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).

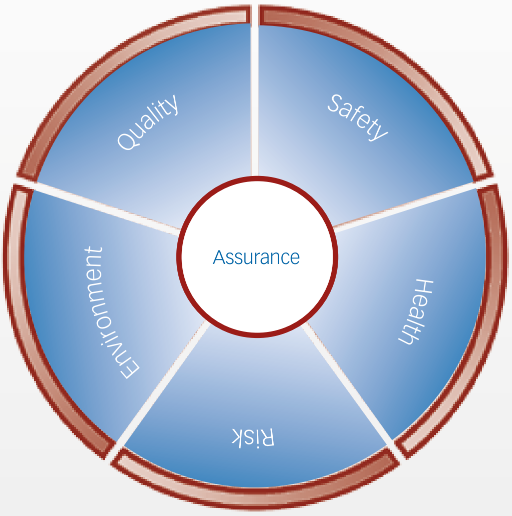
Besides the Assmang operations, the group also has interests in other chrome deposits and industrial minerals and maintains a portfolio of investments in other mining companies listed on the JSE.

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

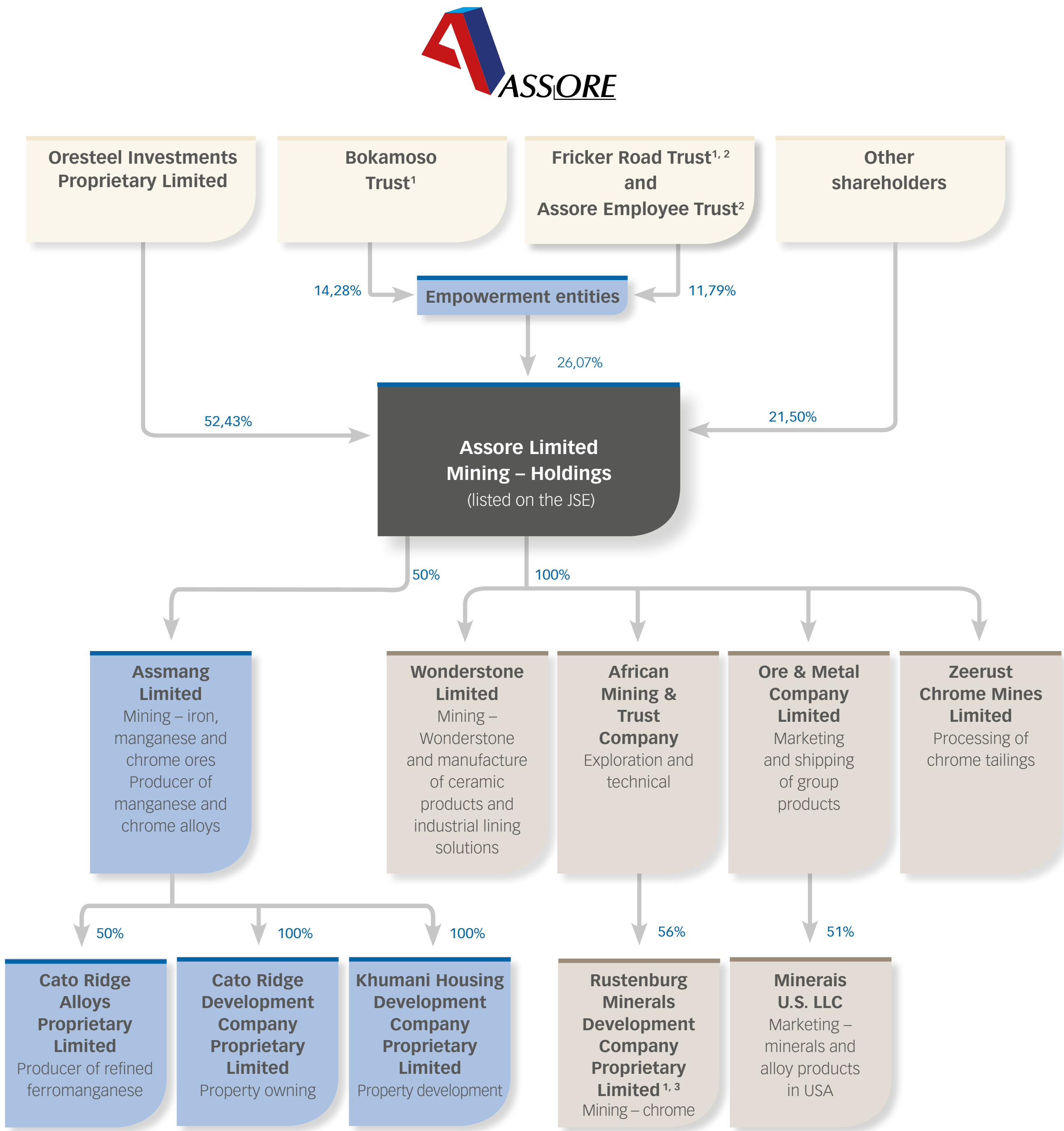
Location of markets

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



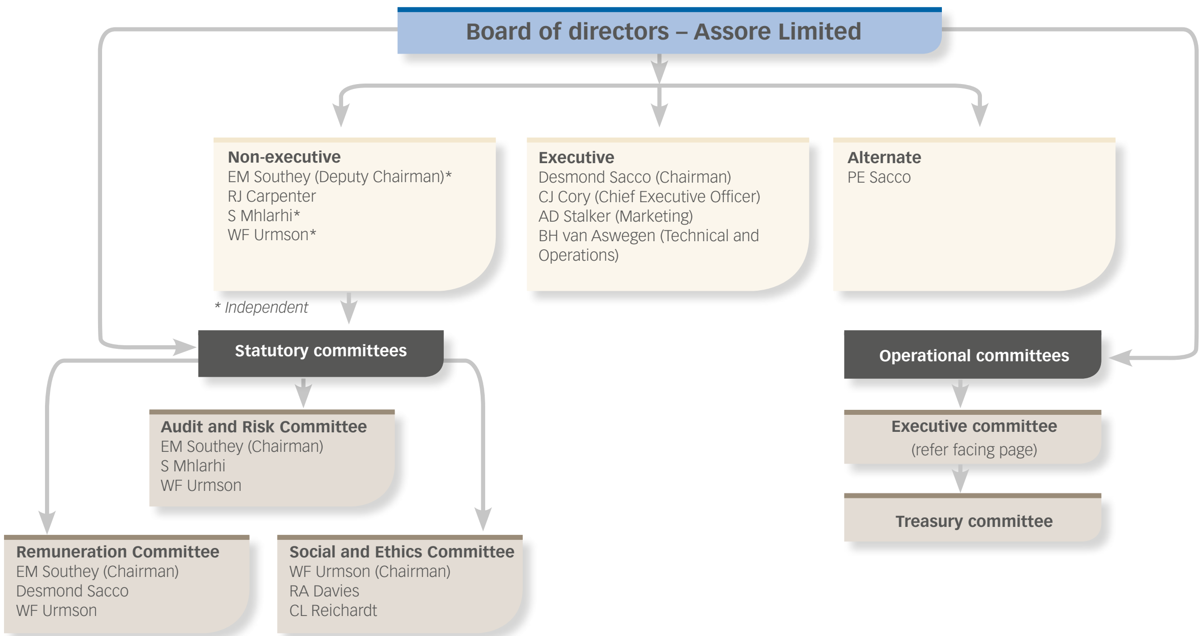
[1] *Black economic empowered entity.*

[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.*

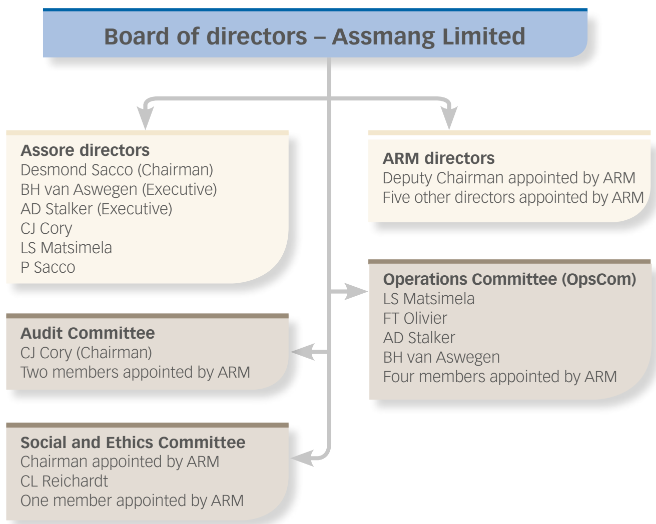
[3] *A black economic empowerment entity, Mampa Investment Holdings Proprietary Limited has a 44% equity interest in Rustenburg Minerals Development Company Proprietary Limited. (Refer "Black economic empowerment status report").*

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

Operational review and commentary

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.

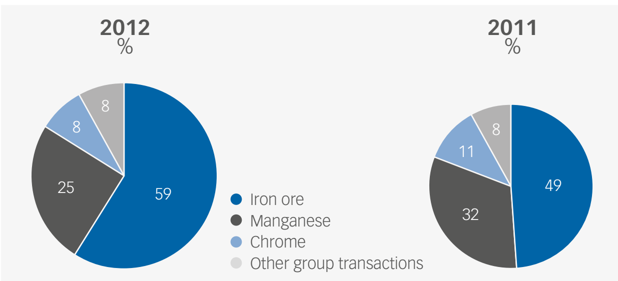
The group

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:



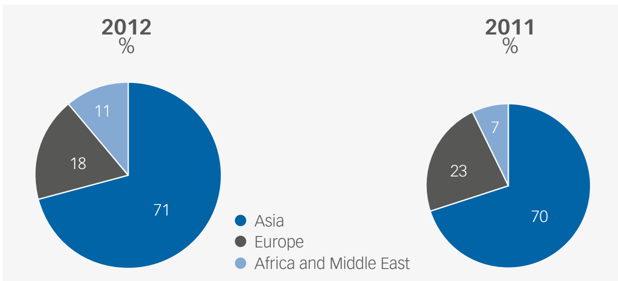
Iron ore

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.

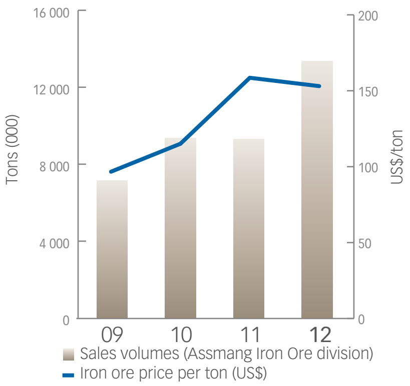
From then, until the early part of this century, as the capacity on this channel increased, Assmang negotiated increases in rail allocation but it was apparent that Beeshoek had insufficient ore reserves to sustain the higher levels of production. Assmang had title to the mineral rights on the farms 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.

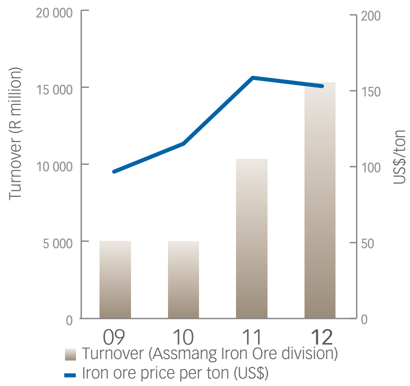
New order mining rights were obtained in November 2006 and construction started immediately. By 2008, when Assmang's allocation had increased from 6 to 8,4 million tons per year, the first tonnages from Khumani were exported. A contract to export 10 million tons per year was signed in 2010 and with the 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)



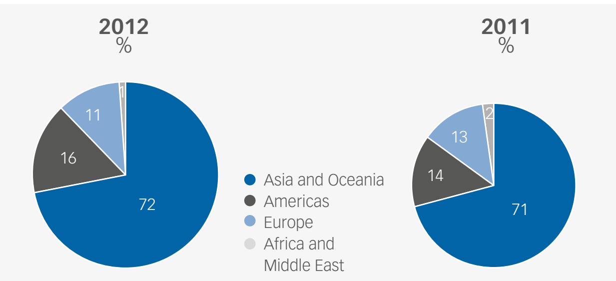
Assmang's iron ore turnover value and spot prices
(US$/ton)



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.

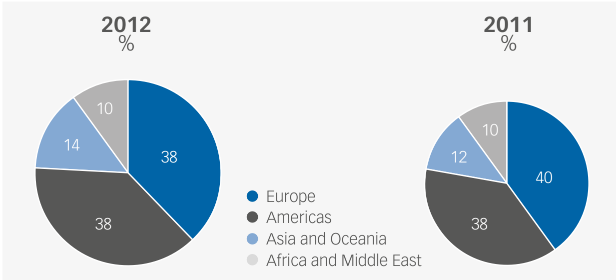
Demand for manganese ore from China, India and South Korea continued to increase during the year. Despite this increased demand, the world market remained oversupplied for most of the year under review, and as a result, the price of high-grade ore weakened further from US$5,30 per metric ton unit (mtu) 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:



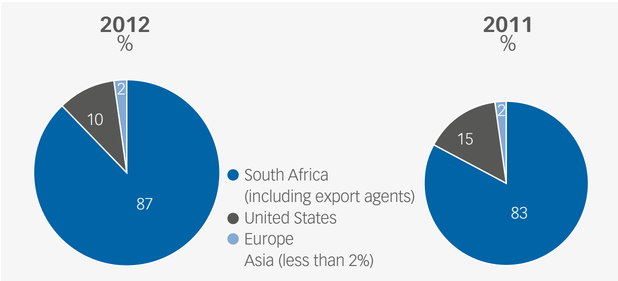
The contribution to Assore's headline earnings from the Manganese division declined somewhat to R611 million in the current year (2011: R685 million). Capital expenditure during the year in Assmang's Manganese division amounted to R886 million (2011: R656 million). R450 million was spent on the mines, 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.

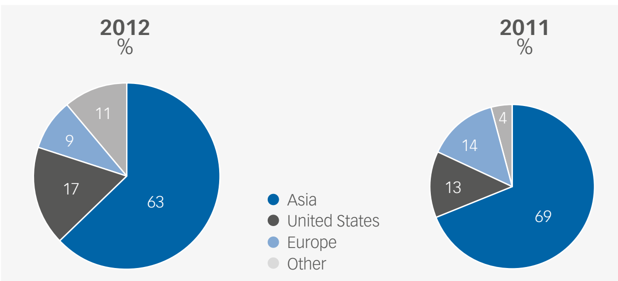
Rustenburg Minerals is 44% held by a black economic empowerment (BEE) partner, Mampa Investment Holdings (refer "Black economic empowerment status report"). Production from Rustenburg Minerals is supplied mainly to the local market.

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

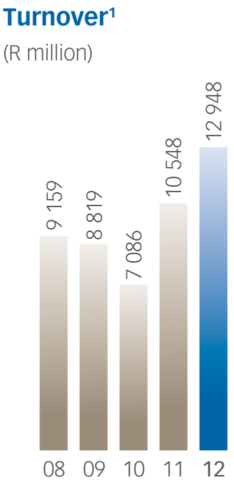
Taking into account management's assessment of the risks and opportunities identified under "Risks and opportunities" (refer pages 16 and 17), the specific KPIs for the short and medium term include:

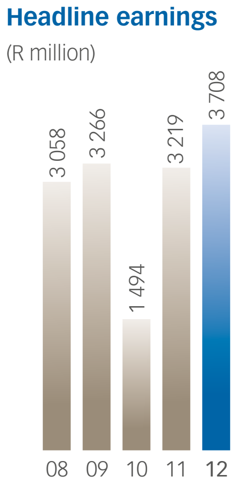
- The completion of the Wet High Intensity Magnetic Separation (WHIMS) project at Assmang's Khumani Iron Ore Mine, which aims to achieve consistently high yields of iron content per ton of ore mined;
- Increasing the capacity of Assmang's Gloria and Nchwaning manganese mines and processing plants, improving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

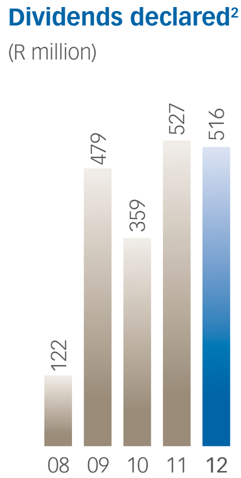
Remuneration

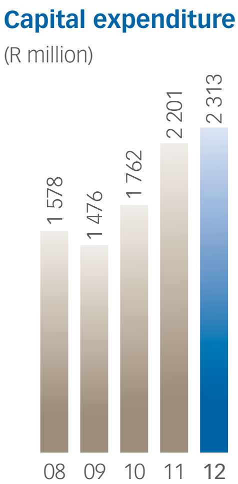
The group's remuneration policy is structured to ensure that all staff are remunerated fairly for the level of responsibility assumed in performing their roles. The policy also takes into account that mining is a long-term business, and that certain essential skills are required to ensure the sustainability 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.

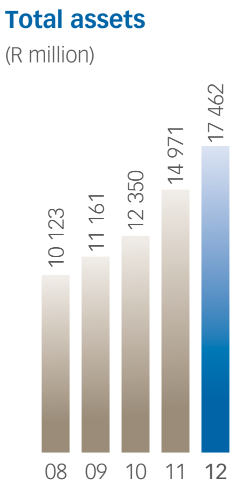
Financial highlights











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