
Sub total	**537 366**	**138 420**	**381 762**	410 470	116 107	214 431
Alloy operations						
Cato Ridge Works	**120 900**	**102 807**	**–**	120 000	76 237	–
Machadodorp	**87 427**	**–**	**–**	38 075	–	–
Total	**745 693**	**241 227**	**381 762**	568 545	192 344	214 431
Rustenburg Minerals	**9 550**	**–**	**13 000**	9 321	–	13 000
Zeerust	**3 008**	**–**	**3 500**	3 436	–	3 500
Wonderstone	**3 763**	**–**	**4 500**	3 768	–	4 500
Total	**16 321**	**–**	**21 000**	16 525	–	21 000

**Figures restated from the previous report.*

While mines are required to provide for the funding of environmental liabilities, either by cash deposited in environmental funds, or the issue of environmental guarantees, as set out above, provision for environmental obligations for the alloy operations are recognised in the financial statements.

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 bank guarantees. These closure provisions are reviewed, and, if 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 contain their "footprint" of disturbed land (and the associated financial provision for closure) to a minimum.

Despite there being no increase in land disturbance at Black Rock during 2012, the mine's closure provision has increased by 69% year-on-year. This substantial increase in financial provision is a condition of the environmental authorisation issued for the Black Rock Expansion Project.

For a similar reason, Khumani's closure provision increased only 2,5% year-on-year, although the area of land disturbance more than doubled over the same period. This is accounted for by the fact that closure provisioning has been calculated on the basis of the approved life of-mine plan, which saw a substantial increase in provisioning in the 2011 year (120%).

The Cato Ridge Works and Machadodorp smelters are classified as industrial (rather than mining) facilities, which are currently not required in terms of South African law to make financial provision for site closure or rehabilitation. Nonetheless, in line with its commitment to responsible environmental management across its sites, Assmang has decided that the smelters will calculate their closure liability and make financial provision for rehabilitation.

A contaminated land survey was completed at Machadodorp in 2012, and the sharp upward revision in the area of land disturbance that will need to be rehabilitated prior to closure has led to a 130% increase in the closure provision for the site.

Employee safety, occupational health and wellness

Assore is committed to achieving zero harm to its employees, either as a result of unsafe working conditions or occupational disease, and is working towards compliance with the 2013 milestones jointly established by the South African mining industry, the DMR and organised labour.

Safety

This year again has seen a significant reduction in Lost Time Injuries (LTIs), with a total of 38 (2011: 56) being reported for the Assmang operations and a total of eight (2011: 10) LTIs were reported on the AMT operations. The Lost Time Injury Frequency Rate (LTIFR) has also continued to drop year-on-year with a rate of 0,29 (2011: 0,47) for Assmang operations and 0,9 (2011: 1,26) for the AMT operations.

Safety statistics

Operation	**LTI 2012**	LTI 2011	**LTIFR 2012**	LTIFR 2011
Beeshoek	**–**	1	**–**	0,17
Khumani	**5**	13	**0,11**	0,27
Black Rock	**5**	9	**0,19**	0,4
Cato Ridge Works	**6**	3	**0,52**	0,23
Dwarsrivier	**20**	22	**0,76**	1,26
Machadodorp Works	**2**	8	**0,16**	0,68
Assmang	**38**	56	**0,29**	0,47
Rustenburg Minerals	**5**	4	**0,81**	0,84
Zeerust	**1**	–	**0,62**	–
Wonderstone	**2**	6	**1,75**	4,86
AMT	**8**	10	**0,9**	1,26

LTIFR calculated on the basis of 200 000 hours.

During the year, Beeshoek passed the 2 000 000 fatality-free shifts milestone, and by the end of 2012, had gone 13 months without an LTI. Cato Ridge Works achieved 1 000 000 fatality-free shifts during the first quarter of the financial year and Dwarsrivier passed the same milestone in the second quarter.

On an equally positive note, Black Rock and Machadodorp Works ended the year with the lowest LTIFRs ever recorded for these operations (0,19 and 0,16 respectively).

During the reporting year, Black Rock's safety achievement was recognised by the Northern Cape Mine Managers' Association with awards for the safest underground mine and the most improved underground mine.

Whilst the overall improvement in safety performance across the group's operations is encouraging and reflects the continued priority that management places on ensuring the safety of its employees, we continue to seek opportunities to further reduce the number of accidents and incidents. In particular, Dwarsrivier's safety performance continues to remain disappointing, and improving safety on this mine has been identified as a priority area that will continue to be the focus of corporate and site management attention for the coming year.

In order to allow benchmarking of safety performance across the chrome sector, Dwarsrivier, Rustenburg Minerals and Zeerust submit annual safety statistics to the International Chrome Development Association's (ICDA) Safety First initiative (refer "Product stewardship and advocacy").

Fatalities

There were no fatalities on either the Assmang or the pit operations during the reporting year.

The findings of the inquiry convened by the Department of Labour into the fatal explosion that took place at the Cato Ridge Works on 24 February 2008, and which has been reported on in previous reporting periods, have still not been made available to the company. Thus, the final outcome in this matter is still awaited. The trust fund established to provide *ex gratia* assistance to the affected families has completed its work.

Notices served by regulatory authorities and shifts lost

	Section 54 notices		Shifts lost due to Section 54 notices		Section 55 notices		Shifts lost due to Section 55 notices	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Assmang	**16**	15*	**50**	37*	**13**	5	**13**	–
AMT operations	**1**	1	**–**	4	**4**	2	**–**	–

** Restated from the previous reporting period.*

Occupational health and wellbeing

Assore is committed to promoting the wellbeing of its employees, both through the minimisation and management of occupational health risks in the workplace and the support of programmes which encourage employee wellness and wellbeing.

Occupational health screening

Operation	**Number of audiometric surveillance tests performed 2012**	**Number of cases referred for audiometric diagnostic testing 2012**	**Number of cases submitted for compensation 2012**	Number of audiometric surveillance tests performed 2011	Number of cases referred for audiometric diagnostic testing 2011	Number of cases submitted for compensation 2011
Beeshoek	**2 996**	**5**	**1**	1 534*	2*	5*
Khumani	**8 884**	**9**	**11**	9 061*	2*	–*
Black Rock	**4 566**	**3**	**2**	3 678	3	–
Cato Ridge Works	**2 550**	**5**	**–**	3 622*	107*	–
Dwarsrivier	**3 107**	**7**	**–**	2 092	2	2
Machadodorp Works	**957**	**4**	**1**	1 070	–	–
Rustenburg Minerals	**528**	**6**	**6**	311	4	3
Zeerust	**145**	**1**	**–**	131	–	–
Wonderstone	**108**	**1**	**–**	128	1	–

** Restated from 2011 report.*

Occupational health surveillance

In order to ensure that the specific occupational health risks associated with each of the operations are effectively monitored and managed, specialist occupational healthcare service providers are retained by each site to implement medical surveillance programmes in accordance with the requirements laid down in the Mine Health and Safety Act (MHSA) and the Occupational Health and Safety Act (OHSA).

The operations routinely conduct entry and exit medicals for all employees and contractors, as well as periodic medicals to comply with the occupational health surveillance requirements of the legislation.

In response to the changing risk profile of the Machadodorp Works resulting from the conversion of Furnace #5 from ferrochrome to ferromanganese production, a health baseline assessment of the entire workforce was undertaken prior to the introduction of manganese to the site. Assmang has also taken this opportunity to align the medical surveillance protocols between the two smelters in order to achieve consistency of approach, and the medical surveillance protocol at Black Rock Mine was also revised during the reporting year.

Noise induced hearing loss

As in previous years, noise induced hearing loss (NIHL) remains a major occupational health challenge for the Assmang and the AMT operations and existing hearing conservation programmes have been reviewed and revised with the intent of achieving the target of eliminating NIHL. A two-pronged approach has been developed to promote hearing conservation that includes both noise reduction strategies and improvement in occupational health surveillance and case management of individuals who have been referred for audiometric diagnostic testing.

In 2012, a total of 31 (2011: 116) cases were referred by Assmang for audiometric diagnostic testing and a total of eight (2011: five) cases were referred for follow up by the AMT operations. Of the cases referred for follow-up, 15 (2011: seven) cases from Assmang and six (2011: three) cases from AMT were submitted for compensation.

Employee wellness initiatives

Over the past year, the group has partnered with a range of organisations, including occupational health practitioners, medical aids and organised labour, to proactively manage employee wellness.

Proactive management of fatigue has been identified as a significant contributing factor to continued employee wellness and workplace safety, particularly for workers in underground operations. During the past year, Assmang has completed a fatigue management study at Black Rock in partnership with the University of the Witwatersrand and the CSIR, with the intention of developing a fatigue management protocol that can be implemented across the group.

In April 2012, AMT organised a Wellness Day at Rustenburg Minerals, which was open to employees from both the Rustenburg Minerals and Zeerust operations. This is the first event of this kind that has been organised on the AMT operations and attracted a staff turnout in excess of 75%. The encouragingly high turnout at the event is attributable to the involvement of NUM in planning this event, who demonstrated their commitment to proactive wellness management by encouraging their membership to attend this event. A similar Wellness Day will take place at Wonderstone early in the coming financial year.

A Wellness Conference was also held at Khumani in May 2012, and was the precursor of a TB Integration meeting that was held the following month and included involvement from the Department of Health.

HIV/Aids management

The management of HIV/Aids remains one of the greatest challenges to managing the wellness of any workforce in South Africa. In order to address this challenge, the Group HIV and Aids Coordinator has developed an HIV and Aids management guideline which informs corporate strategy, guides resourcing for disease management and outlines performance indicators to monitor the effectiveness of the programme. HIV and Aids coordinators have been appointed at all Assmang sites to implement the HIV and Aids management strategic plans, which are managed in conjunction with TB infection control programmes. On-site medical staff also partner with external agencies such as government and NGOs to extend HIV and Aids testing and disease management programmes into our host communities.

AMT's first site-based Voluntary Counselling and Testing (VCT) campaign took place at Rustenburg Minerals in April 2012, with over 60% of those who participated in the Wellness Day electing to undergo VCT. A similar VCT programme is planned for Wonderstone early in the coming financial year.

Housing

Assmang actively promotes home ownership as a means of providing its employees with quality accommodation and contributing to their long-term financial security through the purchase of property. The group believes that home ownership promotes the health and wellbeing of our employees and their families and also contributes to the building of sustainable communities whose economic diversification will allow them to endure past the end of the life of the mine.

Housing strategies employed by mining companies in the past – such as the provision of accommodation in mine villages for the duration of employment and the payment of "living out" allowances – are ultimately unsustainable and have been linked to a range of undesirable social and industrial relations outcomes.

Assmang's housing philosophy is based on the promotion of home ownership amongst all levels of employees in selected sustainable towns within a commutable distance of its mines.

Summary of progress against the Mining Charter housing requirements

The Mining Charter requires that mines must implement measures to improve the standard of housing and living conditions for mineworkers as follows:

- Convert or upgrade hostels into family units by 2014;
- Attain the occupancy rate of one person per room by 2014; or
- Facilitate home ownership options for all mine employees in consultation with organised labour by 2014.

In response to the Mining Charter requirements and the shortfall of housing in the Northern Cape, Assmang created the Khumani Housing Development Company (KHDC) to develop additional residential property that is affordable for employees in all income bands. By the end of 2012, a total of 349 Assmang employees have become home owners as part of the housing scheme.

Where possible, these properties have been constructed with the input of local service providers and materials suppliers, thus creating jobs in the construction sector and making a significant additional contribution to the local economy. Efforts have also been made to incorporate environmental considerations into house design, such as the installation of solar water heaters to improve energy efficiency.

Many of the group's employees are first-time home owners and would not necessarily qualify for mortgages if they were to apply to conventional financial institutions. To address this challenge, the mines provide employee housing subsidies to the individuals that become part of the housing model and also offer a discounted interest rate to fund the housing loan whilst employed by Assmang.

Housing developments to date

Due to the success of the initial phases of the Khumani housing project, it was decided to use the Kathu pilot project as the template for housing projects for the remainder of Assmang's mines, and by the end of 2012, the following projects were currently under way:

- **Extension 3 – Kathu**
  The Extension 3 development consists of 328 stands in the western part of Kathu. As at the end of 2012, 324 (2011: 244) houses have been constructed specifically for Khumani employees in this suburb of which 259 (2011: 191) were purchased by the employees and 65 are utilised as transit rental units.

- **Uitkoms – Kathu**
  Uitkoms is a new housing development specifically for Assmang Khumani employees, which comprises 113 stands. As at end of 2012, 57 (2011: 39) houses had been built in this suburb specifically for Khumani employees of which 50 (2011: 32) were purchased by the employees and six are utilised as transit rental units.

- **Rooisand – Kathu**
  KHC owns a further 822 residential stands and two undeveloped stands suitable for an additional 192 residential units in the Rooisand development to the eastern part of Kathu, adjacent to the N14. At the end of 2012, 25 (2011: nil) houses were completed in this suburb and in excess of 150 employees have expressed interest in buying houses in this suburb. As at end of June 2012, 348 houses were under construction and at various stages of completion in this suburb.

- **Kuruman**
  KHC is in the process of providing services to land for Black Rock employees in Wrenchville, Kuruman, that is suitable for 260 residential stands and two smaller portions of land suitable for the development of an extra 31 residential stands. At the end of June 2012, 24 (2011: two) houses were completed, of which 15 had been purchased by Black Rock employees.

- **Mashishing (formerly Lydenburg)**
  Khumani Housing Company is currently building 29 (2011: nil) houses in Mashishing (formerly Lydenburg), Mpumalanga for Dwarsrivier and owns serviced land suitable for another 47 units in Extension 70.

To entrench the skills and values required to foster sustainable and fully integrated communities, a comprehensive home owners' education programme was designed for the project, and Assmang is committed to supporting continued communication and education in this regard.

Human resources and training

Employment equity

Operation	**HDSA management 2012 (%)**	HDSA management 2011 (%)	**Women in mining 2012 (%)**	Women in mining 2011 (%)
Beeshoek	**57**	50	**12**	21
Khumani	**92**	60	**4**	3
Black Rock	**57**	47	**4**	5
Cato Ridge Works	**28**	70	**8**	9
Dwarsrivier	**43**	73	**12**	12
Machadodorp Works	**50**	63	**12**	17
Rustenburg Minerals	**57**	50	**12***	21*
Zeerust	**92**	60	**4***	3*
Wonderstone	**57**	47	**4***	5*

Figures for the AMT operations reflect women employed in core mining functions.
Target for HDSA management is 40% by 2014.
Target for women in mining is 10% by 2014.

Employee training and development

Employee training and skills development is crucial to the group's strategy of staff development, talent management and employee retention.

Payroll spend on training

During the year, both the Assmang and AMT sites achieved an increase in expenditure on training and exceeded the Mining Charter target for training expenditure which is specified as 5% of payroll by 2014.

	Proportion of payroll spent on training (%) 2012	Proportion of payroll spent on training (%) 2011
Assmang	**9,3**	8,0
AMT operations	**5,3**	4,9

Learnerships and bursaries

Assmang has shown a substantial increase in the number of learnerships and bursaries year-on-year in line with Mining Charter and Department of Trade and Industry scorecard commitments, with a 114% increase in the number of bursaries extended. The AMT operations also reported a 15% increase in the number of bursaries awarded over the same period.

	Learner-ships 2012	**Bursaries 2012**	Learner-ships 2011	Bursaries 2011
Assmang	**107**	**219**	98	99
AMT operations	**4**	**38**	4	33

The learnerships awarded by the group focus on the development of artisanal skills in disciplines such as diesel mechanics, fitters, electricians, boilermakers and instrument technicians which are in short supply. Bursaries are also extended to candidates studying engineering, surveying, metallurgy and geosciences.

The group supports capacity building at a tertiary level through its ongoing support of the Minerals Education Trust Fund (METF). The METF is a multilateral organisation that pools resources to support continued excellence in tertiary education and research, most notable through the provision of salary supplementation for academics in the fields of mining engineering, metallurgical engineering and geosciences.

Employee literacy

Ensuring functional literacy is a fundamental component of employee development, which not only enhances the skills and developmental potential of the group's staff, but also their quality of life. Both Beeshoek and Khumani have recently achieved the corporate target of 100% literacy in the workforce.

Operation	**% of workforce literate 2012**	% of workforce literate 2011
Beeshoek	**100**	89
Khumani	**98**	95
Black Rock	**88**	84
Cato Ridge Works	**90**	95
Dwarsrivier	**93**	92
Machadodorp Works	**100**	82
Rustenburg Minerals	**67**	64
Zeerust	**74**	74
Wonderstone	**81**	79

Literacy levels improved during the year at all Assmang and AMT operations with the exception of Cato Ridge Works. All sites offer nationally accredited ABET courses, and uptake has been encouraging, particularly at Cato Ridge Works, in response to a literacy drive that took place during the year.

Labour relations

Recognition agreements have been concluded with three trade unions on the Assmang sites: the National Union of Mineworkers (NUM), National Union of Metal Workers of South Africa (NUMSA) and Solidarity. Of these unions, only NUMSA is represented on the smelters.

The only union present on the AMT operations is the NUM, which is represented in the permanent workforce at Rustenburg Minerals and Wonderstone and in the contractor workforce at Zeerust.

Union	**% membership 2012**	% membership 2011
NUM: Assmang	**45**	38
NUMSA: Assmang	**20**	22
Solidarity: Assmang	**13**	9
NUM: AMT operations	**27**	27

Union membership has increased significantly on the Assmang mines, with an 18% increase in NUM membership and a 44% increase in Solidarity membership. By contrast, union membership at the smelters declined slightly over the same period, whilst union membership at the AMT operations remained virtually unchanged over the period.

No strikes or lockouts took place on any of the AMT or Assmang operations during the reporting year.

Stakeholders

Assore is aware that its ability to conduct its day-to-day business is influenced by its capacity to develop and maintain long-standing relationships with its stakeholders. Assore's stakeholder engagement therefore aims to build new, and improve existing, relationships to establish mutually beneficial partnerships and to obtain support for the company's activities.

A stakeholder engagement table, included below, details the stakeholders with whom we engaged over the past year, the mode of engagement and summarising the material issues pertinent to each stakeholder group.

Stakeholder	Material issues	Method of engagement
Shareholders and the investment community	• Profitability • Regulatory compliance • Financial and non-financial risk management • Outlook for the base metals/alloys market • Performance against targets • Long-term sustainability of the business	Annual and six-monthly reports, SENS announcements, press statements
Industry associations • Chamber of Mines • Ferroalloy Producer Association • International Council on Metals & Mining • International Manganese Institute • International Chrome Development Agency • Energy Intensive Users Group	• Worker safety • Occupational health • Environmental issues • Carbon-related issues (including carbon taxation) • Trends in national and international legislation • Logistics • Risks associated with land tenure and nationalisation	Representation on the executive bodies of these associations, as well as task groups established in terms of their strategic work
Employees and organised labour • National Union of Mineworkers • National Union of Metalworkers of South Africa • Solidarity	• Remuneration and benefits • Conditions of service • Job security • Career development (including training) • Accommodation • Worker safety • Occupational health • Transformation and employment equity	Staff meetings at all levels, "toolbox talks", inductions, health and safety meetings, internal publications, notice boards, union negotiations, career path planning
Host communities	• Employment • Safety and health considerations • Preferential procurement • Small and medium enterprise development • Social upliftment • Land management • Mine closure and rehabilitation	Public meetings, public participation process for environmental impact assessments, participation in local economic development initiatives, funding of corporate social responsibility initiatives

Stakeholder	Material issues	Method of engagement
Customers	• Product quality • Product pricing • Development of new products • Adherence to delivery schedules • GHG-related issues • Product stewardship • Compliance with REACH/GHS requirements for registration and product labelling	Customer site visits, contract negotiations, quality management system, conference attendance. Use of customer feedback to influence annual report content
Joint-venture partners • African Rainbow Minerals • Sumitomo • Mampa Investment Holdings • Exxaro	• Profitability • Regulatory compliance • Financial and non-financial risk management • Outlook for the base metals/alloys market • Performance against targets • Long-term sustainability of the business • Roles and responsibilities within the respective joint ventures	Representation on the Assmang board and Excom, board meetings for individual Assore operations and active participation in industry associations
National, provincial and municipal government • Department of Mineral Resources • Department of Water Affairs • Department of Environmental Affairs • Department of Labour • Department of Trade and Industry • Receiver of Revenue	• Regulatory compliance • Fulfilment of statutory reporting requirements • GHG-related issues • Land management • Mine closure (including adequate financial provision for rehabilitation) • Pollution prevention • Conservation of surface and groundwater resources • Employee health and safety • Workforce transformation and employment equity • Preferential procurement • Tax payment	Statutory reporting, inspections by government representatives, permit applications, legal compliance audits, public participation process for environmental impact assessments, engagement on targeted issues
Parastatal service providers • Eskom • Transnet	• Continuity of electricity supply • Power and freight tariffs • Availability of rail berths • Upgrade of port facilities • Negotiation of mutually beneficial contracts and service agreements	Regular meetings held through established committees
Contractors and other service providers • Mining contractors • Transport companies • Construction contractors • Consultants • Healthcare providers • Shipping companies • Insurance companies	• Procurement practices (including preferential procurement) • Terms and conditions of contracts (including penalties) • Regulatory compliance • Occupational health and safety • Environmental management	Contract negotiations, tender processes, safety inductions, health and safety meetings, site inspections and audits, performance reviews, ISO certification
Non-governmental organisations • Groundwork • BenchMarks Foundation	• Pollution prevention • Conservation of surface and groundwater resources • Employee health and safety	Engagement through established open forums created for general engagement with host communities

Product stewardship and advocacy

As the company responsible for marketing the products produced by the Assmang and the AMT operations, Assore wholly-owned subsidiary, 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. The group therefore encourages its employees to take an active role in industry associations that aim to promote the use and development of commodities which it produces, and to foster cooperation between companies in these industry sectors to address issues of common concern.

Involvement in industry associations

An Ore & Metal representative currently serves on the Occupational Health, Environment and Safety (OHES) Committee of the International Manganese Institute (IMnI). Ore & Metal also chairs the IMnI's Regulatory Committee, on which it represents both the interests of the group and also of the South African manganese sector.

During the past financial year, IMnI has initiated a major Manganese Life Cycle Assessment (LCA) project which will consider the production of three manganese alloys: high carbon ferromanganese, refined ferromanganese and silicon manganese (which Assmang does not produce). This study will collate data from 17 sites located in seven countries and will provide participating companies with the ability to benchmark their environmental performance against industry peers, as well as identifying environmental "best practices" that can be shared across the sector.

The IMnI's Occupational Health, Environment and Safety (OHES) workshop was held in South Africa in February 2012 and was co-funded by Assmang and BHP Billiton. This event focused on safeguarding worker health in the manganese sector and was attended by 39 delegates from five continents representing over a dozen manganese producers and service providers.

Ore & Metal also continues to serve on the Executive Committee of the ICDA and participates in ICDA's Safety First reporting initiative, which provides member companies with the ability to benchmark its safety performance against its peers.

Ore & Metal is also an active member of the Iron Platform, which is a forum of iron ore producers who engage on issues of common interest. On a national level, Assmang is active within the Ferroalloys Producers Association (FAPA) where it holds the deputy as chairmanship and is also represented on the Environmental Technical and Logistics committees. Assmang is also active within the Ferroalloys Producers Association (FAPA) where it holds the deputy chairmanship and is represented on the Environmental Technical and Logistics committees.

Product registration and stewardship

Over the reporting year, the Material Safety Data Sheets for all products have been reviewed and revised 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.

Materials characterisation, in terms of both chemical and mineralogical composition, is an essential component of both REACH (per Regulation EC1907/2006 of the European Parliament) and GHS hazard classification. In order to be able to provide accurate information on which product classification can be based, Ore & Metal is participating in a programme of manganese ore characterisation which is being coordinated by IMnI, and is also taking part in a study into respirable crystalline silica in iron ores that is being organised by the Iron Platform.

Corporate social responsibility initiatives

Assore recognises that it has a commitment to social upliftment in the communities within which it operates, and seeks to respond to the challenges of livelihood support and diversification of economic opportunity in a manner that is appropriate for the different socio-economic and geographical settings of our operations.

In terms of the MPRD Act, each of the group mines is required to have an approved Social and Labour Plan (SLP). The SLP outlines a range of social and economic development initiatives that the mine commits to funding and implementing in order to achieve upliftment of host communities. The requirement for companies to contribute towards CSR initiatives in the broader community is also stipulated in the Department of Trade and Industry Codes of Good Practice guidelines, which apply irrespective of sector, and are thus relevant to the smelter operations.

In order to align government and private sector development socio-economic development initiatives, an SLP must be consistent with the Integrated Development Plan that has been developed by local government so that the mine's initiatives can be effectively coordinated with those of local, regional and district municipalities. Adherence to the SLP is a condition of the Mining Licence and progress in implementing these projects is reported to the Department of Mineral Resources on an annual basis and audited regularly by the department.

Although the smelters do not fall under the MPRDA – and are therefore not required to have an SLP – Assmang has adopted a groupwide CSR strategy that equally applies to the Cato Ridge and Machadodorp Works.

Funding of CSR

In order to prevent confusion in terminology, the group has drawn the distinction between Local Economic Development (LED) projects that are committed to by the mines in the respective SLPs, and Corporate Social Investment (CSI) projects, which are undertaken by the group above and beyond the SLP commitments.

CSR expenditure

	LED spend 2012 (R million)	CSI spend 2012 (R million)	Total CSR spend 2012 (R million)	LED spend 2011 (R million)	CSI spend 2011 (R million)	Total CSR spend 2011 (R million)
Assmang	**66**	**17**	**83**	38	14	52
AMT operations	**0,4**	**0,8**	**1,2**	0,8	0,6	1,4

In the reporting year, Assmang operations spent a total of R83 million (2011: R52 million) on CSR initiatives, a year-on-year increase of 60%.

CSR project selection

The CSI strategy distinguishes between CSI, which is focused on livelihood support, and enterprise development, which is intended to bring about economic growth and diversification.

A critical element of the CSI strategy has been the development of a robust set of project selection criteria, which guide transparent and consistent decision-making across the group's operations. Projects which are considered for funding are assessed in terms of their:

- alignment with the strategic focus areas (education and health, enterprise development and infrastructure);
- operational feasibility, including the presence of a market for the goods/services produced, availability of inputs and labour, regulation, and favourable environmental and infrastructure conditions to enable project delivery; and
- social impact and enterprise value, as determined by their long-term sustainability and likely return on investment.

Flagship project: TEACH South Africa

Assmang has recognised education as a strategic focus area for CSR initiatives because of the importance of education in growing and developing both the South African economy and broader society. In support of this educational focus, Assmang has adopted TEACH South Africa as its flagship CSI project.

There is strong evidence that learners from disadvantaged backgrounds can achieve at a comparable level to learners from wealthier backgrounds, given access to quality education. TEACH South Africa was founded by the South African business community as a means of improving both the quality and impact of education by deploying highly skilled and motivated recent university graduates as additional teaching resources in the classroom. The organisation seeks to place new graduates from technical, business and language disciplines in some of South Africa's most disadvantaged schools for a period of two years to provide teaching assistance to the existing staff and also to serve as role models and mentors to learners.

Assmang has partnered with TEACH South Africa to place 26 TEACH ambassadors at 13 schools in KwaZulu-Natal, Mpumalanga, Limpopo and the Northern Cape for an initial period of two years. The schools selected for this initial programme are ones with which Assmang has previously been involved, usually through the funding of infrastructure upgrade and expansion programmes. The ambassadors will focus primarily on Grade 10 to 12 learners, with particular emphasis on developing English, Maths and Science competencies which are critical for learners' future employability.

CSR initiatives in the AMT operations

AMT's approach to CSI is shaped by the needs of the projects already committed to as part of its operations' SLPs, which focus on education and the support of a range of small business development initiatives, including brickmaking, poultry farming and vegetable gardens.

Stakeholder feedback supports the view that the focus on uplifting educational infrastructure in the host communities of the AMT operations remains the most meaningful intervention that can be made. In particular, emphasis is placed on early learning, which is an aspect of education that is particularly weak in the group's host communities.

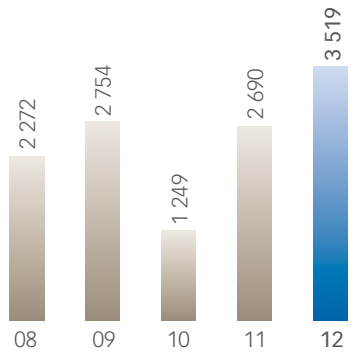
The support of crèches in disadvantaged communities is key to the group's strategy of promoting the school readiness of children which will allow them to capitalise on the educational opportunities offered by the schools that we support. In this regard, the support for the Cami Makgophe Crèche at Rustenburg Minerals and the Rainbow Crèche at Wonderstone has been continued and strengthened.

At the same time we recognise that there is a pressing need to assist those who have already passed through the educational system but are poorly equipped to seek employment outside of their immediate social setting. Rustenburg Minerals has therefore initiated a programme whereby young adults from the host community are assisted in compiling professional *curriculum vitae*, mentored in ways in which to identify and engage prospective employers, as well as receive training in respect of general economic literacy.

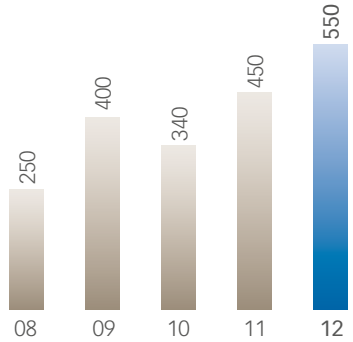
Five-year summary
of the consolidated financial statements

Income statements	2008 R'000	2009 R'000	2010 R'000	2011 R'000	**2012 R'000**
Turnover	9 158 937	8 818 655	7 085 669	10 547 806	**12 947 766**
Profit before profit on disposal of available-for-sale investments	4 665 106	5 229 794	2 334 460	4 816 210	**5 112 526**
Profit on disposal of available-for-sale investments	22 350	19 086	–	–	**472 200**
Taxation	(1 509 091)	(1 981 493)	(822 963)	(1 566 524)	**(1 537 692)**
Profit for the year	3 178 365	3 267 387	1 511 497	3 249 686	**4 047 034**
Attributable to:					
– Shareholders of the holding company	3 069 522	3 241 452	1 479 524	3 219 754	**4 033 013**
– Non-controlling interest	108 843	25 935	31 973	29 932	**14 021**
As above	3 178 365	3 267 387	1 511 497	3 249 686	**4 047 034**
Other information					
Attributable earnings as above	3 069 522	3 241 452	1 479 524	3 219 755	**4 033 013**
Headline earnings (R'000)	3 057 708	3 265 793	1 494 205	3 219 348	**3 707 763**
Attributable earnings per share (cents)	2 281	2 734	1 236	2 691	**3 827**
Headline earnings per share (cents)	2 272	2 754	1 249	2 690	**3 519**
Dividends declared during the year	126 000	555 717	415 324	614 271	**698 036**
Less: Dividends attributable to treasury shares	(4 392)	(76 311)	(56 309)	(87 716)	**(182 000)**
	121 608	479 406	359 015	526 555	**516 036**
Dividends per share relating to the activities of the group for the year under review (cents)					
– Interim declared and paid	50	200	100	200	**250**
– Final (declared subsequent to year-end)	200	200	240	250	**300**
	250	400	340	450	**550**
Weighted average number of shares for purposes of calculating earnings per share (000):					
Ordinary shares in issue	140 000	138 290	138 430	139 607	**139 607**
Treasury shares	(5 440)	(19 720)	(18 750)	(19 936)	**(34 240)**
Weighted average	134 560	118 570	119 680	119 671	**105 367**
Average exchange rates for the year:					
SA rand to US dollar	7,27	8,80	7,60	7,00	**7,73**
SA rand to euro	10,72	12,08	10,53	9,54	**10,39**

Headline earnings per share
(cents)

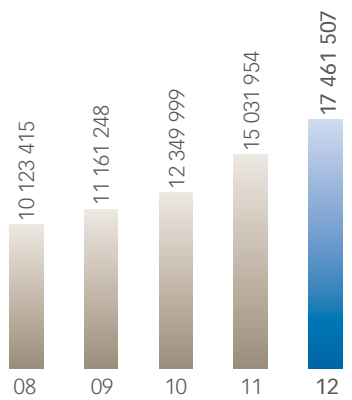


Total dividend relating to the activities of the group for the year
(cents)

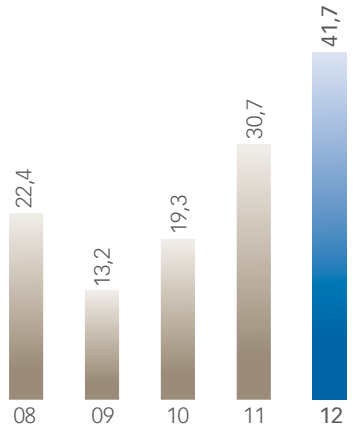


Statements of financial position	2008 R'000	2009 R'000	2010 R'000	2011 R'000	**2012 R'000**
ASSETS					
Non-current assets					
Property, plant and equipment, investment properties and intangibles	4 196 018	5 183 450	6 409 471	8 027 352	**9 529 499**
Available-for-sale investments	590 066	415 066	602 851	918 038	**274 058**
Other non-current financial assets	125	42 259	105 173	53 051	**106 665**
Deferred taxation	61 977	74 309	71 572	–	**–**
	4 848 186	5 715 084	7 189 067	8 998 441	**9 910 222**
Current assets					
Other current assets	3 286 272	2 397 097	3 253 023	3 637 847	**4 226 848**
Cash resources	1 988 957	3 049 067	1 907 909	2 334 734	**3 324 437**
Total assets	10 123 415	11 161 248	12 349 999	14 971 022	**17 461 507**
EQUITY AND LIABILITIES					
Share capital and reserves					
Ordinary shareholders' interest	4 110 872	6 603 229	7 867 443	10 765 524	**11 200 402**
Non-controlling shareholders' interest	111 528	71 819	102 035	114 287	**126 858**
Total equity	4 222 400	6 675 048	7 969 478	10 879 811	**11 327 260**
Non-current liabilities					
Deferred taxation	961 678	1 416 145	1 785 301	2 173 621	**2 357 001**
Long-term liabilities	223 320	257 513	216 826	222 888	**1 938 844**
	5 407 398	8 348 706	9 971 605	13 276 320	**15 623 105**
Current liabilities					
Non-interest-bearing	2 094 528	1 188 699	1 346 749	1 540 555	**1 646 383**
Interest-bearing	2 621 489	1 623 843	1 031 645	154 147	**192 019**
Total equity and liabilities	10 123 415	11 161 248	12 349 999	14 971 022	**17 461 507**
Exchange rates at year-end					
SA rand to US dollar	7,84	7,72	7,66	6,78	**8,31**
SA rand to euro	12,37	10,79	9,39	9,82	**10,45**

Total assets
(R'000)



Market capitalisation
(Rbillion)



Consolidated financial statements

Approval of the annual financial statements
for the year ended 30 June 2012

The annual financial statements of Assore Limited and group annual financial statements for the year ended 30 June 2012, as set out on pages 92 to 155 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 and were approved by the board of directors in accordance with section 30(3)(c) of the Companies Act on 19 October 2012 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 2012

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
19 October 2012

Independent auditor's report to the shareholders of Assore Limited

for the year ended 30 June 2012

Report on the financial statements

We have audited the consolidated and separate financial statements of Assore Limited set out on pages 92 to 155, which comprise the statements of financial position as at 30 June 2012, the income statements and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the directors' report and the notes, comprising a summary of significant accounting policies and other explanatory information.

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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 about 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 management, 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Assore Limited as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2012, we have read the Audit and Risk Committee's report on pages 59 and 60 and the Company Secretary's certificate on page 90 for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.

Ernst & Young Inc.
Director: **Louis Pieter van Breda**
Registered auditor
Chartered Accountant (SA)
Wanderers Office Park
52 Corlett Drive, Illovo
Johannesburg

19 October 2012

Nature of business

Assore Limited was incorporated in South Africa in 1950 and 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% (2011: 50%) interest in Assmang Limited (Assmang) which it controls jointly with African Rainbow Minerals Limited (ARM) which is also listed on the JSE. Assmang mines iron, manganese and chrome ores and produces manganese and chrome alloys. In addition, the group mines Wonderstone (a type of pyrophyllite), a portion of which is beneficiated to produce high-precision components, and wear and acid-resistant tiles, which are installed in various mining and industrial applications.

The group, through its wholly owned subsidiary, Ore & Metal Company Limited, is responsible for marketing all products produced by its joint-venture entity 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 operational review and commentary (refer pages 20 to 24).

Financial results

The financial position of the group and company and their results for the year ended 30 June 2012 are set out in the annual financial statements of the group (refer page 88) and company (refer page 141) included in this report (the financial statements).

The financial results of the group for the year ended 30 June 2012 are summarised below:

	2012 R'000	2011 R'000
Turnover	**12 947 766**	10 547 806
Profit for the year	**4 047 034**	3 249 686
Attributable to:		
Shareholders of the holding company	**4 033 013**	3 219 754
Non-controlling interests	**14 021**	29 932
As above	**4 047 034**	3 249 686
Profit attributable to the shareholders of the holding company as above	**4 033 013**	3 219 754
Dividends relating to the group's activities for the year under review (refer dividends on page 96)	**567 639**	538 522
Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012	**349 018**	279 214
Final dividend No 111 of 300 cents (2011: 250 cents) per share – declared on 31 August 2012	**418 821**	349 018
Less: Dividends attributable to treasury shares	**(200 200)**	(89 710)
Profit for the year after dividends	**3 465 374**	2 681 232
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% (2011: 50%) share		
– Profit for the year	**2 429 520**	1 880 714
Subsidiary companies		
– Profit	**283 691**	284 456
– Losses	**(299 210)**	(11 395)

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 on page 91, 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, 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% (2011: 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 2012. With effect from the 2014 financial year, the board is aware that, in order to comply with changes to IFRS, Assmang's results will have to be equity accounted (refer page 103).

The calculation of profit for consolidation purposes was based on the profit of Assmang for the year ended 30 June 2012 and dividends declared during that period, and the financial statements are presented in summarised format below:

	2012 R'000	2011 R'000
Abridged consolidated income statement of Assmang for the year ended 30 June		
Turnover	**23 688 390**	19 074 942
Profit before taxation	**9 468 517**	8 560 999
Taxation	**2 584 529**	2 774 192
Earnings	**6 883 988**	5 786 807
Dividends declared during the year	**2 000 000**	2 000 000
Profit for the year after dividends paid	**4 883 988**	3 786 807

	2012 R'000	2011 R'000
Abridged consolidated statement of financial position of Assmang at 30 June		
Assets		
Non-current assets	**17 937 554**	14 765 942
Current assets	**12 269 155**	9 647 584
Total assets	**30 206 709**	24 413 526
Equity and liabilities		
Total equity	**22 391 314**	17 507 225
Non-current liabilities	**5 121 923**	4 387 812
Current liabilities		
– interest-bearing	**–**	4 717
– non-interest-bearing	**2 693 472**	2 513 772
Total equity and liabilities	**30 206 709**	24 413 526
Capital expenditure	**4 517 412**	4 097 432
Capital commitments	**6 669 108**	5 373 626

Directors' emoluments

	Fees (refer note 1) R'000	Salaries 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
2012						
Executive						
Desmond Sacco (Chairman)	**110**	**4 264**	**355**	**–**	**582**	**5 311**
CJ Cory (Chief Executive Officer)	**96**	**4 196**	**14 894**	**1 078**	**359**	**20 623**
PC Crous (Technical and Operations)	**96**	**3 688**	**14 422**	**947**	**231**	**19 384**
Non-executive						
EM Southey (Deputy Chairman and lead independent director)	**300**					**300**
RJ Carpenter	**150**					**150**
ZP Manase (appointed 7 October 2011/resigned 1 November 2011)	**11**					**11**
DMJ Ncube (resigned 3 May 2012)	**125**					**125**
MC Ramaphosa (resigned 19 August 2011)	**20**					**20**
WF Urmson	**200**					**200**
Dr JC van der Horst (resigned 31 December 2011)	**75**					**75**
Alternate						
PE Sacco	**36**	**1 426**	**6 277**	**351**	**232**	**8 322**
RM Smith (resigned 19 August 2011)	**–**					**–**
AD Stalker (appointed 14 October 2011)	**36**	**1 730**	**8 503**	**444**	**243**	**10 956**
BH van Aswegen (appointed 14 October 2011)	**–**	**1 669**	**8 468**	**423**	**259**	**10 819**
	1 255	**16 973**	**52 919**	**3 243**	**1 906**	**76 296**
2011						
Executive						
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
Non-executive						
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
DMJ Ncube (appointed 3 May 2011)	25					25
MC Ramaphosa	150					150
WF Urmson (appointed 1 October 2010)	113					113
Dr JC van der Horst	150					150
Alternate						
NG Sacco (resigned 8 March 2011)	–	858	45	72	119	1 094
PE Sacco	36	1 024	514	244	179	1 997
RM Smith	–					–
	1 134	16 284	37 667	2 833	18 451	76 369

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 on page 95.
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. In 2011, the amount includes 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 2012 are set out in the table below. There have been no material changes in these interests between year-end and the date of this report.

	Direct beneficial Number of shares		Indirect beneficial Number of shares	
	2012	2011	**2012**	2011
Executive directors				
Desmond Sacco	**868 500**	868 500	**32 430 490**	32 430 490
CJ Cory	**50 000**	50 000	**–**	–
PC Crous	**16 000**	16 000	**–**	–
Non-executive directors				
EM Southey	**–**	–	**–**	–
RJ Carpenter	**25 000**	112 000	**–**	–
ZP Manase	**–**	–	**–**	–
DMJ Ncube	**–**	–	**–**	–
MC Ramaphosa	**–**	–	**–**	5 054 585
WF Urmson	**–**	–	**–**	–
Dr JC van der Horst	**–**	–	**–**	–
Alternate directors				
NG Sacco	**–**	192 250	**–**	–
PE Sacco	**198 750**	198 750	**–**	–
RM Smith	**–**	–	**–**	–
AD Stalker	**–**	–	**–**	–
BH van Aswegen	**4 505**	–	**–**	–
	1 162 755	1 437 500	**32 430 490**	37 485 075

Directorate and secretary

The names of the directors, at the date of this report, and details of the company secretary, including its business and postal addresses, are set out on page 156 of this report.

Subsequent to the date of the previous annual report and up to the date of this report the following changes were made to the Assore board:

- 1 November 2011 – Ms ZP Manase resigned as an independent non-executive director;
- 31 December 2011 – Dr JC (Johannes) van der Horst resigned, after serving on the board for 17 years;
- 3 May 2012 – Mr DMJ Ncube resigned as an independent non-executive director;
- 31 August 2012 – Mr PC (Phil) Crous resigned as Group Technical and Operations Director, after serving on the board for 19 years;
- 1 September 2012 – Mr AD (Alastair) Stalker was appointed to the board as Group Marketing Director, and Mr BH (Tiaan) van Aswegen was appointed as Group Technical and Operations Director, both of whom had been appointed as alternate directors on 14 October 2011; and
- 15 October 2012 – Mr S (Sydney) Mhlarhi was appointed as an independent non-executive director and as a member of the Audit and Risk Committee.

In terms of the Memorandum of Incorporation (MOI), Messrs EM Southey and RJ Carpenter are required to retire by rotation at the forthcoming Annual General Meeting (AGM). Messrs S Mhlarhi, AD Stalker and BH van Aswegen were appointed subsequent to the previous AGM and in terms of section 68(3) of the Companies Act are required to be re-appointed at the next AGM. All of the aforementioned directors, being eligible, offer themselves for re-election and a brief *curriculum vitae* for each of these directors is included in the notice of the AGM which was sent to members by registered mail on 29 October 2012.

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 2012. The directors are not aware of any material changes to this analysis between the year-end and the date of this report.

	2012 %	2011 %
Shareholder spread		
Shares held by the public/non-public		
Non-public*		
– Holders in excess of 10% of the share capital	**75,23**	75,23
– Directors of the company	**0,83**	0,89
	76,06	76,12
Public 2 108 (2011: 1 008) shareholders	**23,94**	23,88
	100,00	100,00

** As defined by Rule 4.25 of the JSE Listings Requirements.*

	2012 %	2011 %
Major shareholders		
Oresteel Investments Proprietary Limited	**52,43**	52,43
Main Street 460 Proprietary Limited (RF)	**11,01**	11,01
Main Street 904 Proprietary Limited (RF) (held 51% and 49% by the Fricker Road Trust and the Assore Employee Trust respectively)	**11,79**	–
Main Street 343 Proprietary (RF) Limited (a wholly owned subsidiary of Shanduka Resources Proprietary Limited)	**–**	11,79
	75,23	75,23
Others – less than 5%	**24,77**	24,77
	100,00	100,00

Dividends

Earnings for the year were at record levels which enabled the board to increase dividends for the current year as follows:

	2012 R'000	2011 R'000
Dividends recognised in the financial results		
Final dividend No 109 of 250 cents (2011: 240 cents) per share – declared on 9 September 2011	**349 018**	335 057
Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012	**349 018**	279 214
Less: Dividends attributable to treasury shares	**(182 000)**	(87 716)
	516 036	526 555
Dividends relating to activities for the year under review		
Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012	**349 018**	279 214
Final dividend No 111 of 300 cents (2011: 250 cents) per share – declared on 31 August 2012	**418 821**	349 018
Less: Dividends attributable to treasury shares	**(200 200)**	(89 710)
	567 639	538 522

Special resolutions

The following special resolutions were passed during the year under review:

- 10 August 2011 – pursuant to the first phase of the third empowerment transaction (refer "Black economic empowerment status report", page 65) that the company provide financial assistance to Main Street 904 Proprietary Limited (RF) (MS 904) for the purpose of the acquisition by MS 904 of 16 464 450 of the company's ordinary shares (the sale shares) from Main Street 343 Proprietary Limited (RF) (MS343);
- 13 January 2012 – pursuant to the second phase of the third empowerment transaction:
  - that the company provide financial assistance to MS 904 for the purpose of the acquisition by MS 904 of the sale shares from MS 343;
  - that the company cancel the previous unissued par value preference shares;
  - that the company create no par value preference shares in the share capital of the company;
  - that the company's Memorandum of Incorporation be altered to record the alterations to its share capital, and that the company's Memorandum of Incorporation incorporates the rights, terms and privileges of the no par value preference shares; and
  - that the board be authorised to provide financial assistance to any special-purpose company in relation to the no par value preference shares in favour of the Standard Bank of South Africa Limited.

Event after the reporting period

On 31 August 2012, the board declared a final dividend of 300 cents per share amounting to R418,8 million, which was paid to shareholders on 1 October 2012.

Consolidated statement of financial position

as at 30 June 2012

	Note	2012 R'000	2011 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	2	**9 502 797**	7 962 655
Investment properties	3	**–**	62 130
Intangible assets	4	**26 702**	2 567
Available-for-sale investments	5	**274 058**	918 038
Other non-current financial assets	6	**106 665**	53 051
		9 910 222	8 998 441
Current assets			
Inventories	7	**2 177 066**	2 005 577
Trade and other receivables	8	**2 049 782**	1 632 270
Cash deposits held by environmental trusts	15	**81 952**	70 292
Cash resources		**3 242 485**	2 264 442
		7 551 285	5 972 581
Total assets		**17 461 507**	14 971 022
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	9	**698**	698
Share premium	10	**264 092**	264 092
Treasury shares	11	**(5 051 583)**	(2 359 028)
Retained earnings		**15 907 437**	12 390 460
Other reserves	12	**79 758**	469 302
Equity attributable to shareholders of the parent		**11 200 402**	10 765 524
Non-controlling interests		**126 858**	114 287
Total equity		**11 327 260**	10 879 811
Non-current liabilities			
Long-term borrowings	13	**1 596 100**	–
Deferred taxation	14	**2 357 001**	2 173 621
Long-term provisions	15	**342 744**	222 888
		4 295 845	2 396 509
Current liabilities			
Trade and other payables	16	**1 227 359**	1 238 052
Taxation		**114 480**	192 345
Short-term provisions	17	**304 544**	110 158
Overdrafts	18	**192 019**	154 147
		1 838 402	1 694 702
Total equity and liabilities		**17 461 507**	14 971 022

Consolidated income statement
for the year ended 30 June 2012

	Note	2012 R'000	2011 R'000
Revenue	19	**13 612 731**	11 180 035
Turnover		**12 947 766**	10 547 806
Cost of sales		**7 337 643**	5 908 896
Gross profit		**5 610 123**	4 638 910
Add: Other income			
Commissions on sales and technical fees		**411 302**	313 369
Foreign exchange gains (refer note 21)		**632 206**	254 132
Investment income		**236 895**	171 010
Profit on disposal of available-for-sale investments		**472 200**	–
Sundry		**231 710**	110 221
Less: Other expenses			
Finance costs	20	**(217 244)**	(77 790)
Foreign exchange losses (refer note 21)		**(375 496)**	(155 901)
Mining royalty taxes		**(490 060)**	(138 184)
Staff remuneration and benefits		**(281 586)**	(223 091)
Sundry expenses		**(645 324)**	(76 466)
Profit before taxation	21	**5 584 726**	4 816 210
Taxation	22	**1 537 692**	1 566 524
Profit for the year		**4 047 034**	3 249 686
Attributable to:			
Shareholders of the holding company		**4 033 013**	3 219 754
Non-controlling interests		**14 021**	29 932
As above		**4 047 034**	3 249 686
Earnings per share (cents) (basic and diluted)	23	**3 827**	2 691

Consolidated statement of comprehensive income
for the year ended 30 June 2012

	2012 R'000	2011 R'000
Profit for the year as above	**4 047 034**	3 249 686
Reclassification of fair value gain on disposal of available-for-sale investments included in income statement, previously recognised in comprehensive income	**(406 092)**	–
Profit on disposal of available-for-sale investments (as above)	**(472 200)**	–
Deferred capital gains tax thereon	**66 108**	–
Gain on revaluation to market value of available-for-sale investments, after taxation	**9 952**	208 409
Gain on revaluation to market value of available-for-sale investments (refer note 5)	**15 734**	242 336
Deferred capital gains tax thereon	**(5 782)**	(33 927)
Exchange differences on translation of foreign operations	**13 192**	(7 054)
Total comprehensive income for the year, net of tax	**3 664 086**	3 451 041
Attributable to:		
Shareholders of the holding company	**3 643 469**	3 424 636
Non-controlling interests	**20 617**	26 405
As above	**3 664 086**	3 451 041

Consolidated statement of cash flow

for the year ended 30 June 2012

	Note	2012 R'000	2011 R'000
Cash retained from operating activities		**3 757 227**	3 485 883
Net cash generated by operations		**5 651 700**	5 159 643
Cash generated by operations	25.1	**6 083 910**	5 320 285
Dividend income	25.2	**27 739**	37 637
Movements in working capital	25.3	**(459 949)**	(198 279)
Interest income		**209 156**	133 373
Finance costs	25.4	**(147 711)**	(64 641)
Taxation paid	25.5	**(1 432 177)**	(1 202 110)
Dividends paid to shareholders of the holding company	25.6	**(515 695)**	(526 229)
Dividends paid to non-controlling shareholders		**(8 046)**	(14 153)
Cash utilised in investing activities		**(4 413 156)**	(2 226 637)
Acquisition of:			
– shares in the holding company by a subsidiary company	11	**(2 692 555)**	–
– available-for-sale investments		**–**	(42 062)
– other investments		**(3 936)**	–
– Groupline (refer note 4)		**(36 103)**	–
Additions to property, plant and equipment			
– to maintain operations		**(788 331)**	(759 807)
– to expand operations		**(1 495 715)**	(1 441 574)
Net movement in environmental rehabilitation trust funds		**(11 660)**	(12 365)
Increase in staff housing loans		**(53 614)**	(21 145)
Proceeds on disposal of			
– property, plant and equipment		**5 108**	7 838
– available-for-sale investments	25.7	**663 650**	–
– fixed term investments		**–**	42 478
Cash generated by/(utilised in) financing activities		**1 633 972**	(844 786)
Preference shares issued		**2 310 000**	–
Preference shares redeemed		**(708 700)**	(894 555)
Other financing activities		**32 672**	49 769
Cash resources			
– increase for the year		**978 043**	414 460
– at beginning of year		**2 264 442**	1 849 982
– at end of year		**3 242 485**	2 264 442

Consolidated statement of changes in equity

for the year ended 30 June 2012

	Note	2012 R'000	2011 R'000
Share capital			
Balance at beginning and end of year		**698**	698
Share premium			
Balance at beginning and end of year	10	**264 092**	264 092
Treasury shares			
Balance at beginning of year		**(2 359 028)**	(2 359 028)
Acquired during the year		**(2 692 555)**	–
Balance at end of year	11	**(5 051 583)**	(2 359 028)
Retained earnings			
Balance at beginning of year		**12 390 460**	9 697 261
Profit for the year		**4 033 013**	3 219 754
Ordinary dividends declared during the year		**(516 036)**	(526 555)
Final dividend No 109 of 250 cents (2011: 240 cents) per share – declared on 9 September 2011		**(349 018)**	(335 057)
Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012		**(349 018)**	(279 214)
Less: Dividends attributable to treasury shares		**182 000**	87 716
Balance at end of year		**15 907 437**	12 390 460
Other reserves			
Balance at beginning of year		**469 302**	264 420
Other comprehensive (loss)/income arising during the year		**(389 544)**	204 882
Balance at end of year	12	**79 758**	469 302
Equity attributable to shareholder of the parent		**11 200 402**	10 765 524
Non-controlling interests			
Balance at beginning of year		**114 287**	102 035
– Profit for the year		**14 021**	29 932
– Other comprehensive income		**6 596**	(3 527)
Total comprehensive income		**20 617**	26 405
Dividends paid to non-controlling shareholders		**(8 046)**	(14 153)
Balance at end of year		**126 858**	114 287
Total equity		**11 327 260**	10 879 811

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), the South African Companies Act 71 of 2008, the JSE Listings Requirements, and the AC 500 series of accounting standards.

1.1.2 Changes in accounting policies

The following revisions and amendments to IFRS were adopted during the year:

– IFRIC 14 (Amendment) *Prepayment of a Minimum Funding Requirement*
– IFRS 7 (Amendment) *Financial Instruments: Disclosures*
– IAS 24 *Related Party Disclosures*

The following interpretation of IFRS was early adopted during the year:
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

There were no significant changes to the group's results or disclosures, pursuant to the abovementioned adoptions.

In addition to the above changes, a set of Improvements to IFRS issued by the IASB in May 2010 became effective for the group on 1 July 2011. Implementation of these improvements did not have any impact on the results or disclosures of the group.

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	Anticipated impact
IAS 12	*Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*	January 2012	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. The group does not expect this amendment to have a material effect on its results or disclosures.
IAS 1	*Presentation of Items of Other Comprehensive Income (Amendment)*	July 2012	The amendment to IAS 1 requires that items presented within other comprehensive income (OCI) be grouped separately into those items that will be recycled into profit or loss at a future point in time, and those items that will never be recycled. The group does not expect this amendment to have a material effect on its results or disclosures.
IAS 19	*Employee Benefits (Revised)*	January 2013	The "corridor approach" currently allowed as an alternative basis in IAS 19 for the recognition of actuarial gains and losses on defined benefit plans has been removed. Actuarial gains and losses in respect of defined benefit plans will be recognised in other comprehensive income when they occur. For defined benefit plans, the amounts recorded in profit and loss are limited to current and past service costs, gains and losses on settlements and interest income/expenses.

Standard	Description	Effective for financial periods commencing	Anticipated impact
IAS 19	*Employee Benefits (Revised)*	January 2013	The distinction between short-term and other long-term benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits. In many instances this is expected to have a significant impact on the manner in which leave pay and similar liabilities are currently classified. The group is in the process of determining the impact of the standard on its results or disclosures.
IAS 27	*Separate Financial Statements (consequential revision due to the issue of IFRS 10)*	January 2013	IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor. The group does not expect this amendment to have a material effect on its results or disclosures.
IAS 28	*Investments in Associates and Joint Ventures (consequential revision due to the issue of IFRS 10 and 11)*	January 2013	The revised standard caters for consequential changes upon the introduction of IFRS 11 (refer below). The group is in the process of determining the impact of the standard on its results or disclosures.
IFRS 10	*Consolidated Financial Statements*	January 2013	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. The group is in the process of determining the impact of the standard on its results.
IFRS 11	*Joint Arrangements*	January 2013	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 joint 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. 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.

Standard	Description	Effective for financial periods commencing	Anticipated impact
IFRS 12	*Disclosures of Interests in Other Entities*	January 2013	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. The group is in the process of determining the impact of the standard.
IFRS 13	*Fair Value Measurement*	January 2013	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. The group is in the process of determining the impact of the standard on its results or disclosures.
IAS 32	*Offsetting Financial Assets and Liabilities (Amendments)*	January 2014	The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities as well as the application of IAS 32 offsetting criteria to settlement systems (such as clearing houses). The group is in the process of determining the impact of the standard on its results.
IFRS 7	*Offsetting Financial Assets and Liabilities (Amendments)*	January 2013	Provides for additional disclosures relating to offset of financial assets and financial liabilities. The group is in the process of determining the impact of the standard on its disclosures.
IFRS 9	*Financial Instruments*	January 2015	The IASB intends to replace IAS 39 *Financial Instruments: Recognition and Measurement*, 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. Phase 1 of this project, classification and measurement is complete, and the required accounting is as follows: Financial assets: • All financial assets are initially measured at fair value; • Subsequent measurement of debt instruments is only at amortised cost if the instrument meets the requirements of the "business model test" and the "characteristics of financial asset test"; • All other debt instruments are subsequently measured at fair value; • All equity investments are subsequently measured at fair value either through OCI or profit and loss; and • Embedded derivatives contained in non-derivative host contracts are not separately recognised. Unless the hybrid contract qualifies for amortised cost accounting, the entire instrument is subsequently recognised at fair value through profit and loss. Financial liabilities: • For liabilities designated as being measured at fair value through profit and loss, the change in the fair value of the liability attributable to changes in credit risk is presented in OCI. The remainder of the change in fair value is presented in profit and loss; and • All other classification and measurement requirements in IAS 39 have been carried forward into IFRS 9. The group is in the process of determining the impact of the standard on its results.

In addition to the above revisions, amendments and interpretations, the IASB has published further improvements to IFRS in May 2012. These improvements, effective 1 July 2013, are in the process of being assessed by the group, and are not expected to have any impact on the results and disclosures of the group.

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 and Fricker Road Trust (the trusts) are broad-based community trusts which are independently controlled by and for the benefit of historically disadvantaged South Africans (HDSAs) as contemplated in the Mining Charter and are therefore not a group entity. The trusts are special-purpose vehicles (SPVs) and because the SPVs are indebted to the group, the trusts and the SPVs have been consolidated in the group financial statements in order to comply with the requirements of IFRS. The Assore Employee Trust is operated by the group, and because the SPV in which the trust is invested is indebted to the group, the trust has been consolidated into the group financial statements.

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.

Production stripping costs

The group incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. Furthermore, during the production phase, stripping costs are incurred in the production of inventory as well as in the creation of future benefits by improving access and mining flexibility in respect of the ore bodies to be mined, the latter being referred to as a stripping activity asset. Judgement is required to distinguish between these two activities at the surface mining operations.

The group is required to identify the separately identifiable components of the ore bodies for each of its surface mining operations. Judgement is required to identify and define these components, and also to determine the expected volumes (tons) of waste to be stripped and ore to be mined in each of these components. These assessments may vary between mines because the assessments are undertaken for each individual mine and are based on a combination of information available in the mine plans, specific characteristics of the ore body, the milestones relating to major capital investment decisions and the type and grade of minerals being mined.

Judgement is also required to identify a suitable production measure that can be applied in the calculation and allocation of production stripping costs between inventory and the stripping activity asset. The group considers the ratio of expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the ore body, compared to the current period ratio of actual volume of waste to the volume of ore be the most suitable measure of production.

These judgements and estimates are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity asset(s). Furthermore, judgements and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset(s).

1. Accounting policies (continued)

1.2 Significant accounting judgements and estimates (continued)

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 from the date the group gains joint control until the date on which the group ceases to have joint control over the joint venture.

1.4 Property, plant and equipment and depreciation

Property, 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.

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.

Production stripping costs
The capitalisation of pre-production stripping costs as part of mine development and decommissioning assets ceases when the mine is commissioned and ready for production.

Where the benefits of production stripping costs are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred, resulting in the creation of mining flexibility and improved access to ore bodies to be mined in the future, the costs are recognised as a non-current asset. These are referred to as stripping activity assets, if:
- future economic benefits (being improved access to the ore body concerned) are probable;
- the component of the ore body for which access will be improved can be accurately identified; and
- the costs associated with the improved access can be reliably measured.

If these criteria are not met, the production stripping costs are charged to the income statement as operating costs.

The stripping activity asset is initially measured at cost, which consists of the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of the ore body and an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. In the event that the costs of the stripping activity asset and the inventory produced are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset.

The stripping activity asset is subsequently depreciated over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Based on proven and probable reserves, the units-of-production method is used to determine the expected useful life of the identified component of the ore body that became more accessible.

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 25 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.

1. Accounting policies (continued)

1.4 Property, plant and equipment and depreciation (continued)

Prospecting, exploration, mine development and decommissioning assets (continued)

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 on a straight-line basis over a maximum period of 25 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 over the shorter of the lease term or the useful life of the assets leased.

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 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the group elects whether it measures the non-controlling interest in the acquiree at either fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 as a change to profit and loss. If the consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate accounting standard per IFRS.

Goodwill is initially measured at cost being the excess of the consideration paid over the fair value of the identifiable assets acquired net of the liabilities assumed of the acquired entity. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if changes in circumstances indicate that the carrying value may be impaired based on future income streams of the cash-generating unit.

1.7 Intangible assets other than goodwill

Intangible assets represent proprietary technical information. 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.

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

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. Accounting policies (continued)

1.10 Treasury shares

Own equity instruments which are acquired 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, as these transactions are taken directly to equity.

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 and subsidiary companies, are classified as available-for-sale investments and are measured at fair value, which equates to market value.

Gains and losses on subsequent measurement of available-for-sale investments 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.

Cash and cash equivalents

Cash and cash equivalents are initially recognised at fair value and subsequently stated at amortised cost.

Preference shares, trade and other payables

Preference shares, trade and other payables are initially recognised at fair value and subsequently stated at amortised cost, being the initial recognised obligation less payments made and any other adjustments plus interest accrued.

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.

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.

Available-for-sale investments

If an available-for-sale investment is impaired, an amount comprising the difference between its cost 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.

1. Accounting policies (continued)

1.16 Foreign currency translation (continued)

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 after 1 January 2005 are treated as assets and liabilities of the acquired entity 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.

1.18 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.

1.19 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)

Up until 31 March 2012 (on which date it was abolished), STC was 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.

1. Accounting policies (continued)

1.19 Taxation (continued)

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.

1.20 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.

1.21 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 carrying amount of the financial asset.

Dividends received

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

Rental income

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

1.22 Share-based payment transactions

Employees of the group are granted share appreciation rights, which are settled in cash (cash-settled transactions).

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model. The fair value is expensed over the period until the vesting date with the recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense.

1.23 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 defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs and actuarial gains and losses not yet recognised and less the fair value of plan assets out of which the obligations are to be settled. The value of any defined benefit asset recognised is restricted to the sum of any past-service costs and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

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.

Contributions to all defined contribution funds are expensed in profit and loss when incurred.

1.24 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 but disclosed in the notes to the financial statements.

1.25 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 statement of financial position.

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.

	2012 Cost R'000	2012 Accumulated depreciation and impairment charges R'000	2012 Carrying amount R'000	2011 Cost R'000	2011 Accumulated depreciation and impairment charges R'000	2011 Carrying amount R'000
2. Property, plant and equipment						
At year-end						
Mining assets						
Mineral and prospecting rights	**435 516**	**155 872**	**279 644**	435 758	136 577	299 181
Land, buildings and mine properties	**849 473**	**149 728**	**699 745**	812 895	134 595	678 300
Plant and equipment	**7 756 367**	**1 659 558**	**6 096 809**	6 463 787	1 284 513	5 179 274
Prospecting, exploration, mine development and decommissioning assets	**1 457 627**	**264 473**	**1 193 154**	1 257 775	337 628	920 147
Vehicles, furniture and office equipment	**1 795 511**	**790 534**	**1 004 977**	1 242 308	527 579	714 729
Leased assets capitalised	**–**	**–**	**–**	25 614	23 664	1 950
Capital work-in-progress	**46 980**	**30 663**	**16 317**	54 198	–	54 198
	12 341 474	**3 050 828**	**9 290 646**	10 292 335	2 444 556	7 847 779
Other assets						
Land and buildings#	**85 495**	**5 109**	**80 386**	6 403	–	6 403
Industrial property	**40 802**	**19 732**	**21 070**	19 151	12 506	6 645
Plant and equipment	**155 927**	**103 885**	**52 042**	149 271	101 901	47 370
Vehicles, furniture and office equipment	**92 125**	**35 608**	**56 525**	66 674	24 258	42 416
Capital work-in-progress	**2 128**	**–**	**2 128**	12 042	–	12 042
	376 477	**164 334**	**212 151**	253 541	138 665	114 876
	12 717 951	**3 215 162**	**9 502 797**	10 545 876	2 583 221	7 962 655

Exchange differences

Exchange gains arising on the translation at year-end of the property, plant and equipment of a foreign subsidiary amounted to R12 213 (2011: R11 714).

Capital work-in-progress

Included in the cost of property, plant and equipment above, are assets with a carrying amount of R1 219,1 million (2011: R1 930,5 million) which relate to projects in progress from which no revenue is currently being derived.

	2012 R'000	2011 R'000
Impairment of assets		
Development expenditure in the amount of R144,3 million at Assmang Beeshoek Iron Ore Mine has been fully impaired at year end because it no longer has value-in-use (50% share)	**71 124**	–
Due to the depressed market for chrome ore and alloys the management of Zeerust Chrome Mines Limited (Zeerust) suspended the opencast operations as from October 2012. Accordingly, the assets of Zeerust have been impaired based on their determined value-in-use, using a nominal discount rate of 10% per annum	**32 913**	–
Refer note 21.	**104 037**	–

 # Land and buildings includes property previously classified as investment property (refer note 3).

2. Property, plant and equipment (continued)

	Opening carrying amount R'000	Acquisitions R'000	Disposals R'000	Reclassi-fications R'000	Current depreciation/ impairment charges R'000	Closing carrying amount R'000
Movement for the year – 2012						
Mining assets						
Mineral and prospecting rights	**299 181**	**–**	**–**	**(217)**	**(19 320)**	**279 644**
Land, buildings and mine properties	**678 300**	**101 576**	**(335)**	**(57 039)**	**(22 757)**	**699 745**
Plant and equipment	**5 179 274**	**1 256 307**	**(634)**	**33 739**	**(371 877)**	**6 096 809**
Prospecting, exploration, mine development and decommissioning assets	**920 147**	**390 464**	**(1 939)**	**6 929**	**(122 447)**	**1 193 154**
Vehicles, furniture and office equipment	**714 729**	**533 833**	**(4)**	**11 530**	**(255 111)**	**1 004 977**
Leased assets capitalised	**1 950**	**–**	**–**	**(1 950)**	**–**	**–**
Capital work-in-progress	**54 198**	**15 378**	**–**	**(22 646)**	**(30 613)**	**16 317**
	7 847 779	**2 297 558**	**(2 912)**	**(29 654)**	**(822 125)**	**9 290 646**
Other assets						
Land and buildings#	**6 403**	**62 613**	**–**	**11 852**	**(482)**	**80 386**
Industrial property	**6 645**	**8 216**	**–**	**6 301**	**(92)**	**21 070**
Plant and equipment	**47 370**	**394**	**–**	**5 610**	**(1 332)**	**52 042**
Vehicles, furniture and office equipment	**42 416**	**12 058**	**–**	**17 634**	**(15 583)**	**56 525**
Capital work-in-progress	**12 042**	**2 162**	**(333)**	**(11 743)**	**–**	**2 128**
	114 876	**85 443**	**(333)**	**29 654**	**(17 489)**	**212 151**
	7 962 655	**2 383 001**	**(3 245)**	**–**	**(839 614)**	**9 502 797**
Movement for the year – 2011						
Mining assets						
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	230 127	(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
	6 216 554	2 184 890	(36 349)	11 391	(528 707)	7 847 779
Other assets						
Land and buildings	17 660	–	–	(11 257)	–	6 403
Township property	–	–	–	–	–	–
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	44 070	5 379	(1 026)	2 940	(8 947)	42 416
Capital work-in-progress	792	11 753	(1)	(502)	–	12 042
	128 040	17 160	(1 027)	(11 391)	(17 906)	114 876
	6 344 594	2 202 050	(37 376)	–	(546 613)	7 962 655

 # Land and buildings includes property previously classified as investment property (refer note 3).

	2012 R'000	2011 R'000
3. Investment properties		
Land and buildings		
Carrying amount at beginning of year	**62 130**	62 130
Acquisitions	**372**	–
Transferred to property, plant and equipment (refer note 2)	**(62 502)**	–
Carrying amount at end of year	**–**	62 130

A register containing details of investment properties is available for inspection during business hours at the registered address of the company by shareholders or their duly authorised agents.

There is no depreciation charge for the year as residual values exceed the carrying amounts.

	2012 R'000	2011 R'000
4. Intangible assets		
Licences		
Carrying amount at beginning of year	**1 149**	1 329
Amortisation for the year	**(180)**	(180)
Carrying amount at end of year	**969**	1 149
Goodwill		
Carrying amount at beginning of year	**1 418**	1 418
Acquisition during the year (refer below)	**24 315**	–
	26 702	2 567

Goodwill represents the excess attributable on the acquisition of a majority stake in an offshore entity prior to 2005, as well as on the acquisition of Group Line Projects Proprietary Limited (Groupline) in the current year, both of which have been assessed for impairment at the date of the statement of financial position. The directors are of the opinion that the goodwill recognised will be recovered in the form of future cash flows anticipated from each of the entities.

Acquisition during the year

On 7 October 2011 the Assore group, through a subsidiary, Wonderstone Limited, acquired 100% of the ordinary share capital of Groupline, whose business includes specification, selection and installation of a range of industrial wear lining products.

The goodwill of R24,32 million arising on the acquisition consists largely of expected synergies by combining the operations of Wonderstone Limited and Groupline.

The following table summarises the consideration paid for Groupline and the fair value of the assets acquired and liabilities assumed at the acquisition date.

	R'000
Fair value of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	**1 232**
Inventories	**4 511**
Trade and other receivables	**13 423**
Trade and other payables	**(5 482)**
Taxation payable	**(268)**
Other liabilities	**(1 628)**
Total identifiable net assets	**11 788**
Goodwill (as above)	**24 315**
Total consideration paid to vendors on 7 October 2011	**36 103**

From the date of acquisition, Groupline has contributed R19,3 million to revenue and has created a loss of R1,9 million. The *pro-forma* impact on group revenue and profit before taxation in the event that the acquisition was effective on 1 July 2011 is not material.

		2012 R'000	2011 R'000
5.	**Available-for-sale Investments**		
	Listed – at market value		
	Balance at beginning of year	**887 249**	602 851
	Purchases at cost	**–**	42 062
	Disposals at carrying value (refer note 25.7)	**(663 650)**	–
	Fair value adjustment at year end	**15 734**	242 336
	Balance at end of year (refer below)	**239 333**	887 249
	Made up as follows:		
	Listed investments – at cost	**166 967**	358 417
	Cumulative fair value adjustment included in other reserves (refer note 12)	**72 366**	528 832
	As above	**239 333**	887 249
	Other unlisted investments – at market value	**34 725**	30 789
		274 058	918 038
6.	**Other non-current financial assets**		
	Housing loans		
	Balance at beginning of year	**53 051**	31 906
	Home loans advanced to employees during the year	**57 010**	22 854
	Repayments by employees	**(3 396)**	(1 709)
	Balance at end of year	**106 665**	53 051
	Loans granted to Assmang employees during the year for housing purposes were R53,6 million (2011: R21,1 million), the repayment terms of which vary between five and 20 years. The loans bear interest at the prime lending rate, less 2%, and are secured by the properties concerned.		
7.	**Inventories**		
	Raw materials	**476 692**	245 104
	Consumable stores	**288 086**	222 342
	Work-in-progress	**130 800**	142 116
	Finished goods	**1 281 488**	1 396 015
		2 177 066	2 005 577
	Cost of inventory recognised as an expense included in cost of sales for the year	**4 684 288**	4 085 241
	Cost of inventory written down to net realisable value during the year recognised in other expenses (refer note 21)	**56 869**	91 069
8.	**Trade and other receivables**		
	Trade	**2 022 734**	1 618 028
	Other	**27 048**	14 242
		2 049 782	1 632 270
	Trade and other receivables are non-interest-bearing, the terms of which are between 60 and 120 days (for information on credit risk, refer note 26.1).		
9.	**Share capital**		
	Authorised		
	200 000 000 (2011: 200 000 000) ordinary shares of 0,5 cents each	**1 000**	1 000
	Issued		
	Balance at beginning and end of year (139 607 000 (2011: 139 607 000) ordinary shares of 0,5 cents each)	**698**	698

			2012 R'000	2011 R'000
10.	**Share premium**			
	Balance at beginning and end of year		**264 092**	264 092
11.	**Treasury shares**			
	Balance at beginning of year		**(2 359 028)**	(2 359 028)
	16 464 450 shares (11,79% of the issued share capital) acquired at R163,00 per share by Main Street 904 Proprietary Limited (RF) (MS 904) on 19 August 2011, which is held 51% and 49% by the Fricker Road Trust and the Assore Employee Trust respectively, both of which are consolidated as they are considered by the directors to be special-purpose vehicles.		**(2 683 705)**	–
	Securities transfer taxation thereon, based on ruling market share price		**(8 850)**	–
	Balance at end of year		**(5 051 583)**	(2 359 028)
12.	**Other reserves**			
	Foreign currency translation reserve arising on consolidation		**20 887**	14 291
	After tax fair value adjustment arising on the revaluation of available-for-sale investments		**58 871**	455 011
	Gross fair value adjustment at year-end (refer note 5)		**72 366**	528 832
	Less: Deferred capital gains taxation thereon		**(13 495)**	(73 821)
			79 758	469 302
13.	**Long-term borrowings**			
	Redeemable preference shares			
	23 100 unsecured, cumulative, redeemable, preference shares (shares) issued at R100 000 per share to the Standard Bank of South Africa Limited (SBSA) on 24 February 2012		**2 310 000**	–
	Voluntary redemptions during the year:			
	26 March 2012 – 2 139 shares redeemed at a discount of R5 200 000		**(213 900)**	–
	25 June 2012 – 5 000 shares		**(500 000)**	–
	Balance at end of year		**1 596 100**	–
	Redeemable at the latest by the following dates (R'000):			
	24 February 2015	672 100		
	24 February 2016	462 000		
	24 February 2017	462 000		
		1 596 100		
	The preference dividend rate is linked to the prime rate as published by the SBSA.			
	Long-term portion of finance lease liabilities			
	Finance lease liabilities over vehicles with a carrying value of R1,9 million		**–**	2 359
	Less: Repayable within one year included in short-term borrowings (refer note 18)		**–**	(2 359)
			1 596 100	–

	2012 R'000	2011 R'000
14. Deferred taxation		
At year-end		
Arising on temporary differences:		
– Accelerated capital allowances	**2 447 830**	2 202 786
– Provisions raised	**(112 279)**	(104 800)
– Inventories at tax value	**(2 552)**	(1 812)
– Revaluation of available-for-sale investments	**13 495**	73 820
– Other	**10 507**	3 627
	2 357 001	2 173 621
Movements for the year		
Balance at beginning of year	**2 173 621**	1 713 729
– deferred tax assets	**–**	71 572
– deferred tax liabilities	**2 173 621**	1 785 301
Movements for the current year:		
Arising on temporary differences (refer note 22)	**243 705**	425 965
– Accelerated capital allowances	**245 044**	455 282
– Provisions	**(7 479)**	(33 875)
– Inventories at tax value	**(740)**	(905)
– Income received in advance	**–**	5 217
– Other	**6 880**	246
Arising on revaluation of available-for-sale investments as recorded in the statement of other comprehensive income	**(60 325)**	33 927
Balance at end of year	**2 357 001**	2 173 621
15. Long-term provisions		
Environmental obligations (funded as set out below)		
Provision against cost of decommissioning assets	**182 770**	152 005
Balance at beginning of year	**152 005**	116 659
Provisions raised during the year	**36 388**	25 798
Unwinding of discount	**10 077**	9 548
Reallocation to provision for environmental restoration	**(15 700)**	–
Provision for cost of environmental restoration	**112 973**	52 805
Balance at beginning of year	**52 805**	54 586
Provisions raised/(reversed) during the year	**39 543**	(5 382)
Reallocation from provision for decommissioning assets	**15 700**	–
Unwinding of discount	**4 925**	3 601
Balance at end of year, funded as set out below	**295 743**	204 810
Post-retirement healthcare benefits (refer note 33.2)		
Balance at beginning of year	**11 849**	10 597
Increase in benefits payable	**1 252**	1 252
Balance at end of year	**13 101**	11 849
Balance carried forward	**308 844**	216 659

		2012 R'000	2011 R'000
15.	**Long-term provisions** (continued)		
	Balance brought forward	**308 844**	216 659
	Deferred bonus scheme		
	Balance at beginning of year	**6 229**	32 251
	Provision raised/(reversed) during the year	**28 657**	(2 067)
	Transferred to short-term provisions	**(986)**	(23 955)
	Balance at end of year (matures on 1 July 2014)	**33 900**	6 229
		342 744	222 888
	Funding of environmental obligations		
	Environmental obligations before funding (as above)	**295 743**	204 810
	Less: Cash deposits held by environmental trusts per statement of financial position	**81 952**	70 292
	Obligation provided for on the balance sheet, but not yet funded	**213 791**	134 518
	The inflation rates applied to estimate costs used in the discounted cash flow to determine the provision for environmental rehabilitation vary between 6% and 8% (2011: 6,5% and 9,5%) and the nominal discount rates vary between 6% and 7,5% (2011: 8,5% and 13%).		
16.	**Trade and other payables**		
	Trade	**1 174 304**	1 180 626
	Other	**53 055**	57 426
		1 227 359	1 238 052
	Trade and other payables are non-interest-bearing, the terms of which are between 30 and 60 days.		
17.	**Short-term provisions**		
	Bonuses		
	Balance at beginning of year	**27 890**	2 976
	Provisions raised during the year	**207 856**	4 560
	Transferred from long-term provisions (refer note 15)	**986**	23 955
	Payments made during the year	**(27 555)**	(3 601)
	Balance at end of year	**209 177**	27 890
	Leave pay		
	Balance at beginning of year	**50 779**	35 787
	Provisions raised during the year	**17 754**	15 039
	Payments made during the year	**(892)**	(47)
	Balance at end of year	**67 641**	50 779
	Environmental compliance		
	Balance at beginning of year	**28 824**	45 773
	Provisions raised/(reversed) during the year	**25 493**	(16 949)
	Payments made during the year	**(27 951)**	–
	Balance at end of year	**26 366**	28 824
	Other		
	Balance at beginning of year	**2 665**	2 240
	Provisions raised during the year	**1 138**	2 673
	Payments made during the year	**(2 443)**	(2 248)
	Balance at end of year	**1 360**	2 665
		304 544	110 158

		2012 R'000	2011 R'000
18.	**Overdrafts**		
	Overdrafts	**192 019**	151 788
	Current portion of long-term borrowings (refer note 13)	**–**	2 359
		192 019	154 147

Foreign subsidiary, Minerais U.S. LLC , maintains a US dollar denominated overdraft facility with a bank which provides it with the ability to borrow up to an aggregate of US$50 million (2011: US$50 million) for working capital purposes. The facility is available on demand and has no expiry date. Interest on the facility accrues at a variable rate of 0,75% (2011: 0,75%) above Libor which at year-end was 0,1695% (2011: 0,13%). Overdraft borrowings mature daily and are guaranteed by the holding company.

19.	**Revenue**		
	Revenue comprises:		
	Sales of mining and beneficiated products	**12 947 766**	10 651 021
	Interest received	**183 325**	133 373
	Commissions on sales and technical fees	**411 302**	313 369
	– Gross receipts	**795 912**	626 739
	– Eliminated on proportionate consolidation of Assmang	**(384 610)**	(313 370)
	Dividends received from available-for-sale investments	**27 739**	37 637
	Sales of by-products	**20 014**	15 907
	Other	**22 585**	28 728
		13 612 731	11 180 035

20.	**Finance costs**		
	Paid and accrued on:		
	Short-term bridging facility, repaid during the year	**149 824**	–
	Preference shares (refer note 13)	**50 179**	56 337
	Unwinding of discount on provision for environmental obligation (refer note 15)	**15 002**	13 149
	Finance leases and general banking facilities	**2 239**	8 304
		217 244	77 790

	2012 R'000	2011 R'000
21. Profit before taxation		
Profit before taxation is stated after taking into account the following items of income and expenditure:		
Income		
Foreign exchange gains	**632 207**	254 132
– realised	**616 810**	216 093
– unrealised	**15 397**	38 039
Profit on disposal of property, plant and equipment	**3 229**	407
Expenditure		
Amortisation of intangible assets (refer note 4)	**180**	180
Auditors' remuneration		
– audit fees	**10 251**	7 098
– other services	**937**	504
Cost of inventories written down (refer note 7)	**56 869**	91 069
Depreciation and impairment charges (refer note 2)	**839 614**	546 613
Depreciation of mining assets (refer note 2)	**718 088**	528 707
– Mineral and prospecting rights	**19 320**	24 909
– Land, buildings and mine properties	**22 757**	23 916
– Plant and equipment	**371 877**	294 164
– Prospecting, exploration, mine development and decommissioning assets	**51 322**	33 725
– Vehicles, furniture and office equipment	**252 812**	148 903
– Leased assets capitalised	**–**	3 090
Depreciation of other assets (refer note 2)	**17 489**	17 906
– Land and buildings	**482**	–
– Industrial property	**92**	234
– Plant and equipment	**1 332**	8 725
– Vehicles, furniture and office equipment	**15 583**	8 947
Impairment of non-financial assets (refer note 2)	**104 037**	–
Loss on disposal and scrapping of property, plant and equipment	**1 366**	–
Foreign exchange losses	**375 497**	155 901
– realised	**350 432**	148 471
– unrealised	**25 065**	7 430
Operating lease expenses	**667**	650
Professional fees	**21 055**	12 377
Staff costs (including executive directors' emoluments)		
– salaries and wages	**1 407 071**	1 089 400
– healthcare costs	**43 325**	40 438
– pension fund contributions	**77 416**	35 074
Transfer secretaries' fees	**455**	382

	2012 R'000	2011 R'000
22. Taxation		
South African normal taxation		
– current year	**1 226 100**	913 192
– overprovisions relating to prior years	**–**	(7 739)
State's share of profits	**–**	92 825
Capital gains tax	**66 108**	–
Deferred taxation		
– temporary differences arising in current year (refer note 14)	**183 381**	425 965
Secondary tax on companies	**49 063**	131 102
Securities transfer taxation	**1 676**	1 287
Foreign taxation	**11 364**	9 892
	1 537 692	1 566 524
The current tax charge is reduced by non-taxable investment income, capital redemption allowances and assessed tax losses in certain subsidiary companies and trading losses in other subsidiary companies for which there was no tax relief in the current year.		
Estimated losses available for the reduction of future taxable income arising in certain subsidiary companies at year-end for which no deferred tax asset is recognised	**266 866**	240 800
Estimated unredeemed capital expenditure available for reduction of future taxable income on mining operations in certain joint venture and subsidiary companies	**77 717**	80 380
Reconciliation of tax charge as a percentage of net income before taxation		
Statutory tax rate	**28,00**	28,00
Adjusted for:		
State's share of profits	**–**	1,93
Secondary tax on companies	**0,88**	2,72
Disallowable expenditure	**0,45**	0,52
Impact of calculated tax losses	**(1,38)**	(0,07)
Foreign tax rate differential	**(0,28)**	(0,28)
Capital gains tax	**1,19**	–
Dividend income	**(0,14)**	(0,22)
Exempt income	**(0,22)**	(0,21)
Overprovisions relating to prior years	**–**	(0,16)
Other	**(0,97)**	(0,30)
Effective tax rate	**27,53**	32,53

	2012 R'000	2011 R'000
23. Earnings and headline earnings per share		
Earnings per share (cents) (basic and diluted)	**3 827**	2 691
Headline earnings per share (cents) (basic and diluted)	**3 519**	2 690
The above calculations were determined using the following information:		
Earnings		
Profit attributable to shareholders of the holding company per income statement	**4 033 013**	3 219 754
Headline earnings		
Earnings as above	**4 033 013**	3 219 754
Adjusted for the after taxation effects of:		
Profit on disposal of:		
– property, plant and equipment	**(3 229)**	(407)
– available-for-sale investments	**(406 092)**	–
Loss on disposal and scrapping of property, plant and equipment	**1 366**	–
Impairment of non-financial assets	**82 705**	–
Headline earnings	**3 707 763**	3 219 347
Shares in issue		
Weighted number of ordinary shares in issue (000)		
Ordinary shares in issue	**139 607**	139 607
Treasury shares (refer note 10)	**(34 240)**	(19 936)
Weighted average number of shares in issue for the year	**105 367**	119 671
24. Dividends		
Dividends declared during the year		
Final dividend No 109 of 250 cents (2011: 240 cents) per share – declared on 9 September 2011	**349 018**	335 057
Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012	**349 018**	279 214
Less: Dividends attributable to treasury shares	**(182 000)**	(87 716)
	516 036	526 555
Per share (cents)	**500**	440
Dividends relating to the activities of the group for the year under review		
Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012	**349 018**	279 214
Final dividend No 111 of 300 cents (2011: 250 cents) per share – declared on 31 August 2012	**418 821**	349 018
Less: Dividends attributable to treasury shares	**(200 200)**	(89 710)
	567 639	538 522
Per share (cents)	**550**	450

		2012 R'000	2011 R'000
25.	**Notes to the statement of cash flow**		
25.1	**Cash generated by operations**		
	Profit before taxation	**5 584 726**	4 816 210
	Adjusted for:	**499 184**	504 075
	– Amortisation of intangibles	**180**	180
	– Cost of inventories written down (refer note 7)	**56 869**	91 069
	– Depreciation and impairment of property, plant and equipment (refer notes 2 and 21)	**839 614**	546 613
	– Discount and fees on redemption of preference shares	**(5 200)**	(35 445)
	– Dividends received	**(27 739)**	(37 637)
	– Environmental provision discount adjustment	**15 002**	13 149
	– Finance costs	**202 242**	64 641
	– Interest received	**(183 325)**	(133 373)
	– Movements in long-term provisions	**66 538**	19 601
	– Movements in short-term provisions	**253 229**	5 323
	– Net foreign exchange gains	**(256 710)**	(30 609)
	– Other non-cash flow items	**12 547**	970
	– Profit on disposal of available-for-sale investments	**(472 200)**	–
	– Profit on disposal of property, plant and equipment (net)	**(1 863)**	(407)
		6 083 910	5 320 285
25.2	**Dividend income**		
	Credited to the income statement	**27 739**	37 637
25.3	**Movements in working capital**		
	Increase in inventories	**(228 358)**	(324 668)
	Increase in trade and other receivables	**(160 802)**	(99 363)
	(Decrease)/increase in trade and other payables	**(11 948)**	231 647
	Payments against short-term provisions	**(58 841)**	(5 895)
		(459 949)	(198 279)
25.4	**Finance costs**		
	Finance costs per income statement	**217 244**	77 790
	Unwinding of discount on environmental obligations (refer note 15)	**(15 002)**	(13 149)
	Discount received on preference share dividend	**(30 727)**	–
	Accrual raised for preference share dividend	**(23 804)**	–
		147 711	64 641
25.5	**Taxation paid**		
	Unpaid at beginning of year	**(192 345)**	(253 895)
	Charged to the income statement	**(1 537 692)**	(1 566 524)
	Movement in deferred taxation	**183 380**	425 964
	Unpaid at end of year	**114 480**	192 345
		(1 432 177)	(1 202 110)
25.6	**Dividends paid**		
	Unpaid at beginning of year	**(571)**	(245)
	Declared during the year	**(698 036)**	(614 271)
	Dividends attributable to treasury shares	**182 000**	87 716
	Unpaid at end of year	**912**	571
		(515 695)	(526 229)
25.7	**Proceeds on disposal of available-for-sale investments** (refer note 5)		
	Cost at acquisition	**191 450**	–
	Profit on disposal (refer note 25.1)	**472 200**	–
		663 650	–

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 Audit and Risk Committee.

26.1 Credit risk

Credit risk arises from possible defaults on material 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 well-established credit accounts 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.

Credit exposure and concentrations of credit risk

The carrying value 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 recognised in the statement of financial position:

	2012 R'000	2011 R'000
Cash on deposits held by environmental trusts	**81 952**	70 292
Cash resources	**3 242 485**	2 264 442
Loans and long-term receivables	**106 665**	53 051
Trade receivables	**2 022 734**	1 618 028
– Foreign	**1 936 712**	1 556 337
– Local	**86 022**	61 691
Other receivables – local	**27 048**	14 242

26. Financial risk management (continued)

26.1 Credit risk (continued)

Ageing of loans and receivables

Aged as follows:

	2012			2011		
	Receivables not impaired R'000	**Receivables impaired R'000**	**Carrying value R'000**	Receivables not impaired R'000	Receivables impaired R'000	Carrying value R'000
Loans and long-term receivables	**106 665**	**–**	**106 665**	53 051	–	53 051
Not past due, not impaired	**106 665**	**–**	**106 665**	53 051	–	53 051
Past due	**–**	**–**	**–**	–	–	–
Trade receivables	**2 022 734**	**–**	**2 022 734**	1 618 028	–	1 618 028
Not past due, not impaired	**2 022 734**	**–**	**2 022 734**	1 618 028	–	1 618 028
Past due	**–**	**–**	**–**	–	–	–
Other receivables	**27 048**	**–**	**27 048**	14 242	–	14 242
Not past due, not impaired	**27 048**	**–**	**27 048**	14 242	–	14 242
Past due	**–**	**–**	**–**	–	–	–
	2 156 447	**–**	**2 156 447**	1 685 321	–	1 685 321
Unsecured	**1 801 355**	**–**	**1 801 355**	926 980	–	926 980
Secured by irrevocable letters of credit, issued by foreign banks	**355 112**	**–**	**355 112**	758 341	–	758 341
As above	**2 156 447**	**–**	**2 156 447**	1 685 321	–	1 685 321

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 25.7).

Undrawn credit facilities

In terms of the Memorandum of Incorporation of the holding company, the borrowing powers are unlimited. However, based on their respective incorporation documents, restrictions on the following joint-venture and subsidiary companies are in place. External borrowings at year-end amounted to R192,0 million (2011: R154,1 million).

	2012 R'000	2011 R'000
Assmang Limited		
Authorised in terms of the Memorandum of Incorporation	**11 195 657**	8 753 613
Less: External borrowings at year-end		
– Overdrafts and short-term borrowings	**–**	(3 359)
Unutilised borrowing capacity	**11 195 657**	8 751 254
Minerais U.S. LLC		
Authorised in terms of its Certificate of Formation	**415 260**	338 813
External borrowings at year-end	**(191 850)**	(151 788)
Unutilised borrowing capacity	**223 410**	187 025

With the exception of the preference share debt referred to in note 13 which is long term, the group is cash positive and does not rely on banking facilities for its day-to-day activities.

The general banking facilities made available to group companies are unsecured, bear interest at rates linked to prime, have no specific maturity dates and are subject to annual review by the banks concerned. The facilities are in place, where necessary, 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 terms of 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
2012						
Financial assets						
Investments	**274 058**	**274 058**	**–**	**–**	**–**	**274 058**
Other non-current financial assets	**106 665**	**106 665**	**–**	**–**	**21 333**	**85 332**
Trade and other receivables	**2 049 782**	**2 049 782**	**2 049 782**	**–**	**–**	**–**
Cash deposits held by environmental trusts	**81 952**	**81 952**	**81 952**	**–**	**–**	**–**
Cash resources	**3 242 485**	**3 242 485**	**3 242 485**	**–**	**–**	**–**
	5 754 942	**5 754 942**	**5 374 219**	**–**	**21 333**	**359 390**
Financial liabilities						
Preference shares issued	**1 596 100**	**1 955 795**	**–**	**102 752**	**1 854 043**	**–**
Trade and other payables	**1 227 359**	**1 227 359**	**1 227 359**	**–**	**–**	**–**
Overdrafts	**192 019**	**192 019**	**192 019**	**–**	**–**	**–**
Guarantees	**180 000**	**180 000**	**180 000**	**–**	**–**	**–**
	3 195 478	**3 555 173**	**1 599 378**	**102 752**	**1 854 043**	**–**
2011						
Financial assets						
Investments	918 038	918 038	–	–	30 664	887 374
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	–	–	–
	4 938 093	4 938 093	3 967 004	–	30 664	940 425
Financial liabilities						
Finance lease liabilities	2 359	2 359	–	2 359	–	–
Trade and other payables	1 238 051	1 238 051	1 238 051	–	–	–
Overdrafts	151 788	151 788	151 788	–	–	–
Guarantees	180 000	180 000	180 000	–	–	–
	1 572 198	1 572 198	1 569 839	2 359	–	–

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 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 committee 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.

26. Financial risk management (continued)

26.3 Market risk (continued)

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:

	2012 R'000	2011 R'000
Variable rate instruments		
Liabilities		
Preference shares (included in long-term borrowings; refer note 13)	**1 596 100**	–
Finance leases (refer note 13)	**–**	2 359
Overdrafts (refer note 18)	**192 019**	151 788
Assets		
Other non-current financial assets	**106 665**	53 051
Cash deposits held by environmental trusts per statement of financial position	**81 952**	70 292
Cash resources	**3 242 485**	2 264 442
Fair value sensitivity analysis for fixed rate instruments		
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 after tax.		
Cash flow sensitivity analysis for variable rate instruments		
An increase of 50 basis points in interest rates at the reporting date would have increased profit after tax by the amounts shown below. This assumes that all other variables remain constant and there is no impact on the group's equity.		
Variable rate instruments	**6 972**	7 911

Net effect on profit after tax is equal but opposite for a 50 basis points decrease in interest rates on the variable rate instruments listed above.

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. The group undertakes limited hedging of receivables denominated in US dollars at times when the rand/US dollar exchange rate appears volatile. The level of exposure on these limited hedging activities does not exceed US$35 million at any stage during the year.

26. Financial risk management (continued)

26.3 Market risk (continued)

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

	2012		2011	
	US dollar (USD) 000	**Euro (EUR) 000**	US dollar (USD) 000	Euro (EUR) 000
Foreign receivables per statement of financial position	**20 397**	**607**	18 585	907
Forward sales commitments	**1 506 761**	**78 634**	1 178 442	85 817
Total exposure	**1 527 158**	**79 241**	1 197 027	86 724
A 5% strengthening of the rand against the following currencies at 30 June would have decreased profit by the following amounts:	**R'000**	**R'000**	R'000	R'000
	8 470	**317**	6 297	445

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 contracts and other commitments

At year-end the group had open forward exchange contracts (FECs) in the amount of R277,7 million (2011: Rnil) which are fully optional over a three-month period and mature on various dates over this time. The fair value of the FECs at year-end, determined with reference to the spot rate at year-end and the rates of the FECs was R3,4 million (2011: Rnil), and is included in other receivables.

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:

	2012		2011	
	Foreign currency notional amount USD'000	**Presentation currency notional amount R'000**	Foreign currency notional amount USD'000	Presentation currency notional amount R'000
Purchase contracts				
US dollar	**4 700**	**39 034**	12 700	86 058
Sales contracts				
US dollar	**16 200**	**134 544**	29 100	285 762

Equity price risk

The group's listed and unlisted investment are susceptible to market price risk arising from uncertainties about future value of the investment. The group manages the equity price risk through monitoring developments in the mining and metal industries. The executive directors of the board review and approve all equity investment decisions.

At the reporting date, the exposure to listed investments at fair value was R239,3 million. A decrease of 1% on the relevant market index could have an impact of approximately R2,4 million on the income or equity attributable to the group, depending on whether or not the decline is significant or prolonged. An increase of 1% in the value of the listed investments would only impact equity, but would not have an effect on profit or loss.

At the reporting date, the exposure to unlisted equity investments at fair value was R34,7 million. A change of 1% in the overall earnings stream of the valuations performed would result in an increase or decrease of R0,3 million.

26.4 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
2012							
Financial assets							
Investments	5	**239 333**			**34 725**	**274 058**	**274 058**
Other non-current financial assets	6		**106 665**			**106 665**	**106 665**
Trade and other receivables	8		**2 049 782**			**2 049 782**	**2 049 782**
Cash deposits held by environmental trusts	15		**81 952**			**81 952**	**81 952**
Cash resources			**3 242 485**			**3 242 485**	**3 242 485**
		239 333	**5 480 884**		**34 725**	**5 754 942**	**5 754 942**
Financial liabilities							
Interest-bearing borrowings	13			**1 596 100**		**1 596 100**	**1 596 100**
Trade and other payables	16			**1 227 359**		**1 227 359**	**1 227 359**
Overdrafts	18			**192 019**		**192 019**	**192 019**
				3 015 478		**3 015 478**	**3 015 478**
2011							
Financial assets							
Investments	5	887 249			30 789	918 038	918 038
Other non-current financial assets			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	15		70 292			70 292	70 292
Cash resources			2 264 442			2 264 442	2 264 442
		887 249	4 020 055		30 789	4 938 093	4 938 093
Financial liabilities							
Trade and other payables	16			1 238 051		1 238 051	1 238 051
Overdrafts	18			154 147		154 147	154 147
				1 392 198		1 392 198	1 392 198

Determination of fair values

Quoted market prices at reporting date have been used to determine the fair value of available-for-sale investments, loans, receivables and interest-bearing borrowings. Where quoted market prices were not available, a valuation technique, most commonly discounted cash flows, was used. Carrying amounts approximate fair value for all other financial assets and liabilities, due to the short-term nature of these items.

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	2012 R'000	2011 R'000
Available-for-sale investments, measured at level 1	**274 058**	918 038

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 iron, manganese 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 equity and its borrowing facilities. 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.

	2012 R'000	2011 R'000
28. Commitments		
Capital		
Expenditure authorised and contracted for	**3 131 724**	2 351 593
Expenditure authorised but not contracted for	**202 830**	335 220
	3 334 554	2 686 813
Operating lease commitments		
Future minimum rentals payable under non-cancellable operating leases over premises and equipment which are payable as follows:		
Within one year	**669**	587
After one year but not more than five years	**1 638**	196
	2 307	783
Assmang's commitments have been proportionately consolidated at 50%.		
29. Contingent liabilities		
Holding company and proportion of joint-venture partner's guarantees (at 50%) issued to bankers as security for banking facilities provided to subsidiary and joint-venture companies	**636 409**	451 701
Performance guarantees issued to customers by subsidiary companies and joint-venture entity	**85 178**	36 748
	721 587	488 449
The holding company holds a back-to-back guarantee of R180 million (2011: R180 million) issued by the joint-venture entity in respect of claims made in terms of the abovementioned guarantees.		

	2012 R'000	2011 R'000
30. Investment in joint-venture entity		
50% (2011: 50%) interest in Assmang Limited (Assmang), which is controlled jointly in terms of shareholders' agreement between Assore and African Rainbow Minerals Limited (ARM).		
The group financial statements include the following amounts which were proportionately consolidated, being 50% of Assmang:		
Income statement		
Turnover	**11 844 195**	9 537 471
Cost of sales	**(6 323 315)**	(5 008 510)
Gross profit	**5 520 880**	4 528 961
Other operating income	**416 572**	280 459
Other operating expenses	**(1 330 267)**	(587 089)
Income from investments	**123 690**	70 898
Finance costs	**(14 143)**	(12 729)
Profit before taxation and State's share of profits	**4 716 732**	4 280 500
Statement of financial position		
Property, plant, equipment and intangibles	**9 041 918**	7 570 914
Other non-current financial assets	**106 665**	53 051
Current assets	**9 987 560**	4 713 372
Elimination of investment in joint-venture entity	**(468 153)**	(468 153)
Current liabilities		
– interest-bearing	**–**	2 359
– non-interest-bearing	**1 199 719**	1 146 466
Deferred taxation	**2 446 277**	2 060 661
Long-term provisions	**323 066**	203 884
Distributable reserves	**10 885 385**	8 455 815
Cash flows		
Cash retained from operating activities	**2 878 981**	2 413 202
Cash utilised in investing activities	**(2 178 915)**	(1 822 294)
Cash utilised in financing activities	**(2 359)**	(3 301)
Cash resources	**2 229 246**	1 531 539
Commitments		
Future capital expenditure:		
– contracted for	**3 131 724**	2 351 593
– not contracted for	**202 830**	335 220
	3 334 554	2 686 813

Contingent liabilities

Contingent liabilities relating to the group's interest in the joint venture are referred to in note 29.

31. Segmental information

The following primary 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.

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 all 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, ceramic and industrial 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
Year to 30 June 2012								
Revenues								
Third party	**15 323 509**	**6 669 635**	**1 983 526**	**23 976 670**	**1 327 879**	**371 327**	**(12 063 145)**	**13 612 731**
Inter-segment	**–**	**–**	**–**	**–**	**384 610**	**260 853**	**(645 463)**	**–**
Total revenues	**15 323 509**	**6 669 635**	**1 983 526**	**23 976 670**	**1 712 489**	**632 180**	**(12 708 608)**	**13 612 731**
Contribution to profit	**5 835 547**	**1 223 279**	**(174 837)**	**6 883 989**	**819 943**	**(228 924)**	**(3 441 995)**	**4 033 013**
Contribution to headline earnings	**5 935 213**	**1 222 275**	**(171 153)**	**6 986 335**	**410 608**	**(196 012)**	**(3 493 168)**	**3 707 763**
Statement of financial position								
Consolidated total assets	**19 718 533**	**9 316 287**	**1 171 888**	**30 206 708**	**1 648 633**	**709 520**	**(15 103 354)**	**17 461 507**
Other information								
Depreciation, amortisation and impairment charges	**1 048 007**	**321 157**	**162 519**	**1 531 683**	**14 256**	**42 192**	**(748 517)**	**839 614**
Taxation	**2 405 205**	**237 771**	**(58 447)**	**2 584 529**	**237 352**	**8 076**	**(1 292 265)**	**1 537 692**
Capital expenditure	**3 339 900**	**885 760**	**291 752**	**4 517 412**	**9 084**	**52 709**	**(2 258 706)**	**2 320 499**
Year to 30 June 2011								
Revenues								
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
Statement of financial position								
Consolidated total assets	15 081 498	7 862 944	1 586 128	24 530 570	5 825 316	9 816 581	(25 201 445)	14 971 022
Other information								
Depreciation and amortisation	592 661	287 119	147 806	1 027 586	18 059	24 225	(523 257)	546 613
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	120 697	(2 048 716)	2 202 050

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:

	Group revenue by segment 2012 R'000	Group revenue by segment 2011 R'000
Customers by location		
Far East	**18 782 378**	14 261 503
Europe	**1 942 891**	2 097 817
USA	**1 971 643**	2 068 761
South Africa	**2 283 614**	2 284 831
Other – foreign	**92 434**	140 163
Sub-total	**25 072 960**	20 853 075
Eliminated on proportionate consolidation	**(11 460 229)**	(9 673 040)
	13 612 731	11 180 035

Note:

Included in the sub-total of revenue is revenue from one customer amounting to R3 254 million (2011: R2 304 million).

Segmental analysis by location 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 similar terms and conditions to third parties.

	2012 R'000	2011 R'000
The following significant related-party transactions occurred during the year:		
Joint-venture partner		
African Rainbow Minerals Limited		
– commissions paid by subsidiary company	**65 172**	85 568
– management fees paid by joint venture entity	**261 826**	213 399
Joint-venture company		
Assmang Limited (refer note 30)		
– gross commissions received	**384 610**	313 370
– amounts payable to related parties at year-end	**110 770**	87 029
– amounts receivable	**36 248**	23 391
Refer note 30 for details of the joint venture entity.		
Investor in ultimate holding company		
– commissions paid	**296 864**	177 986
– amount due at year-end	**5 587**	6 663
Subsidiary companies		
Key management personnel of the group:		
Holding company (refer "Directors' report")	**1 061**	951
– Remuneration	**1 061**	951
– Post-employment benefits	**–**	–
Subsidiary companies	**136 834**	143 496
– Remuneration	**129 002**	136 251
– Post-employment benefits	**7 832**	7 245
Foreign subsidiary		
Minerais U.S. LLC		
– commissions received	**26 692**	20 831
– amounts receivable	**40 999**	33 679

The group holds a 51% share in Minerais U.S. LLC (Minerais) which is a limited liability company registered in the state of New Jersey in the United States of America (USA). Minerais is responsible for marketing and sales administration of the group's products in the USA, and trades in various commodities related to the steel making industry.

Refer "Directors' report", page 94 for directors' emoluments paid during the year.

Refer notes 18 and 29 for details of security and guarantees provided on behalf of related parties.

33. Retirement benefit fund information

33.1 Pensions

Assore Limited is a holding company which operates through its various subsidiary and joint-venture companies and, as such, does not have any employees.

All subsidiary companies provide retirement benefits through either a defined benefit pension fund or a defined contribution pension fund (termed "umbrella fund") and Assmang has made provision for pension plans covering all employees which comprise a defined contribution fund and two defined contribution provident funds administered by employee organisations within the industries in which members are employed.

Subsidiary companies

Defined benefit – Assore Pension Fund

In terms of the Pension Funds 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 2011. The previous valuation performed at 1 July 2008 revealed a 100,3% funding level. An interim check was performed for funding purposes as at 30 June 2012, which revealed a 95,5% funding level (2011: 91,4%). The financial position of the fund at these dates is set out below:

	2012 R'000	2011 R'000
Change in defined benefit obligation		
Benefit obligation at beginning of year	**270 496**	268 974
Current service cost	**21 653**	15 626
Interest cost	**27 374**	25 625
Actuarial (gain)/loss – experience	**(4 769)**	(5 804)
Actuarial (gain)/loss – assumptions	**20 741**	25 795
Benefits paid	**(4 359)**	(59 720)
Benefit obligation at end of year	**331 136**	270 496
Change in plan assets		
Fair value of plan assets at beginning of year	**247 322**	252 697
Expected return on plan assets	**22 506**	24 006
Actuarial gain/(loss) on plan assets – experience and assumptions	**(773)**	9 738
Employer contributions	**45 156**	15 186
Employees' contributions	**6 491**	5 415
Benefits paid	**(4 359)**	(59 720)
Fair value of plan assets at end of year	**316 343**	247 322
Net unfunded position	**(14 793)**	(23 174)
Unrecognised actuarial losses	**14 793**	23 174
Net pension fund asset	**–**	–
Components of periodic expense		
Current service cost	**21 653**	15 626
Interest cost	**27 374**	25 625
Expected return on plan assets	**(22 506)**	(24 006)
Amortisation of actuarial loss	**25 126**	11 526
Net pension cost	**51 647**	28 771

The allocation of plan assets is as follows:

	%	%
Equity securities	**70**	68
Debt securities	**21**	27
Other (cash, cash awaiting investment, bank account)	**9**	5
Total	**100**	100

33. Retirement benefit information (continued)

33.1 Pensions (continued)

Defined benefit – Assore Pension Fund *(continued)*

	2012 R'000	2011 R'000
Expected contribution next year	**53 000**	11 000
Experience adjustments on plan liabilities:		
Plan liabilities	**4 769**	5 804
Actual return on assets	**21 733**	33 744

Actuarial assumptions

The principal actuarial assumptions for the valuations include:

	%	%
Expected return on assets	**8,60**	9,10
Post-retirement interest rate	**3,80**	4,20
Price inflation rate	**6,40**	6,51
Salary inflation rate	**7,40**	7,50
Pension increases	**4,80**	4,88

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.

Since the unrecognised losses exceed the net unfunded position, no pension fund asset has been recognised. Contributions to the fund by the group have been expensed accordingly.

Defined contribution fund

The group and employees contribute 10% and 5% of the umbrella fund respectively. Contributions for the year amounted to R3,0 million (2011: R2,5 million) and the value of the fund amounted to R13,0 million (2011: R9,7 million) at year end.

Joint-venture entity

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.

Reviews of the plans are carried out by independent actuaries at regular intervals. Contributions to the funds are 15,0% of payroll, split on an agreed basis between members and the employer.

The amount expensed as employer contributions to the fund in the current year was R58,4 million (2011: R34,8 million).

33. Retirement benefit information (continued)

33.2 Medical aid

Subsidiary companies

The group contributes 50% of medical aid contributions of employees which is expensed and R4,4 million (2011: R3,0 million) was expensed in this regard during the financial year.

Agreement has been reached with the pensioners and applicable members of staff in terms of which historic obligations to fund medical aid contributions post retirement have been converted to either purchased annuities or a series of lump sum payments into the defined 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.

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 raised.

The following table summarises the components of the net benefit expense recognised in the income statement of the joint-venture entity:

	2012 R'000	2011 R'000
Current service cost	**552**	548
Interest cost on benefit obligation	**2 277**	2 125
Benefits paid	**(951)**	(769)
Net actuarial loss recognised	**1 320**	605
Net benefit movement for the year	**3 198**	2 508

Sensitivity on accounting provisions for the year ended 30 June 2012:

	Service cost		**Interest cost**		**Accrued liability**	
Change in inflation	R'000	% change	R'000	% change	R'000	% change
1% increase	671	22,6	2 603	15,3	30 885	14,8
1% decrease	448	(17,8)	1 972	(12,4)	23 648	(12,1)

The liability is assessed periodically by an independent actuarial survey based on the following principal actuarial assumptions:
– a net discount rate of 1,0% (2011: 1,0%) per annum;
– an increase in health care costs at a rate of 8,5% (2011: 9,1%) per annum;
– assumed rate of return on assets at 9,6% (2011: 10,2%) per annum.

The liabilities raised are based on the present values of the post-retirement benefits and have been recognised in full. The most recent actuarial valuation was conducted effective for 30 June 2012, and all liabilities have been accrued on this basis.

The provisions raised in respect of post-retirement healthcare benefits amounted to R26,2 million (2011: R23,7 million) at the end of the year. As shown above, an amount of R3,2 million was charged to income statement in the current year (2011: R2,5 million), as a result of 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 R82,7 million (2011: R63,2 million).

Financial Statements

Company financial statements

Company statement of financial position
as at 30 June 2012

	Note	2012 R'000	2011 R'000
ASSETS			
Non-current assets			
Investment in group companies	1	**470 592**	470 592
Available-for-sale investments	2	**239 458**	887 374
Loans to group companies	1	**4 930 610**	2 137 344
		5 640 660	3 495 310
Current assets			
Other receivables		**74 346**	17 481
Cash resources		**241 409**	20 197
		315 755	37 678
Total assets		**5 956 415**	3 532 988
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	3	**698**	698
Share premium	4	**264 092**	264 092
Retained earnings		**2 920 812**	2 063 731
Other reserves	5	**58 871**	455 011
Total equity		**3 244 473**	2 783 532
Non-current liabilities			
Loans from group companies	1	**1 078 041**	628 039
Long-term borrowings	7	**1 596 100**	–
Deferred taxation	6	**13 495**	73 821
		2 687 636	701 860
Current liabilities			
Other payables		**19 959**	31 434
Taxation		**4 347**	1 564
Amounts due to group companies		**–**	14 598
		24 306	47 596
Total equity and liabilities		**5 956 415**	3 532 988

Company income statement
for the year ended 30 June 2012

	Note	2012 R'000	2011 R'000
Revenue	8	**1 191 975**	1 156 285
Profit on disposal of available-for-sale investments		**472 200**	–
Income from investments		**1 191 975**	1 156 285
Discount on redemption of preference shares		**5 200**	22 945
Other income		**30 727**	12 500
Administrative expenses		**(17 352)**	(4 788)
Finance costs		**(50 179)**	(56 337)
Profit before taxation	9	**1 632 571**	1 130 605
Taxation	10	**77 454**	34 694
Profit for the year		**1 555 117**	1 095 911
Dividends declared per share (cents)	11	**500**	450

Company statement of comprehensive income
for the year ended 30 June 2012

	2012 R'000	2011 R'000
Profit for the year as above	**1 555 117**	1 095 911
Reclassification of fair value gain on disposal of available-for-sale investments included in income statement, previously recognised in comprehensive income	**(406 092)**	–
Profit on disposal of available-for-sale investments as above	**(472 200)**	–
Deferred capital gains tax thereon	**66 108**	–
Gain on revaluation to market value of available-for-sale investments, after taxation	**9 952**	208 409
Gain on revaluation to market value of available-for-sale investments (refer note 5)	**15 734**	242 336
Deferred capital gains tax thereon	**(5 782)**	(33 927)
Total comprehensive income for the year, net of tax	**1 158 977**	1 304 320

Company statement of cash flow

for the year ended 30 June 2012

	Note	2012 R'000	2011 R'000
Cash retained from operating activities		**299 526**	450 773
Cash generated by operating activities		**1 061 774**	1 134 110
Cash utilised in operations	12.1	**(17 352)**	(4 788)
Investment income	12.2	**1 162 405**	1 128 849
Movements in working capital	12.3	**(83 279)**	10 049
Interest income		**29 570**	27 436
Finance costs		**(19 452)**	(56 337)
Taxation paid	12.4	**(74 671)**	(40 491)
Dividends paid	12.5	**(697 695)**	(613 945)
Cash generated by/(utilised in) investing activities		**663 650**	(42 062)
Acquisition of available-for-sale investments		**–**	(42 062)
Proceeds on disposal of available-for-sale investments	12.6	**663 650**	–
Cash utilised in financing activities		**(741 964)**	(884 008)
Preference shares issued		**2 310 000**	–
Preference shares redeemed		**(708 700)**	(894 555)
Net movement in loans to and from group companies		**(2 343 264)**	10 547
Cash resources			
– increase/(decrease) for the year		**221 212**	(475 297)
– at beginning of year		**20 197**	495 494
– at end of year		**241 409**	20 197

Company statement of changes in equity

for the year ended 30 June 2012

	2012 R'000	2011 R'000
Share capital		
Balance at beginning and end of year	**698**	698
Share premium		
Balance at beginning and end of year	**264 092**	264 092
Other reserves		
Balance at beginning of year	**455 011**	246 603
Other comprehensive (loss)/income	**(396 140)**	208 408
Balance at end of year	**58 871**	455 011
Retained earnings		
Balance at beginning of year	**2 063 731**	1 582 091
Profit for the year	**1 555 117**	1 095 911
Ordinary dividends declared during the year		
Final dividend No 109 of 250 cents (2011: 240 cents) per share – declared on 9 September 2011	**(349 018)**	(335 057)
Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012	**(349 018)**	(279 214)
Balance at end of year	**2 920 812**	2 063 731
Total equity	**3 244 473**	2 783 532

		2012 R'000	2011 R'000
1.	**Investment in group companies**		
	Joint-venture entity (refer below)	**468 153**	468 153
	Subsidiary companies (refer below)	**2 439**	2 439
		470 592	470 592
	Investment in joint-venture entity		
	Assmang Limited		
	1 774 103 (2011: 1 774 103) ordinary shares at cost	**468 153**	468 153
	Directors' valuation	**41 728 532**	30 650 717
	Investment in subsidiary companies		
	Shares at cost (refer note 13)	**2 439**	2 439
	Amounts due by/(to) subsidiary companies (refer note 13)		
	Loan accounts receivable	**4 930 610**	2 137 344
	Loan accounts payable	**(1 078 041)**	(628 039)
	Current accounts payable	**–**	(14 598)
		3 852 569	1 494 707
	Loan accounts receivable include cumulative redeemable preference shares issued to subsidiary companies in the amount of R4 336 307 (2011: R1 501 407), and have dividend rates of 0,75% (2011: 0,75%) below the prime interest overdraft rate, published by the Standard Bank of South Africa Limited, and have no fixed terms of redemption. The remainder of loan accounts receivable and all loan accounts payable are interest-free with no fixed terms of repayment.		
2.	**Available-for-sale investments**		
	Listed – at market value		
	Balance at beginning of year	**887 249**	602 851
	Purchases at cost	**–**	42 062
	Disposals at carrying value (refer note 12.6)	**(663 650)**	–
	Fair value adjustment	**15 734**	242 336
	Balance at end of year	**239 333**	887 249
	Unlisted – at cost and directors' valuation	**125**	125
		239 458	887 374
	Listed investments at year-end comprise:		
	Listed – at cost	**166 967**	358 417
	Fair value adjustment transferred to other reserves (refer note 5)	**72 366**	528 832
	As above	**239 333**	887 249
3.	**Share capital**		
	Authorised		
	200 000 000 (2011: 200 000 000) ordinary shares of 0,5 cents each	**1 000**	1 000
	Issued		
	Balance at beginning and end of year (139 607 000 (2011: 139 607 000) ordinary shares of 0,5 cents each)	**698**	698
4.	**Share premium**		
	Balance at year-end and end of year	**264 092**	264 092
5.	**Other reserves**		
	Surplus on the revaluation to fair value of available-for-sale investments per note 2	**72 366**	528 832
	Less: Deferred capital gains tax (refer note 6)	**(13 495)**	(73 821)
		58 871	455 011

		2012 R'000	2011 R'000
6.	**Deferred taxation on available-for-sale investments**		
	Balance at beginning of year	**73 821**	39 893
	Movement for the year	**(60 326)**	33 928
	Balance at end of year	**13 495**	73 821
7.	**Long-term borrowings**		
	Redeemable preference shares		
	23 100 unsecured, cumulative, redeemable, preference shares (shares) issued at R100 000 per share to the Standard Bank of South Africa Limited (SBSA) on 24 February 2012	**2 310 000**	–
	Voluntary redemptions during the year:		
	26 March 2012 – 2 139 shares redeemed at a discount of R5 200 000	**(213 900)**	–
	25 June 2012 – 5 000 shares	**(500 000)**	–
	Balance at end of year	**1 596 100**	–
	Redeemable at the latest by the following dates (R'000):		
	24 February 2015 — 672 100		
	24 February 2016 — 462 000		
	24 February 2017 — 462 000		
	1 596 100		
	The preference dividend rate is linked to the prime rate as published by the SBSA.		
8.	**Revenue**		
	Revenue comprises:		
	Dividends received	**1 162 405**	1 128 849
	Interest received	**29 570**	27 436
		1 191 975	1 156 285
9.	**Profit before taxation**		
	Profit before taxation is stated after taking into account the following items of income and expenditure:		
	Income		
	Dividends received from:	**1 162 405**	1 128 849
	– Joint-venture entity	**1 000 000**	1 000 000
	– Joint-venture entity on preference shares issued to BEE SPVs	**136 250**	92 644
	– Available-for-sale investments	**26 140**	36 205
	– Unlisted investments	**15**	–
	Interest received	**29 570**	27 436
	Expenditure		
	Auditors' remuneration		
	– audit fees	**111**	101
	Directors remuneration paid by a subsidiary	**76 296**	76 369
	– directors' fees	**918**	1 134
	– other services	**75 378**	75 235
	Finance costs – preference share dividends paid and accrued	**50 179**	56 337

		2012 R'000	2011 R'000
10.	**Taxation**		
	South African normal taxation		
	– current year	**9 721**	11 147
	– overprovision relating to prior years	**–**	(8 400)
	Capital gains tax	**66 108**	–
	Secondary tax on companies	**–**	30 727
	Securities transfer taxation	**1 625**	1 220
		77 454	34 694
	Reconciliation of tax rate (%)		
	Statutory tax rate	**28,00**	28,00
	Adjusted for:		
	Dividend income	**(19,94)**	(27,96)
	Exempt income	**(4,05)**	(1,56)
	Prior year adjustment	**–**	(0,70)
	Disallowable expenditure	**0,86**	1,02
	Capital gains tax on disposal of available-for-sale investments	**1,14**	–
	Secondary tax on companies	**–**	2,70
	Securities transfer taxation	**0,03**	0,10
	Other	**(1,30)**	1,47
	Effective tax rate	**4,74**	3,07
11.	**Dividends**		
	Dividends declared during the year		
	Final dividend No 109 of 250 cents (2011: 240 cents) per share – declared on 9 September 2011	**349 018**	335 057
	Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012	**349 018**	279 214
		698 036	614 271
	Per share (cents)	**500**	440
	Dividends relating to the activities of the group for the year under review		
	Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012	**349 018**	279 214
	Final dividend No 111 of 300 cents (2011: 250 cents) per share – declared on 31 August 2012	**418 821**	349 018
		767 839	628 232
	Per share (cents)	**550**	450

		2012 R'000	2011 R'000
12.	**Notes to the statement of cash flow**		
12.1	**Cash utilised in operations**		
	Profit before taxation	**1 632 571**	1 130 605
	Adjusted for:		
		(1 649 923)	1 135 393
	– Dividends received	**(1 162 405)**	(1 128 849)
	– Interest received	**(29 570)**	(27 436)
	– Profit on disposal of available-for-sale investments	**(472 200)**	–
	– Discount and fees on redemption of preference shares	**(5 200)**	(35 445)
	– Other income	**(30 727)**	–
	– Finance costs	**50 179**	56 337
		(17 352)	(4 788)
12.2	**Investment income**		
	Dividends received (refer note 9)	**1 162 405**	1 128 849
12.3	**Movements in working capital**		
	Increase in other receivables	**(56 865)**	(14 598)
	(Increase)/decrease in amounts owing by group companies	**(14 598)**	11 076
	(Decrease)/increase in other payables	**(11 816)**	13 571
		(83 279)	10 049
12.4	**Taxation paid**		
	Unpaid at beginning of year	**(1 564)**	(7 361)
	Charged to the income statement	**(77 454)**	(34 694)
	Unpaid at end of year	**4 347**	1 564
		(74 671)	(40 491)
12.5	**Dividends paid**		
	Unpaid at beginning of year	**(571)**	(245)
	Declared during the year	**(698 036)**	(614 271)
	Unpaid at end of year	**912**	571
		(697 695)	(613 945)
12.6	**Proceeds on disposal of available-for-sale investments** (refer note 2)		
	Comprises:		
	Cost at acquisition	**191 450**	–
	Profit on disposal (refer note 12.1)	**472 200**	–
		663 650	–

	Issued share capital 2012/2011 R	Direct/ indirect interest in share capital 2012/2011 %	Shares at cost 2012 R 000	Shares at cost 2011 R 000	Amounts due from/(to) subsidiary companies 2012 R 000	Amounts due from/(to) subsidiary companies 2011 R 000
13. Interest of company in its subsidiary companies						
Incorporated in South Africa						
African Mining and Trust Company Limited	1 000 000	100	**1 200**	1 200	**–**	(14 598)
Ceramox Proprietary Limited[D]	100	100	**1 124**	1 124	**–**	–
Erf 1263 Parkview Extension 1 Proprietary Limited	1	100	**–**	–	**–**	–
Erven 27 and 28 Illovo Proprietary Limited	100	100	**–**	–	**–**	–
Erven 40 and 41 Illovo Proprietary Limited	100	100	**–**	–	**–**	–
General Nominees Proprietary Limited[D]	4	100	**–**	–	**–**	–
Group Line Projects Proprietary Limited[D]	100	100	**36 228**	–		
Main Street 350 Proprietary Limited (RF)	99	49	**–**	–	**2 080 610**	2 137 344
Main Street 460 Proprietary Limited (RF)	–	–	**–**	–	**–**	–
Main Street 904 Proprietary Limited (RF)	28 500	–	**–**	–	**2 850 000**	–
Minerais Holdings Proprietary Limited	100	100	**10 887**	10 887		
Ore & Metal Company Limited	100 000	100	**105**	105	**(1 078 041)**	(628 039)
Rustenburg Minerals Development Company Proprietary Limited	232 143	56	**232 143**	232 143	**–**	–
Wonderstone Limited	10 000	100	**10**	10	**–**	–
Wonderstone 1937 Limited[D]	45 940	100	**35**	35	**–**	–
Xertech Proprietary Limited	100	100	**–**	–	**–**	–
Zeerust Chrome Mines Limited	1 300 000	100	**1 114**	1 114	**–**	–
Incorporated in Namibia						
Krantzberg Mines Limited	500 000	100	**–**	–	**–**	–
Incorporated in the United States of America						
Minerais U.S. LLC	17 756 100	51	**11 418**	11 418	**–**	–
			294 264	258 036	**3 852 569**	1 494 707
Less – held indirectly			**(290 711)**	(254 483)	**–**	–
– provided against			**(1 114)**	(1 114)	**–**	–
Per note 1			**2 439**	2 439	**3 852 569**	1 494 707

[D] *Dormant companies*

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 has overall responsibility for the establishment and oversight of the company's risk management framework. The board has delegated its responsibility to the Executive Committee, which is responsible for the development and monitoring of risk management policies within the company. The committee meets on an ad hoc basis and regularly reports to the board on its activities. The company's risk management policies are established to identify and analyse the risks faced by 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 committee 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 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 value 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 recognised in the statement of financial position:

	2012 R'000	2011 R'000
Loans to group companies	**4 930 610**	2 137 344
Cash resources	**241 409**	20 197
Other receivables – local	**74 346**	17 481

Ageing of other receivables (preference dividends receivable from subsidiary companies)

Aged as follows:

	2012			2011		
	Receivables not impaired R'000	**Receivables impaired R'000**	**Carrying value R'000**	Receivables not impaired R'000	Receivables impaired R'000	Carrying value R'000
Not past due, not impaired	**74 346**	**–**	**74 346**	17 481	–	17 481

Loans and receivables

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.

14. Financial risk management (continued)

14.2 Liquidity risk

The Executive Committee 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 in liquid assets (ie negotiable certificates of deposits and call deposits).

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
2012					
Financial assets					
Investment in group companies	**470 592**	**–**	**–**	**–**	**470 592**
Investments	**239 458**	**–**	**–**	**–**	**239 458**
Loans to group companies	**4 930 610**	**–**	**–**	**–**	**4 930 610**
Other receivables	**74 346**	**74 346**	**–**	**–**	**–**
Cash resources	**241 409**	**241 409**	**–**	**–**	**–**
	5 956 415	**315 755**	**–**	**–**	**5 640 660**
Financial liabilities					
Preference shares issued	**1 596 100**	**–**	**102 752**	**1 854 043**	**–**
Loans from group companies	**1 078 041**	**–**	**–**	**1 078 041**	**–**
Other payables	**19 959**	**19 959**	**–**	**–**	**–**
Guarantees	**180 000**	**180 000**	**–**	**–**	**–**
	2 874 115	**199 959**	**102 752**	**2 932 084**	**–**
2011					
Financial assets					
Investment in group companies	470 592	–	–	–	470 592
Investments	887 374	–	–	–	887 374
Loans to group companies	2 137 344	–	–	–	2 137 344
Other receivables	17 481	17 481	–	–	–
Cash resources	20 197	20 197	–	–	–
	3 532 988	37 678	–	–	3 495 310
Financial liabilities					
Loans from group companies	628 039	–	–	628 039	–
Other payables	31 434	31 434	–	–	–
Amounts due to group companies	14 598	14 598	–	–	–
Guarantees	180 000	180 000	–	–	–
	854 071	226 032	–	628 039	–

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 Executive Committee 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 committee 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:

	2012 R'000	2011 R'000
Variable rate instruments		
Liabilities		
Preference shares (included in long-term borrowings, refer note 7)	**1 596 100**	–
Assets		
Cash resources	**241 408**	20 196
Fair value sensitivity analysis for fixed rate instruments		
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.		
Cash flow sensitivity analysis for variable rate instruments		
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	**(7 112)**	73

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

Equity price risk

The company's listed and unlisted investments are susceptible to market price risk arising from uncertainties about future values of the investments. The company manages the equity price risk through monitoring developments in the mining and metal industries. The executive directors review and approve all investment decisions.

At the reporting date, the exposure to listed investment securities at fair value was R239,3 million. A decrease of 1% on the relevant market index could have an impact of approximately R2,4 million on the income or equity attributable to the company, depending on whether or not the decline is significant or prolonged. An increase of 1% in the value of the listed investments would only impact equity, but would not have an effect on profit or loss.

At the reporting date, the exposure to unlisted equity investments at fair value was R34,7 million. A change of 1% in the overall earnings stream of the valuations performed would result in an increase or decrease of R0,3 million.

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:

	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
2012						
Financial assets						
Investment in group companies				**470 592**	**470 592**	**470 592**
Investments	**239 333**			**125**	**239 458**	**239 458**
Loans to group companies		**4 930 610**			**4 930 610**	**4 930 610**
Other receivables		**74 346**			**74 346**	**74 346**
Cash resources		**241 409**			**241 409**	**241 409**
	239 333	**5 246 365**		**470 717**	**5 956 415**	**5 956 415**
Financial liabilities						
Preference shares issued			**1 596 100**		**1 596 100**	**1 596 100**
Loans from group companies			**1 078 041**		**1 078 041**	**1 078 041**
Other payables			**19 959**		**19 959**	**19 959**
			2 694 100		**2 694 100**	**2 694 100**
2011						
Financial assets						
Investment in group companies				470 592	470 592	470 592
Investments	887 249			125	887 374	887 374
Loans to group companies		2 137 344			2 137 344	2 137 344
Other receivables		17 481			17 481	17 481
Cash resources		20 197			20 197	20 197
	887 249	2 175 022		470 717	3 532 988	3 532 988
Financial liabilities						
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
			674 071		674 071	674 071

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 (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	2012 R'000	2011 R'000
Available-for-sale investments as above measured at level 1	**239 458**	887 374

15. Capital management

The company holds interests in companies that own mineral rights over resources with remaining lives which vary 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 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 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.

16. Contingent liabilities

	2012 R'000	2011 R'000
Guarantees		
Guarantees issued to bankers as security for facilities provided to subsidiary companies	**415 260**	338 813

The company holds a back-to-back guarantee of R180 million (2011: R180 million) issued by the joint-venture entity in respect of claims made in terms of the abovementioned guarantees.

17. Related-party transactions

Transactions with related parties are concluded at arm's length and under similar terms and conditions to third parties.

The following significant related-party transactions occurred during the year:

	2012 R'000	2011 R'000
Management fees paid to subsidiary company	**137**	105
Dividends received from joint-venture entity	**1 000 000**	1 000 000
Preference dividends received from subsidiary companies	**136 250**	92 644

Corporate information

Directors

Executive directors

Desmond Sacco (Chairman)[#]
CJ Cory (Chief Executive Officer)
AD Stalker (Group Marketing Director)
BH van Aswegen (Group Technical and Operations Director)

Non-executive directors

EM Southey (Deputy Chairman and lead independent director)[#†*]
RJ Carpenter
S Mhlarhi[†*]
WF Urmson[#†*]

Alternate director

PE Sacco (alternate to Desmond Sacco)

[#] Member of the Remuneration Committee
[†] Independent
[*] Member of the Audit and Risk Committee

Secretary and registered office

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Norton Rose South Africa
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Bankers

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Corporate information

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

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