Beneficiation plant central centre of Assmang's Khumani Iron Ore Mine

Mineral Resources and Reserves

The complete Mineral Resources and Reserves report is located on the group's website under "Annual reports" in the "Investor centre". A summary thereof is set out below.

Joint venture entity – Assmang, as at 30 June 2015

Iron ore	Mineral Resources (measured and indicated) Mt	Fe%	Mineral Reserves (proved and probable) Mt	Fe%
Beeshoek Mine				
All pits	113,73	64,05	51,5	64,58
Dumps			7,42	55,38
Khumani Mine				
Bruce	202,97	64,46	163,83	64,37
King	397,28	64,21	284,12	64,33
Dumps			4,76	55,79

Manganese ore	Mineral Resources (measured and indicated) Mt	Mn%	Fe%	Mineral Reserves (proved and probable) Mt	Mn%	Fe%
Nchwaning Mine						
Seam 1	133,02	43,0	9,2	104,21	42,7	9,6
Seam 2	184,16	40,8	17,0	118,53	40,9	16,8
Black Rock (Koppie area)						
Seam 1	43,60	40,6	18,1			
Seam 2	26,81	38,6	19,8			
Gloria Mine						
Seam 1	126,45	36,9	5,1	92,62	36,8	5,3
Seam 2	30,73	28,3	9,8			

Chromite	Mineral Resources (measured and indicated) Mt	Cr_2O_3%	Mineral Reserves (proved and probable) Mt	Cr_2O_3%
Dwarsrivier Mine				
LG6 Chromitite Seam	53,07	37,89	37,6	34,28

Subsidiary companies, as at 30 June 2015

	Mineral Resources Measured Mt	Indicated Mt	Inferred Mt	Total resource	Mineral Reserves Proved Mt	Probable Mt	Total reserve
Rustenburg Minerals	3,9	1,7	9,8	**15,4**	2,4	1,0	**3,5**
Zeerust Chrome	0,3	1,1	6,6	**8,0**	0,0	0,0	**0,0**
Wonderstone	3,6	11,8	107,2	**122,6**	3,4	11,2	**14,6**

Joint venture entity – Assmang, as at 30 June 2014

Iron ore	Mineral Resources (measured and indicated) Mt	Fe%	Mineral Reserves (proved and probable) Mt	Fe%
Beeshoek Mine				
All pits	110,333	64,02	46,13	64,31
Dumps			7,5	55,17
Khumani Mine				
Bruce	194,86	64,32	169,48	64,28
King	451,53	64,23	380,62	64,47
Dumps			5,59	56,70

Manganese ore	Mineral Resources (measured and indicated)			Mineral Reserves (proved and probable)		
	Mt	Mn%	Fe%	Mt	Mn%	Fe%
Nchwaning Mine						
Seam 1	136,58	43,1	9,4	102,76	43,2	9,3
Seam 2	182,96	40,7	17,0	118,98	40,9	16,7
Black Rock (Koppie area)						
Seam 1	43,60	40,6	18,1			
Seam 2	26,81	38,6	19,8			
Gloria Mine						
Seam 1	125,68	37,4	4,7	100,52	37,5	4,7
Seam 2	31,55	28,3	9,8			

Chromite	Mineral Resources (measured and indicated) Mt	Cr_2O_3%	Mineral Reserves (proved and probable) Mt	Cr_2O_3%
Dwarsrivier Mine				
LG6 Chromitite Seam	51,00	38,14	35,02	34,12

Subsidiary companies, as at 30 June 2014

	Mineral Resources				Mineral Reserves		
	Measured Mt	Indicated Mt	Inferred Mt	Total resource	Proved Mt	Probable Mt	Total reserve
Rustenburg Minerals	3,7	1,6	9,8	**15,1**	2,4	1,0	**3,4**
Zeerust Chrome	0,8	1,3	6,6	**9,6**	1,2	0,2	**1,4**
Wonderstone	2,1	14,17,5	107,2	**123,4**	2,0	13,4	**15,4**

Chairman's statement

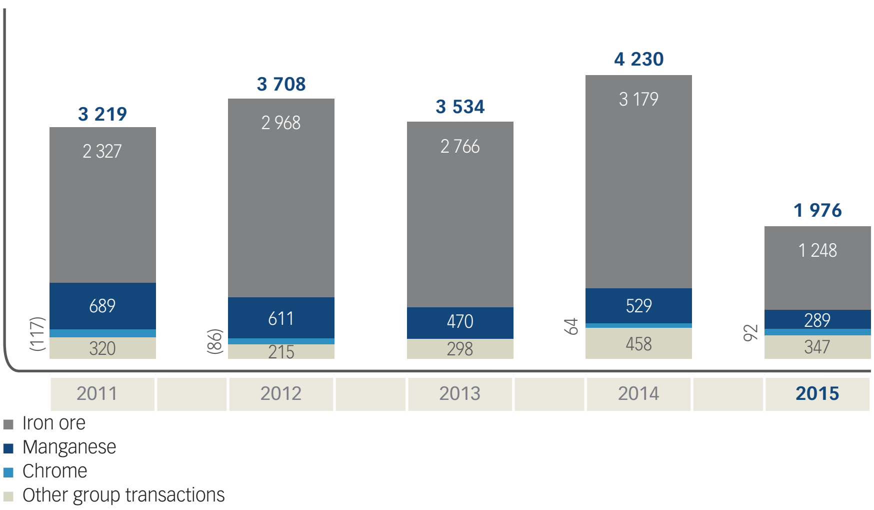
- **Prices for iron and manganese ore decline substantially**
- **Headline earnings reduce by 53,3% year-on-year**
- **Strong cash position**
- **Group acquires remaining 50% of Dwarsrivier subject to approval**
- **Dividends for the year lower at R6,00 per share**

The year under review

In last year's Chairman's statement, I cautioned that the trend of increased earnings experienced by Assore over the past five years would not continue. This was due mainly to the significant weakening in iron ore prices, which was already evident in the last quarter of the 2014 financial year and had continued into the first quarter of the 2015 financial year. By this time the iron ore price had already decreased from an average of US dollars 125 into a range of between US dollars 70 and 80 per tonne. This weakening continued throughout the current financial year and its original cause, being the unprecedented additional tonnage being purposefully put into the market by Australian and Brazilian producers in order to squeeze out high cost producers, has now been compounded by the significant decrease in economic growth rates being experienced in China and the uncertainty surrounding economic data emanating from that region. As a consequence, iron ore prices have decreased during the year to as low as US dollars 44 per tonne and have lately traded around US dollars 57 per tonne. As approximately 75% of Assore's earnings were generated by sales of iron ore in 2014, this continued weakening in the iron ore price has impacted severely on the headline earnings for the year which decreased by 53,3% to just less than R2,0 billion (2014: R4,2 billion). Fortunately, most of the group's markets are priced in US dollars, so the weaker level at which the rand traded against the US dollar for most of the year has provided some set off, but it has not nearly compensated for the weaker commodity prices experienced across the group.

The contributions to headline earnings by the divisions of Assmang (Iron Ore, Manganese and Chrome) and the other transactions and businesses conducted by the group over the past five years are illustrated below:

Headline earnings/(loss) (R million)



As expected, the contribution by the Iron Ore division for 2015 is at its lowest over this period, at 63,2% of headline earnings, showing decreased reliance on this commodity. Average index prices for iron and manganese ore were lower by 42% and 22% respectively, while prices for chrome ore showed some resilience, with US dollar prices declining by 12% (see "Operational review and commentary"). Despite the weak market referred to above (see also "Market conditions" below), the group achieved record sales volumes of iron and chrome ores, with the volumes for iron ore being achieved on the back of higher sales into the local market.

Market conditions

For the first time in six years, world steel production is expected to reduce year-on-year and could be as little as 1 640 million tonnes for the 2015 calendar year, with China reducing its consumption by up to 4% and exporting the excess of approximately 100 million tonnes. The markets for iron and manganese ores were largely oversupplied for the year. This oversupply, combined with weak steel production, excess steel production from China and a shift in expectations of future steel growth, resulted in weak market conditions throughout the year. On the positive side, the group's ability to produce approximately half of its iron ore as lumpy grades, which attract premiums, enables it to take advantage of the increasing trend by steel mills to use lumpy in their production processes for environmental reasons. The stainless steel market has also reported lower growth levels, albeit not to the same extent as for the carbon steel industry. This resulted in reasonably good demand for chrome ore from China and the rand netback to the mines remained fairly constant despite a fall in US dollar prices.

Although prices for commodities were generally significantly lower across the year, netbacks were enhanced slightly by continued low freight rates, lower oil prices worldwide and a weak rand/US dollar exchange rate. The local (South African) price of electricity continued its upward trend, far exceeding inflation and despite the resultant closure of two ferromanganese furnaces by Assmang and other reductions in local smelting capacity, prices for high-carbon ferromanganese remained depressed, with prices for medium-carbon ferromanganese also declining but to a lesser extent.

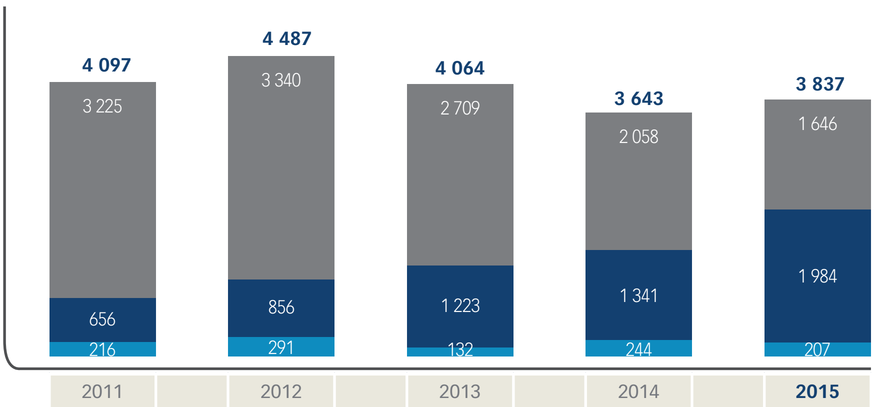
Expansion and capital expenditure

The acquisition from ARM of its 50% share of Dwarsrivier Chrome Mine (Dwarsrivier) for R450 million, announced on 24 June 2015, represents a major step forward for the group in balancing its product risk more equitably. The transaction is subject to regulatory approval and the management team has commenced with the necessary steps to bring Dwarsrivier into the group as smoothly as possible once the approval has been achieved.

On 2 December 2014, the group announced that it had subscribed for a 30,3% stake in IronRidge Resources Limited (IronRidge), against which it was awarded a stake of 29,9% on 12 February 2015 for UK pounds 6,98 million. The major focus of IronRidge is prospecting for iron ore deposits in Gabon and active exploration is currently under way.

Consistent with previous years, most of the capital expenditure during the year occurred in Assmang, which spent approximately R3,8 billion (2014: R3,6 billion) of which R720 million was spent on new projects and R3,1 billion on replacement capital required at its operations. The allocation of capital expenditure over the past five years across the divisions of Assmang is set out below:

Assmang's capital expenditure (R million)



- Iron ore
- Manganese
- Chrome

The operations at Khumani Iron Ore Mine have now reached a steady state of production and the level of capital expenditure has stabilised, with R1 billion (2014: R1,1 billion) being spent in the current year, of which approximately one third was spent on waste-stripping. The "Village Pit" at Beeshoek Iron Ore Mine is expected to start producing ore in the second quarter of calendar 2016.

The group continues to invest in its manganese ore sustainability and expansion project and spent a further R1,3 billion on this project during the year. Much of the infrastructure at Black Rock Manganese Mine is either being expanded or replaced, with the aim of increasing capacity in the Manganese division to produce four million tonnes per annum of various grades of manganese by 2020.

Dividends

The group's disciplined approach to the conservation of cash has placed it in a position, where it can continue to pay dividends, despite the weak market conditions and lower level of earnings. In line with the reduced earnings for the year, the interim dividend, paid in March was decreased from R4,50 to R3,00 per share and the recent final dividend from R5,50 to R3,00 per share, making the total dividend payment in relation to the group's activities for the year R6,00 (2014: R10,00) per share.

Outlook

Recent forecasts have been unanimous in downgrading world economic growth. The devaluation of the Chinese currency, the recent sharp reductions in Chinese property and share prices, the timing of possible interest rate rises in the United States and other developed markets and the capital flight from emerging markets are all adding to the uncertainty.

At present, the level of economic growth which China is able to sustain is unclear, however, it is certainly not expected to recover, in the foreseeable future, to levels experienced in the past five years. Elsewhere in the world, India appears to be the only area showing signs of stronger economic growth, with the other major steel producing areas of Japan, South Korea, North America and Europe likely to show a gradual decline. With the world market for crude steel in over supply and forecast to remain so for some time, it is probable that the prices for the commodities in which the group trades will continue to remain at lower levels in the short to medium term.

Yet in this uncertain environment, the increase in iron ore production continues globally, and many of the new mines have had to maintain high levels of production in order to meet capital repayment commitments. Unfortunately, there has not been sufficient closure of high cost mines thus far to negate the impact of this additional low cost production on the price of iron ore, which is expected to trade in the foreseeable future between US dollars 40 and 60, for 62% content fines grade, delivered into China. Although Assmang sold record volumes of iron ore into the local market during the past year, concern exists over the sustainability of the South African steel-making industry. The belated imposition of a 10% import duty on some Chinese steel imports is "too little, too late" and without anti-dumping and countervailing duties, the local steel industry will struggle to survive, particularly as the demand for steel locally remains weak.

The market for manganese is somewhat less uncertain, given that there is little additional production coming on stream in the short to medium term. Prices in US dollars are expected to stabilise around the current levels for higher grade ores (44% manganese content), but there may be further downward pressure on lower grade ores (37% manganese content) due to the rand devaluation. The market for high-carbon ferromanganese remains oversupplied and prices are not expected to recover soon. This, combined with increases in the price of electricity, places the South African smelting industry, together with the steel-making industry, in an economically precarious position. Demand for high grade chrome ores, as produced by Dwarsrivier, is expected to remain consistent as Chinese production of stainless steel and consequently ferrochrome is anticipated to remain relatively robust.

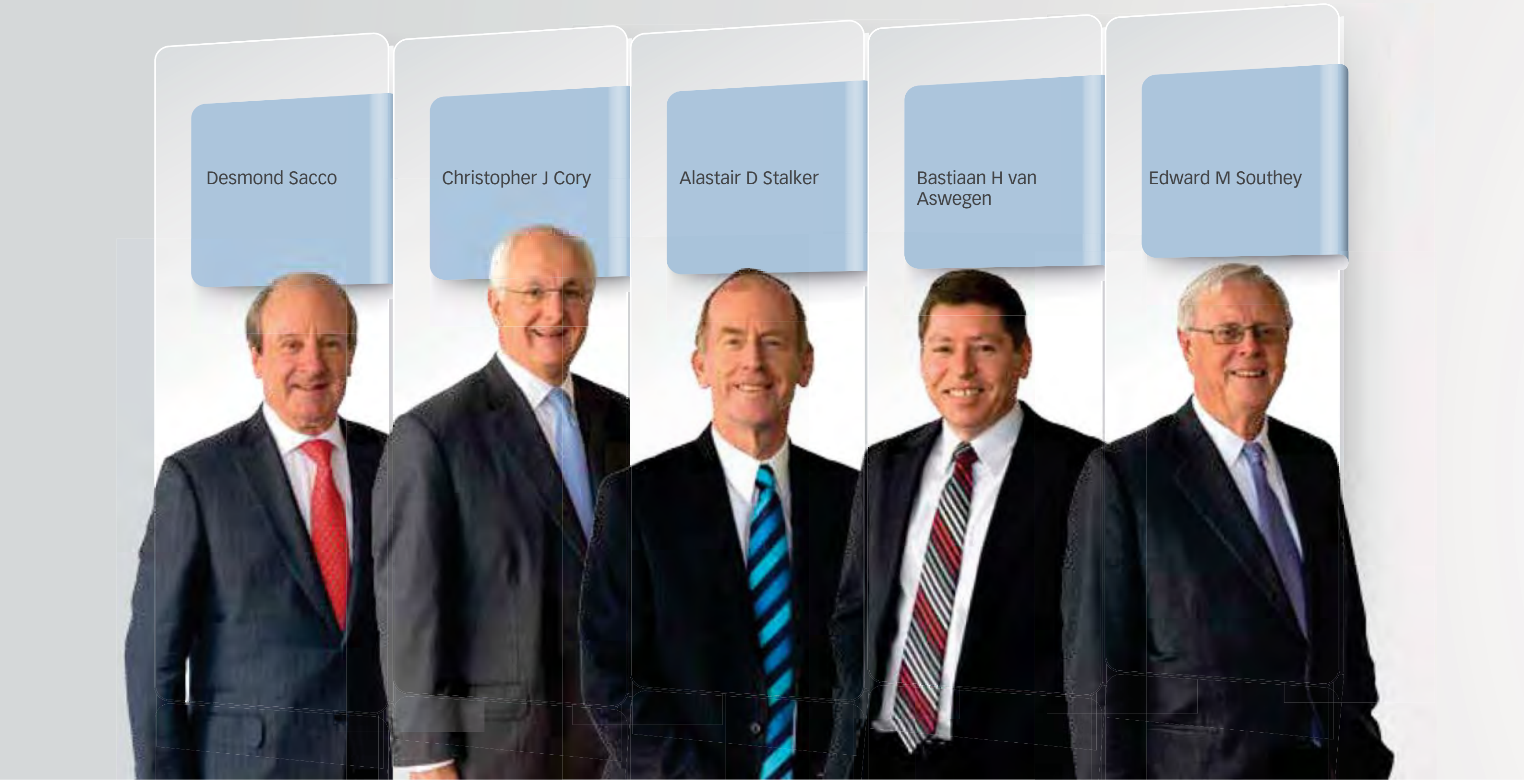
The markets in which the group operates are therefore likely to remain highly volatile over the short to medium term, making forecasts for commodity prices and earnings uncertain, particularly in the light of the recent volatility in the rand/US dollar exchange rate to which the group is directly exposed. It is therefore expected that the lower level of earnings experienced this year will continue for at least the next few years.

Appreciation

This has been one of the most difficult years the group has experienced for some time. I express my thanks to the board, management and all staff in the group for their efforts during the year. The ongoing support of customers, agents, suppliers and bankers in maintaining constructive relationships is greatly appreciated.

Desmond Sacco
Chairman
19 October 2015

Board of 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 the retirement of his father, Guido, 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 wholly owned subsidiary 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 is a member of the Assmang Operations Committee. He assumed the role of Group Marketing Director of Assore in September 2012 and has also been Chairman of Cato Ridge Alloys Proprietary Limited since then. He 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.

Bastiaan H van Aswegen

Group Technical and Operations Director

BEng (Metallurgy), BCom, MEng

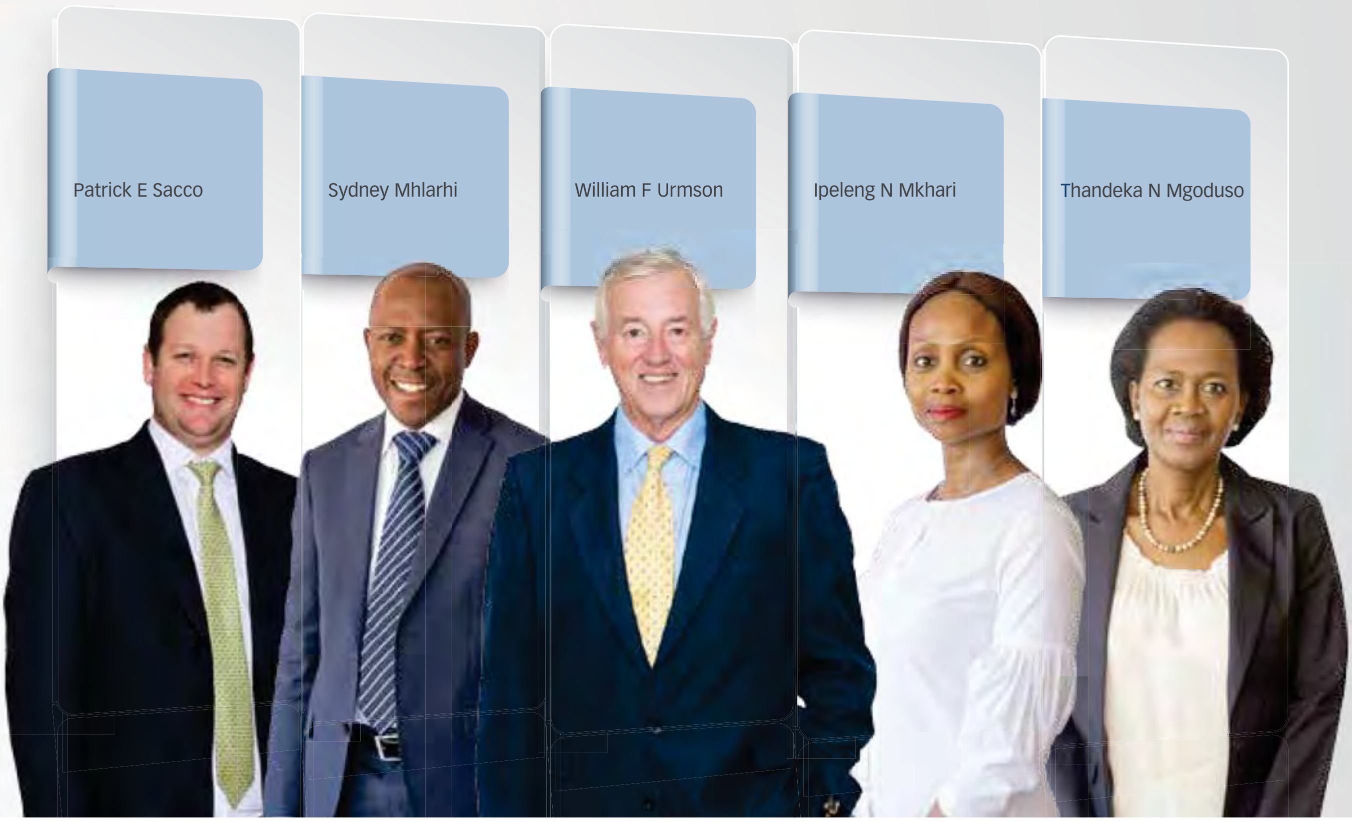
Tiaan obtained a BEng (Metallurgy) from the University of Pretoria (UP) in 1982 and later obtained BCom (Unisa) and MEng (UP) degrees. After working for Iscor and Samancor in production and on projects, he was appointed by Samancor as General Manager of the Palmiet Ferrochrome Operation (Mogale) in 1999. 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. In June 2014, he was appointed as Chairman of Assmang subsidiary, Sakura Ferroalloys Sdn.Bhd, Malaysia.

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 Association of Law Societies of South Africa and 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.



Patrick E Sacco

Alternate director

BA (Indus Psych), MA (Marketing)

Pat joined the Assore group in 2003 after completing a master's 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 on the board of the International Manganese Institute (IMnI).

Sydney Mhlarhi

Independent non-executive director

BCom, BAcc, 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.

Ipeleng N Mkhari

Independent non-executive director

BA (Social Science)

Ipeleng is the founder and CEO of Motseng Investment Holdings, which is a diversified investment holdings group and is the co-founder of the Delta Property Fund, which is listed on the JSE. She is a non-executive director of KAP Industrial Holdings, Nampak and South African Property Owners Association (SAPOA) and was appointed to the board with effect from 2 February 2015. In 2007, she received the Archbishop Tutu Fellow award from the African Leadership Institute.

William F Urmson

Independent non-executive director

CA(SA)

Bill was appointed as an independent non-executive director in October 2010 and chairs the group's Social and Ethics Committee. He also serves on the group's Audit and Risk and Remuneration committees. He is a former Deputy Chairman of Ernst & Young and has served the accounting profession as Chairman of the Accounting Practices and Ethics committees of the South African Institute of Chartered Accountants. He is a former director: Surveillance of the JSE and consulted to the exchange on a part-time basis until December 2013.

Thandeka N Mgoduso

Independent non-executive director

BA, MA (Clinical Psychology)

Thandeka is a clinical psychologist and obtained her qualifications at the universities of Fort Hare and the Witwatersrand. While in commerce, she held various leadership positions in operations as well as in human resources and currently consults in strategy and human resources. She chairs her company, Jojose Investments and holds non-executive directorships on the boards of the South African Reserve Bank, Tongaat Hulett and Air Traffic Navigation Services. She was appointed to the board with effect from 2 February 2015 and to the Social and Ethics Committee on 1 October 2015.

Operational review and commentary

The financial results of the Assore group are largely dependent on the level of global economic growth, 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. Group results are significantly affected by US dollar commodity prices, exchange rates and world economic growth, all of which are risks that cannot be directly controlled. Refer "Risks and opportunities" on pages 14 to 16.

The group

The group's markets are located predominantly in the Far East, India, Europe, North America and South Africa. In protecting the interests of all the group's stakeholders, management strives to ensure that the customer base is developed and monitored in a manner that does not expose it to levels of unacceptable risk, principally by monitoring the economic sustainability of its customers and the countries in which they operate.

For the first year since 2009, global steel production is expected to reduce and production of crude steel is expected to be less than 1 640 million tonnes for the 2015 calendar year, compared to the 1 665 million tonnes for 2014. Consumption of steel in China is expected to reduce by up to 4% for the year, which has resulted in surplus steel stock being exported, changing the dynamics of the world steel market significantly, particularly in Asia. Modest growth in the major developed economies of Europe, North America and Japan has not been sufficient to absorb this increased supply of steel. India has been one exception, where stronger growth was recorded and antidumping duties against steel imports were rapidly imposed. The resultant low prices for steel are expected to cause industry consolidation and the closure of high cost steel mills.

The performance of the group remains significantly dependent on Chinese demand, which in turn is affected by the level of global economic activity. The results of the group on a per-commodity basis, are more fully set out below. Contributions to the group's headline earnings by commodity are as follows:

	2015 R million	2014 R million
Iron ore	**1 248**	3 179
Manganese	**289**	529
Chrome	**81**	45
Other group transactions	**358**	477
Total headline earnings	**1 976**	4 230

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:

	2015 metric tonnes '000	2014 metric tonnes '000	Increase/ (decrease) %
Iron ore	**16 185**	15 640	3
Manganese ore*	**2 736**	2 708	1
Manganese alloys	**223**	279	(20)
Chrome ore	**1 068**	988	8

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

Iron ore

Iron ore is mined in the Northern Cape in open-cast operations at the Khumani Iron Ore Mine which is located near Kathu and at the Beeshoek Iron Ore Mine which is located outside Postmasburg. Export sales volumes for the year were consistent with the previous year, while local sales volumes increased by nearly 28% over the previous year. The Iron Ore division achieved record sales of 16,2 million tonnes for the year (2014: 15,6 million tonnes).

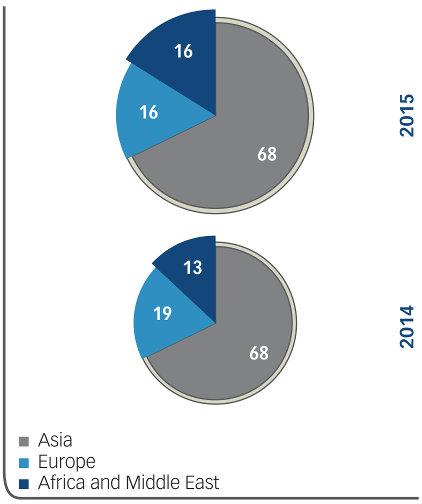
The group's marketing strategy for iron ore is to sell to those customers who are able to make use of its specific characteristics, while simultaneously reducing dependence on sales to China. Some success has been achieved in this regard, with 11% (2014: 0%) of export sales being made into India, while the Chinese share of export sales declined from 66% to 62%. Export sales to the European market also declined from 16% to 14% as a result of the slower pace of growth in its steel-making industry.

In addition to the reduced production of steel, supply of iron ore has increased substantially during the year, with an estimated 70 million tonnes entering the seaborne market, mostly from low cost producers in Australia and Brazil. Prices for 62% content fines grade, delivered into China were 42% lower for the current financial year, at US$72 per tonne (2014: US$123 per tonne), with average prices declining over each successive quarter. The recent price range has been between US$45 and US$60 per tonne. However, the premium for lumpy grade ores has, on average, been only marginally lower across the year at approximately US$12 per tonne (2014: US$13 per tonne). This premium has remained relatively stable due to the increased cost of production of the alternative of sinter material, brought about by the enforcement of environmental controls in China.

Some relief from the lower selling prices was received from lower freight rates from South Africa to China. In the first half of the financial year, rates were volatile, between US$12 and US$23 per tonne, but in the second half, rates were much lower, between US$7 and US$8 per tonne, due to excess shipping capacity and lower oil prices.

The contribution to Assore's headline earnings by Assmang's Iron Ore division decreased by 60,7% to R1 248 million (2014: R3 179 million). The distribution of iron ore sales on a per-region basis for the current and previous financial year is illustrated as follows:

Sales of iron ore on a per-region basis
(%)



Capital expenditure during the year in Assmang's Iron Ore division amounted to R1,6 billion (2014: R2,1 billion) of which R730 million was spent on waste-stripping at both mines. The Village Pit at Beeshoek Iron Ore Mine is expected to produce saleable ore during the first half of the 2016 financial year. With Khumani Iron Ore Mine having reached a steady production state, the bulk of the remainder of capital expenditure was incurred on replacement items.

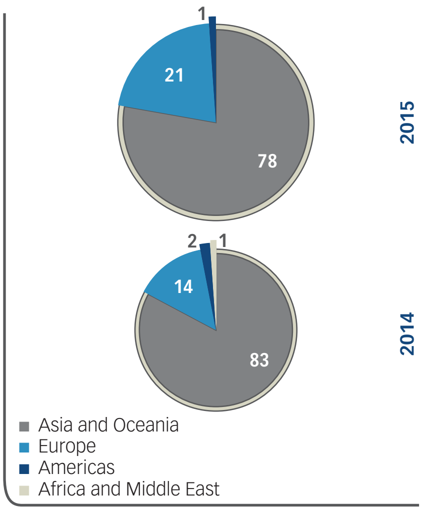
Manganese ore and alloys

Manganese ore is mined by Assmang in the Black Rock area of the Northern Cape province, while manganese alloys are produced at the Cato Ridge 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. Ore-feed for the works is sourced mainly 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. During the year, high-carbon ferromanganese was produced from one furnace at Machadodorp Works and two furnaces at Cato Ridge Works, while medium carbon ferromanganese was produced from hot metal sourced from furnaces No 5 and No 6 at Cato Ridge Works.

Manganese ore prices also fell markedly in the middle of the year due to oversupply, but were reasonably stable by year-end. As was the case in the previous year, much of the oversupply was due to additional production by South African semi-carbonate medium grade ore producers, and by year-end prices had fallen to the extent that it was only profitable to transport it from the mine to the port via rail, prior to export. The average high grade (44% manganese) lumpy ore price index for the year was 22% lower than in the previous year, at US$3,88.

Sales volumes of manganese ore for the year were in line with those of the previous year. On a per-region basis, the percentage of sales for the year and the previous financial year are illustrated as follows:

Sales of manganese ore on a per-region basis (%)



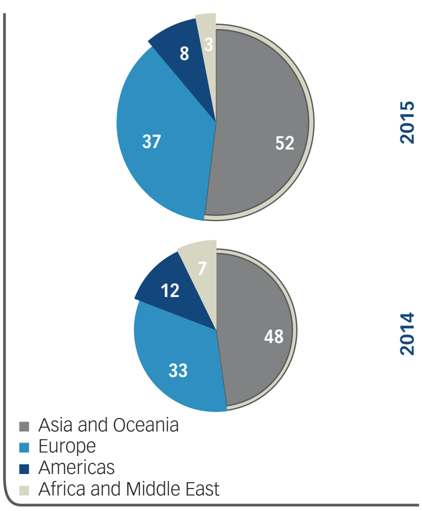
Market conditions for manganese alloys have remained similar to those for 2014, with prices remaining depressed despite the closure of furnaces by Assmang and the suspension of production by the other South African producer. The supply-demand balance has not been reached for high carbon ferromanganese. However, the market for medium carbon ferromanganese was relatively balanced. For most of the year there was a large difference between prices in North America and Europe, being the main seaborne markets for manganese alloys, which eroded to some extent towards the year-end. The margin between prices for medium and high carbon ferromanganese remained very high and was attracting additional production by year-end.

The increased cost of electricity and labour were the main considerations in Assmang's mothballing of the last operating furnace at Machadodorp Works and a further furnace (furnace No 1) at Cato Ridge Works towards the end of the year.

Sales volumes of manganese alloys for the year were similar to the previous year and remain in line with the production from the group's ferromanganese facilities.

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

Distribution of ferrochrome sales on a per-region basis (%)



The contribution to Assore's headline earnings from Assmang's Manganese division decreased by 45,4% to R289 million for the current year (2014: R529 million). Capital expenditure during the year in Assmang's Manganese division amounted to R2,0 billion (2014: R1,3 billion), the bulk of which (R1,3 billion) was spent in almost equal proportions on the expansion and continued sustainability of the Black Rock mines to reach a sustainable output capacity of at least four million tonnes per annum by 2020.

Construction work at Assmang's joint venture ferromanganese smelting project in Malaysia (Sakura), in which it has a 54,36% stake, continues, with commissioning expected in January 2016, while commercial production is expected to commence within schedule, by July 2016. The project is still expected to be completed within budget (US$328 million), with a further US$53 million remaining to be spent. Once fully commissioned, the plant will be able to produce 110 000 tonnes of high-carbon ferromanganese and 70 000 tonnes of silico manganese annually.

Chrome ore

Chrome ore is mined at Assmang's Dwarsrivier Mine in the Limpopo province, located near Steelpoort and Lydenburg. The group also mines chrome ore near Rustenburg (Rustenburg Minerals Development Company Proprietary Limited (Rustenburg Minerals)) from established open-cast pits. Rustenburg Minerals is 44% held by a black economic empowerment (BEE) partner, Mampa Investment Holdings (refer "Black economic empowerment status report", page 36).

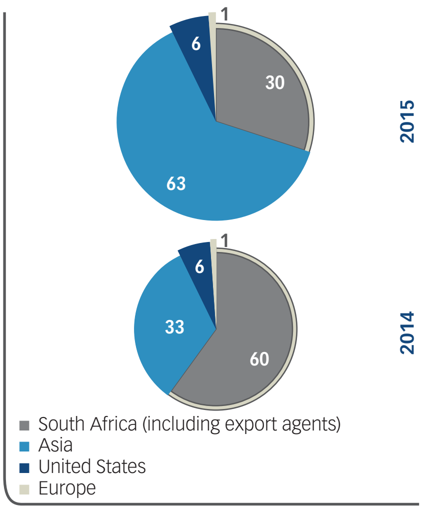
Operational review and commentary continued

The bulk of chrome ore mined worldwide is converted to ferrochrome and utilised in the production of stainless steel. Consistent with recent years, markets for ferrochrome and chrome ore continue to be driven by the level of Chinese stainless steel production, which is now more than 21 million tonnes per annum and represents 51% of global production.

The increased production of ferrochrome in China has had a positive effect on the demand for chrome ore, and low inventories together with reduced global availability of chrome ore and substitute materials have resulted in prices remaining relatively strong compared to other commodities. Indications are that as the Chinese economy moves towards an increasing consumer-based economy, its requirements for stainless steel will increase further. Prices for chrome ore (LG6 concentrate grade) declined by approximately 12% over the year, to levels of US$180 per tonne.

Exports of chrome ore from South Africa have recovered to the high levels seen in 2013 as UG2-grade material, produced as a by-product by platinum producers, has recovered, following the strike in that sector in 2014. These export volumes were supplemented towards the end of the year due to the closure of ferrochrome furnaces in South Africa, caused by the higher cost of electricity. Assmang's Chrome Ore division achieved record sales volumes for the year; ore sales on a per-region basis for the current and previous financial years are illustrated as follows:

Sales of chrome ore on a per-region basis (%)



The contribution to Assore's headline earnings by Assmang's Chrome Ore division increased by 43,8% to R92 million (2014: R64 million). R180 million (2014: R241 million) of capital was spent at Dwarsrivier Chrome Mine (Dwarsrivier), mostly on the replacement of mining equipment (R98 million) and shaft development (R40 million). Assore announced the acquisition from ARM of its 50% indirect share of Dwarsrivier (held in Assmang) for a consideration of R450 million on 24 June 2015. The completion of the transaction is subject to certain conditions precedent, the most significant of which is the consent, in terms of the Mineral Resources and Petroleum Development Act, of the Department of Mineral Resources (DMR) for the transfer of the mining right from Assmang to a new entity that will operate Dwarsrivier (the Section 11 transfer) (refer notes 8 and 32 to the consolidated financial statements).

During the year, Rustenburg Minerals sold approximately 137 000 tonnes (2014: 182 000 tonnes) of lumpy and concentrate grades and Zeerust sold approximately 56 000 tonnes (2014: 20 000 tonnes). Development of the two underground shafts at Rustenburg Minerals has been suspended indefinitely, due to assessments indicating their unsustainability in current and expected market conditions (refer note 2 of the financial statements). Subsequent to the end of the financial year, Zeerust has been placed on care and maintenance.

Wonderstone

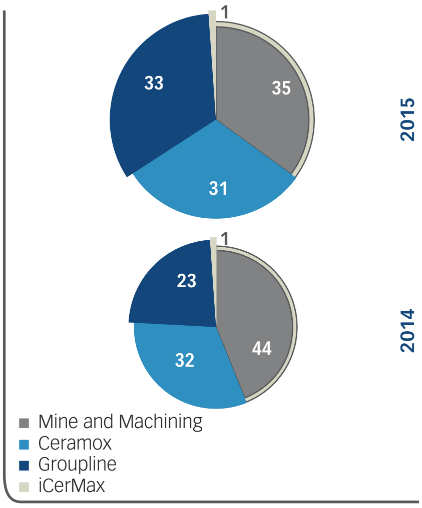
Since 1937, the group has mined a type of pyrophyllite which, for trade purposes, is referred to as Wonderstone. The deposit, which is located outside Ottosdal approximately 300 kilometres west of Johannesburg, is volcanic in origin and displays unique heat and pressure-resistant properties, as well as exhibiting properties useful in filtration applications. The bulk of the material mined is beneficiated and reworked into components for export to the USA, the United Kingdom and the Far East. These 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 specialist ceramic products. The most significant market for Wonderstone products is its use in the manufacture of polycrystalline diamond (PCD) cutters for the oil well drilling industry. Over the past year the significant reduction in the oil price has negatively impacted investment in oil/gas exploration projects. Coupled with an oversupply of PCD and diamonds (especially in China) this reduced short-term demand and therefore revenue from traditional Wonderstone customers based abroad. However, there has been growth in demand from local customers for spray dried powders and a shipment of Wonderstone run-of-mine (ROM) material has been sold to PCD manufacturers in China to gain access into this potential market. The sale of manufactured Wonderstone material and ROM material resulted in a modest profit for the year.

Alumina wear-resistant tiles are produced by the Ceramox division of Wonderstone (Ceramox), most of which are supplied to local installers of wear-resistant linings, which have shown significant sales growth over the recent past. Wonderstone, through its division Group Line Projects (Groupline) specifies, selects and installs a range of lining products, including Ceramox alumina tiles, to assist in solving a wide range of industrial wear and flow problems associated with mined commodities. Local market conditions in the past year were difficult and although Ceramox and Groupline achieved budgeted revenue targets, both these divisions recorded losses for the year. The Ceramox division secured increased prices on its specialised manufactured products, which has improved its prospects into 2016. Due to a shortage of its traditional project work, Groupline adopted a turnaround strategy, which includes expanding its footprint in South Africa, with branches established in Rustenburg, the Northern Cape and Richards Bay, which provide more complete maintenance services.

In conjunction with a minority shareholder, Wonderstone has established a company, iCerMax Proprietary Limited (iCerMax), to exploit the properties of Wonderstone's pyrophyllite to manufacture consistently performing ceramic filters. These can be tailor-made to service a wide range of applications, especially in the harsh African conditions. While these applications can be multi-functional for a variety of mediums (air, gas, liquids or acids), the initial focus is on fuels, oils and hydrocarbons. This business remains in an embryonic phase, which has extended beyond the initial projections, due mostly to subdued local economic growth.

The proportion of sales of Wonderstone's divisions for the current and previous financial years are illustrated as follows:

Proportion of sales of Wonderstone's divisions (%)



Capital expenditure by Wonderstone for the year amounted to R4,6 million (2014: R2,3 million), most of which was spent on mining and machining equipment.

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 R21,1 billion (2014: R27,6 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 almost 80 years. Commission income is based on the value of sales negotiated during the year, and attributable profit after taxation for the year decreased to R222,9 million (2014: R320,9 million) for the year under review, due mainly to lower selling prices for iron and manganese ores.

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 alloys, and trades in other commodities related to the steelmaking industry. The continued gradual recovery of the US economy, particularly in the first half of the financial year, has in conjunction with increased rand-translated US dollar profits, resulted in Minerais' contribution to the group's attributable profit for the year increasing to R31,2 million (2014: R20,9 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, which is related to turnover in Assmang and the Assore group. Due to the lower selling prices for iron and manganese ore, its attributable net profit after taxation for the year decreased to R109,8 million (2014: R193,7 million).

Investments

The group maintains a limited portfolio of listed shares which are selected and held in accordance with long-term investment criteria. In accordance with IFRS, the portfolio is valued in the financial statements at market value. During the year, the market value of this portfolio declined and the group recorded a loss of R93,0 million (2014: R22,2 million loss) on its revaluation (after allowing for capital gains taxation relief). At 30 June 2015, the market value of the portfolio was R233,9 million (2014: R378,0 million), based on a cost of R293,4 million (2014: R293,4 million). Other income includes interest received of R155,3 million (2014: R112,9 million) generated on cash in excess of current requirements which was invested on a short-term basis in the money market. The higher amount of interest received is due to higher average available cash balances and slightly higher rates of interest.

Corporate governance and risk management report

The Assore board (the board) is of the opinion that strong corporate governance and risk management not only enhance sustainability of the 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, which it implements in accordance with the following framework:

- Establishing a risk and control environment within each of its business entities where management, in conjunction with the necessary support from the Audit and Risk, and Social and Ethics committees, 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, and Social and Ethics committees, with assurance regarding the adequacy of internal control within the organisation, ie that the risk and control environment in place is appropriate for the business concerned and that the business is operated in a manner which provides the board with reasonable assurance that appropriate safeguarding.
- Implementing 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 ensures wherever possible 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 to compensate for not applying the requirements of King III. The group's application of King III has been assessed and rated by the Institute of Directors as AAA – Highest Application (2014: AAA), utilising its Governance Assessment Instrument. The detailed governance register is located on the group's website, under the "About us" tab.

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 comprises nine directors, of whom five are independent non-executive directors. Since the Chairman represents the controlling shareholder and in order to enhance the balance of power and authority on the board, the Chairman does not have a casting vote.

The independent non-executive directors have, between them, considerable experience gained at senior management levels in diverse listed and unlisted companies and professional firms registered in South Africa and abroad.

Independent non-executive directors are appointed in terms of three-year renewable contracts and the board evaluates their independence annually, based on returns submitted by each director. The roles of the Chairman and CEO are separate and non-executive directors are not permitted to serve for periods longer than nine years in the aggregate and do not receive any benefits from the company other than their fees for services as directors.

Election and succession

Appointments to the board in an executive directorship capacity are based on the nominees holding 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, including knowledge of applicable legislation, rules, codes and standards. Incoming non-executive directors are fully apprised on appointment of the group's activities, and all issues relevant to the business, by the executive directors. Assore believes that these requirements and processes obviate the necessity for a formalised orientation and mentorship programme for its directors, as recommended by King III.

In accordance with the company's Memorandum of Incorporation (MoI), all non-executive directors are subject to retirement by rotation and re-election by shareholders at least once every three years, and provided that at least one-third of their number offer themselves for re-election at each Annual General Meeting (AGM) as required by the Listings Requirements of the JSE. In addition, all directors are subject to re-election by shareholders at the first AGM following their initial appointment. A brief *curriculum vitae* of each director is set out on pages 26 and 27. The appointment to the board and the assessment of continued eligibility on the board 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 for appointing board members and a nomination committee are not considered necessary.

Each executive director is understudied by appropriately qualified and experienced senior staff members, ensuring sufficient depth of expertise 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, including the information technology (IT) function, and ensures that issues raised within the group's various committees and subcommittees 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 a submission by the Audit and Risk Committee, dispensation has been 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. The most recent review in this regard was undertaken on 9 February 2015.

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
AD Stalker	4	4
BH van Aswegen	4	4
RJ Carpenter^	4	3
TN Mgoduso#	2	2
S Mhlarhi	4	4
IN Mkhari#	2	2
WF Urmson	4	4

^ *Resigned 15 June 2015.*
# *Appointed 2 February 2015.*

Board and committee performance evaluation

Ongoing evaluation of the board and its various committees does not occur on a formal basis. However, due to the fact that the Chairman represents the controlling shareholder, and due to the structure of the management of the business, regular interaction occurs between all levels of management to ensure that the various structures in the Assore group act in accordance with their terms of reference. As stated in "Remuneration", executive directors are not appointed in terms of contracts, and their services may be terminated in accordance with legal requirements without exposing the group to pre-existing financial obligations. 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 and size of the board as described above enables regular formal and informal interaction between directors to ensure appropriate application of authority in the decision-making process and ensures that resolutions cannot be passed without the agreement of at least one of the independent non-executive directors.

A key aspect of the group's activities includes marketing and distribution. As a result the reputation of 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. Further insight into the group's activities is provided to the Chairman at regularly convened Executive Committee meetings, which are attended by the executive directors and other senior members of management. The skills set required of executive directors of other group companies is determined by the Assore 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 boards of directors that 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

The committee meets at least three times per annum on predetermined dates, with meetings convened to consider significant issues when considered necessary. The committee met three times in the year under review and attendance at these meetings is tabled below:

	Possible attendance	Attended
EM Southey (Chair)	3	3
S Mhlarhi	3	2*
WF Urmson	3	3

** Meeting date changed at short notice.*

The chairman of the committee reports on its activities at each board meeting. Representatives of the internal and external auditors are invited to attend all meetings of the committee and, if necessary, have access in private to the chairman of the committee throughout the year. The CEO, Group Accountant and representatives of the Company Secretary 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 the quality of their relationship and evaluate the level of cooperation which they were afforded during the conduct of their activities in the year under review. The committee recommended the approval of the integrated annual report for 2015 to the board on 19 October 2015.

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

- monitor the risk profile as compiled by internal audit and agreed to with management and make recommendations on the composition and classification of the risk profile for the group (refer "Risk management");
- integrate the activities of assurance providers so that all risks are identified and appropriate mitigation steps are taken;
- provide a forum for management and representatives of the external and internal audit functions to resolve issues which arise from all external and internal audit activities;
- make recommendations to the board regarding the appointment of the external auditors;
- review the activities, services and performance of the external auditors, evaluate their independence and review their overall role and the 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 in order to provide an objective overview of the operational effectiveness of the group's systems of internal control and reporting;
- receive and consider feedback on issues relevant to the committee raised at meetings of the Social and Ethics Committee (refer "Social and Ethics Committee");
- obtain representations from management, and make the necessary enquiries from external and internal audit and of management, on any matters which are the subject of 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 discussion with its executives and senior staff (refer "Ethics").

All 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 professional and business experience pertaining to legislative requirements, financial risks, financial and sustainability reporting, and internal controls applicable to the group.

Internal audit has adopted its terms of reference from the Audit and Risk Committee, 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 activities are optimised and integrated with the external audit function (refer "Risk management" and "Internal audit and internal control"). 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.

Independent meetings are conducted with external audit in order to exchange respective views on the risk environment to which the group is exposed, as well as on issues that may have a bearing on the external audit process and internal audit objectives based on fieldwork performed by them. Internal audit provides assurance to the board and the committee on an annual basis that the internal and financial controls have not revealed any significant breakdown or any issues that require the attention of the committee. 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 tabled by internal and external audit at its meetings, and having invited enquiries of the attendees at its meetings, is not aware of any breakdowns of internal controls or corporate governance that resulted in, or could lead 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 generate the majority of the group's earnings, are reviewed and reported on by its external auditors in terms of ISRE 2410 – Review of Interim Financial Information Performed by its Independent Auditor of the Entity, prior to the publication of the group's interim results. The committee, after due enquiry of external and internal audit, has satisfied itself as to the appropriateness of the expertise, the adequacy of the finance function and the experience of the senior members of management responsible for the financial function.

Social and Ethics Committee

In accordance with its documented terms of reference approved by the board, the committee is required to meet at least twice per annum on predetermined dates. The committee met twice during the year and attendance at these meetings is tabled below:

	Possible attendance	Attended
WF Urmson (Chair)	2	2
RA Davies	2	2
BH van Aswegen	2	2
TN Mgoduso*	–	–

** Appointment effective 1 October 2015.*

The Social and Ethics Committee (SEC) reports to the board and provides feedback on issues raised at its meetings to the board and to the Audit and Risk Committee for consideration where relevant. The key aspects of its terms of reference include the monitoring of the group's activities relating to any relevant legislation relating to the group's activities or prevailing codes of best practice with regard to matters relevant to:

- its corporate strategy and any changes that may be necessary from time to time;
- social and economic development of communities within the vicinities of the group's operations;
- maintenance of good corporate citizenship credentials;
- environmental, health and public safety issues at all its operations, including the impact of the group's activities and of its products or services on the environment;
- consumer relationships, including the group's advertising, public relations and compliance with all legislation relating to the group's activities; and
- labour and employment including working conditions and employee development.

Company Secretary

The company has appointed a wholly owned subsidiary, African Mining and Trust Company Limited (AMT), as company secretary (refer page 31). The board and senior staff of that company, who are all appropriately qualified, ensure that all applicable provisions of the Companies Act are applied in the affairs and management of the group. The board of directors of AMT includes an adequate number of persons with professional qualifications to ensure that an appropriate level of independence is maintained and that its affairs are conducted on an arm's-length basis.

Insider trading and closed periods

The group declares a closed period applicable to all members of staff in relation to dealing in Assore shares prior to the publication of its interim and final results. During these periods directors, officers and staff are prohibited 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 where a public announcement is imminent and includes information considered to be price sensitive.

All directors and staff are required to obtain the written approval of the CEO prior to dealing in the company's shares at any time during the year. Any dealings by the CEO in Assore shares require the approval of the lead independent director. Due to the significance of the group's involvement in Assmang, as well as Assmang's bearing on the results of Assore's joint-venture partner, African Rainbow Minerals Limited (ARM), senior staff members are also precluded from dealing in ARM's shares in these closed periods.

Risk management

The board has delegated the assessment and management of the group's risk profile, which is compiled by the internal audit function, to the Audit and Risk Committee, which advises the board of any unresolved risk management issues. Risk is an inherent feature of business in general, and in the mining and smelting industries it is characterised specifically by the remoteness of location of the operations, the physical danger inherent in the day-to-day activities of these operations and compliance with 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 international commodity prices to which the group is exposed on a daily basis and which are largely beyond the group's control.

Management of group risk is therefore critical to the sustainability of the group and is achieved through the identification and control by various risk management committees of all risks, 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 in the group, 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 on insurable risks where considered appropriate. 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 the group are included in a comprehensive insurance programme, with an independent valuation of fixed assets occurring every three years.

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. Therefore, the group risk management process includes an ongoing review of compliance with relevant legislation and standards in the following areas (refer "Group sustainability performance" on page 40):

- Environmental rehabilitation management.
- Health and safety management.
- Human resource management.
- Quality of products and management systems.

Details of the principal risks to which the group is exposed are included on pages 15 and 16 of this report.

Information technology

The management of information technology (IT) falls within the remit of the CEO who chairs regular meetings of the IT Steering Committee (IT Steerco). The IT Steerco consists of responsible IT staff, as well as staff responsible for finance and major IT projects. The purpose of the IT Steerco is to address the appropriateness and relevance of the IT infrastructure, monitor and further the progress of major IT projects, information security, the design and maintenance of disaster recovery procedures and related staffing and administrative issues, and the IT Steerco engages necessary external advice and consultation when required. Matters of relevance to the business are communicated by the CEO to the Excom, the Audit and Risk Committee or the board, where appropriate. Documented terms of reference for the IT Steerco are not considered necessary, 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 are reported on to the Audit and Risk Committee for attention and action where necessary. 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. The group has also replicated its hardware environment in a separately housed disaster recovery (DR) area.

Legal compliance

The board has delegated the responsibility for oversight of legal compliance to the Social and Ethics Committee, from which management receives any guidance deemed necessary for the fields appropriate to its respective terms of reference. Suitably qualified consultants have been appointed to ensure that legal compliance is maintained in the business sectors in which the group operates. Accordingly, the CEO has not appointed an individual person responsible for the management of compliance. Due to the importance attached to compliance with competition law requirements, the group operates a competition law compliance programme and has ensured that all senior staff members are familiar with the requirements of the Competition Act. The Audit and Risk Committee ensures that matters containing significant levels of risk material to the group receive the appropriate attention, and that adequate provision and appropriate disclosure are made for known and determinable exposures.

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

The size of the group, as well as the experience of the executive directors and senior management, affords management the opportunity to resolve disputes in these areas. External legal counsel is consulted when considered necessary to ensure the appropriateness of the methods adopted to resolve issues.

Internal audit and internal control

The board, through its Audit and Risk Committee, is responsible 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 15 and 16). These controls are designed to manage the risk of failure and provide reasonable assurance that there are adequate systems of internal control and appropriate corporate governance procedures in place. As with all management systems, the assurance which is provided is not absolute and the risk of failure cannot be eliminated entirely. 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 among standard items on the agenda of the Audit and Risk Committee, 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 the board to indicate that any material breakdown in the effective functioning of internal controls or corporate governance procedures 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, such as 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 by senior management who interact with staff at all levels to ensure that high ethical standards commensurate with board expectations are maintained. Issues that cannot be resolved by line management are addressed by way of oversight by the Social and Ethics Committee (refer page 34). Due to the relatively small size of the staff complement of the group, the establishment of a documented code of ethics and conduct is not considered necessary. The group has, however, initiated a review of the various sub-sets of its policies, in order to produce a code of ethics to which staff would be formally required to subscribe. 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.

Black economic empowerment status report

Assore strongly endorses the broad-based black 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.

In terms of the MPRD Act, which came into effect on 1 May 2004, the state has assumed sovereignty and custodianship of all mineral rights in South Africa and grants prospecting rights and mining rights to applicants based on the merits of their applications (which are designated as new-order rights). A transitional period from this date, to 1 May 2014, was provided for during which holders of existing mineral and exploration rights (designated as old-order rights), upon meeting certain requirements, could convert such existing in-use old-order rights into new-order rights or, in the case of unused rights, could 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 required, *inter alia*, that mining companies should achieve 26% HDSA ownership of mining assets by 1 May 2014. 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 (Rustenburg Minerals) on the farms Groenfontein, Zandspruit and Vogelstruisnek were obtained.
- Having met the requirements of the MPRD Act regarding conversion of old-order mining rights, Assmang has secured new-order mining rights for all its operations. The rights for the manganese deposits at Black Rock (comprising Assmang's Nchwaning and Gloria mines) and the chrome ore rights (Dwarsrivier) have been executed and lodged for legal registration.
- Successful conversion and execution of old-order mining rights to new-order mining rights for pyrophyllite (Wonderstone).
- Implemented a preferential procurement policy at all its operations (refer "Preferential procurement", page 38).
- 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 (refer "Sustainability report", located on the group's website under "Annual reports" in the "Investor centre").

The extent of compliance with the Charter is reported on and monitored on a regular basis, both at Exco level and by the board, through the Social and Ethics Committee and specifically with regard to new-order mining rights, which are subject to audit by the DMR, and to date the DMR has not reported any significant issues of non-compliance.

Following the introduction of the MPRD Act, Assore has, specifically at a holding company level, entered into empowerment-related transactions, which have resulted in control by HDSAs comprising 26,07% of Assore's ordinary shares as follows:

Shareholder	% shareholding
Boleng Trust	14,28
Fricker Road Trust	11,79
Total	**26,07**

The Boleng and Fricker Road trusts

The Boleng and Fricker Road trusts (the trusts) have been 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. Since the objectives of the trusts are very similar and they have the same trustees, the Boleng Trust has been made a beneficiary of the Fricker Road Trust and the composition of the boards of trustees of both these trusts is identical.

In terms of the agreements between Assore and the trusts, the Fricker Road Trust qualified for dividends (after dividends tax) of R16,4 million (2014: R13,3 million) during the year, while the Boleng Trust is entitled to a flow-through payment of at least R2 million per annum, irrespective of the commitments to the Assore group with regard to the funding of the transaction provided by Assore. The boards of trustees of the trusts are as follows:

Dr TG Sibiya (Chairman)*
CJ Cory#
RN Lekgatle#
Ms K Makhaya*
M Mtshali*
Ms TPJ Ngxulelo*

** Independent trustee.*
 # Founder trustee.

Assore has concluded agreements with the trusts in order to regulate the respective relationships between the parties to ensure the continued compliance by the trusts (as the Assore group's BEE partners) with the direct ownership requirements of the Mining Charter and the appropriate restrictions on the transfer of Assore shares by the trusts.

During the 2015 financial year, and pursuant to the trust deeds, the trustees have approved expenditure on its major projects amounting to R9,6 million (2014: R6,9 million) and have committed themselves to spending a further R15,1 million, details of which are as follows:

Operation	Description	Spend to date R'000	Commitment R'000	Total R'000
Zeerust Chrome Mines	Mmasebodule Primary School	13 524	267	13 791
Rustenburg Minerals	Imfundo Likusasalethu, primary educational intervention	1 651	1 310	2 903
Rustenburg Minerals	Makgope Primary School Media Centre	1 284	16	1 300
Wonderstone	Tsholonang Children's Disability Centre	–	4 461	4 461
Wonderstone	Student boarding facility at Ottosdal	–	2 500	2 500
Wonderstone	Support of various student requirements, including bursaries and transport	–	5 305	5 305
Wonderstone	Provision of teachers' salaries	–	618	618
Wonderstone	Communal lecture and training facility	–	593	593
		16 459	15 070	31 529

Further detail of the expenditure on these projects is included in the "Sustainability report" located on the group's website under "Annual reports" in the investor centre.

Independent trustees of Boleng and Fricker Road trusts

Dr TG Sibiya
Chairman
Independent trustee
PhD (IT&IS), Med (ISD), Pittsburgh, BSc (Information systems), Carnegie Mellon, USA

K Makhaya
Independent trustee
BBusAdmin (Finance), Gonzaga University, Washington

M Mtshali
Independent trustee
BLaws, LLB, UCT

TPJ Ngxulelo
Independent trustee

Black economic empowerment status report continued

The Assore Employee Trust

Independent trustees of Assore Employee Trust

The Assore Employee Trust was established by Assore for the economic benefit of the non-managerial employees of the Assore group by facilitating their participation in the dividend income distributed by Assore (dividend rights) and also participating in the increase in the value of Assore's ordinary shares listed on the JSE (equity rights). 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. The trust is overseen by a board of trustees, the majority of whom are HDSAs and is constituted as follows:

T Bizure‡^
Ms MC James‡#
GN Lavielle^
Ms NP Mngomezulu‡*
Ms WT Mnisi‡^
M Pillay‡*

‡HDSA trustee.
^Employee representative trustee.
#Founder trustee.
**Independent trustee.*

During the 2015 financial year, the trust effected dividend rights distributions to employees totalling R10,7 million (2014: R10,1 million). An independent valuation performed as at 30 June 2015 indicates that the value of equity rights granted to employees amounted to R2,0 million (2014: R5,1 million) (refer note 17, "Share-based payment liability", to the consolidated financial statements). The decline in the fair value is due to the reduction in the Assore share price from R356,66 at 30 June 2014 to R103,50 at 30 June 2015.

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 and by making them available to broad-based black economic empowered (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:

	Total discretionary procurement# R million	Aggregate BBBEE expenditure* R million	Aggregate % BBBEE†
2015			
Assmang	**11 424,5**	**12 243,0**	**107,2**
Rustenburg Minerals	**198,9**	**187,0**	**94,0**
Zeerust	**79,9**	**71,2**	**89,1**
Wonderstone	**53,2**	**46,8**	**88,0**
African Mining and Trust	**72,5**	**77,9**	**107,4**
2014			
Assmang	12 309,3	16 311,7	132,5
Rustenburg Minerals	273,3	136,4	57,5
Zeerust	34,0	18,7	55,0
Wonderstone	36,1	27,3	75,6
African Mining and Trust	84,8	84,3	99,4

 # Total discretionary procurement is defined as total procurement less procurement effected through related entities (intercompany transactions).
** 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).*
† Expenditure of levels 1 to 3 suppliers is recognised at more than 100% in terms of the dti codes.

The decline in the percentage of BBBEE expenditure within Assmang is due mostly to a lower level of expenditure in levels 2 and 3 (declines of 8,1% and 4,6% respectively), with corresponding increases in the lower levels (levels 4 to 8).

The recognition percentages for the group's subsidiary companies have improved due to ongoing insistence by procurement staff to source from sufficiently empowered suppliers. The level of expenditure at Rustenburg Minerals and Zeerust is expected to decline due to reduced mining activity (refer page 3).

The amended dti Codes of Good Practice came into effect on 1 May 2015. These amended codes make provision for changes in the scoring methodology. All suppliers with a current verification certificate qualify as an empowering supplier for the validity period of the current certificate, resulting in the current results being maintained up to that date. An overall decrease in scores is, however, expected from 1 May 2016, as not all suppliers will be granted empowered status in the next verification and some suppliers will have lower ratings as a result of the introduction of the amended codes.

Mmasebodule primary school, Zeerust, funded by the Boleng Trust.

Group sustainability performance

The complete sustainability report is located on the group's website under "annual reports" in the "investor centre".

Indicator	Unit	**2015** Assmang operations^	**2015** Head office operations	2014 Assmang operations^	2014 Head office operations
Total greenhouse gas emissions	Tonnes CO_2e	**1 627 380**	**28 133**	1 649 895*	27 905*
– Scope 1 emissions	Tonnes CO_2e	**533 014#**	**13 019**	507 210*	13 901*
– Scope 2 emissions	Tonnes CO_2e	**1 094 366#**	**15 114**	1 142 684	14 003
Electricity consumption	MWh	**1 164 218#**	**16 163**	1 215 621	14 974
Diesel consumption	'000 litres	**58 387#**	**4 965**	54 017	5 336
Water consumption	m^3	**10 830 348**	**460 552**	11 701 756	560 399
Waste generation					
– Waste rock	m^3	**57 243 503**	**3 763 802**	79 207 808	2 339 191
– Tailings/slag	Tonnes	**4 435 627**	**100 383**	4 019 204	68 778
Financial provision for rehabilitation and closure	R million	**700,2**	**21,0**	574.9*	21.0*
Number of environmental administrative penalties/fines	Number	**–**	**–**	1	–
Fatalities	Number	**2**	**–**	–	–
Lost-time injuries	Number	**32**	**18**	31	11
Lost-time injury frequency rate	Per 200 000 hours	**0,26**	**1,72**	0,25	1,15
Section 54 notices issued (Mine Health and Safety Act)	Number	**6**	**3**	5	3
Production shifts lost due to section 54 notices	Number	**23**	**33**	18	17
Prohibition notices issues (Occupational Health and Safety Act)	Number	**1**	**–**	1	–
Medicals performed	Number	**18 224**	**1 431**	19 894	1 100
Audiograms performed	Number	**18 579**	**1 431**	21 551	1 101
Noise-induced hearing loss cases referred for compensation	Number	**16**	**3**	13	3
New tuberculosis cases reported	Number	**8**	**7**	50	–
– Pulmonary TB	Number	**8**	**4**	–	–
– Multi-drug resistant TB	Number	**6**	**3**	–	–
Total number of employees as of 30 June 2015		**13 719**	**960**	13 128	906
– Permanent	Number	**6 272**	**441**	6 537	389
– Contract	Number	**7 447**	**519**	6 591	517
Production days lost to strike action	Number	**–**	**–**	–	7
New employee houses completed	Number	**1 460**	**–**	1 321	–
Community and economic development expenditure	R million	**107,2**	**15,3**	136,4	23,0

^ All figures for the Assmang operations are stated on a 100% basis
** Restated figures*
 # Refer independent assurance report in the complete sustainability report located on the group's website

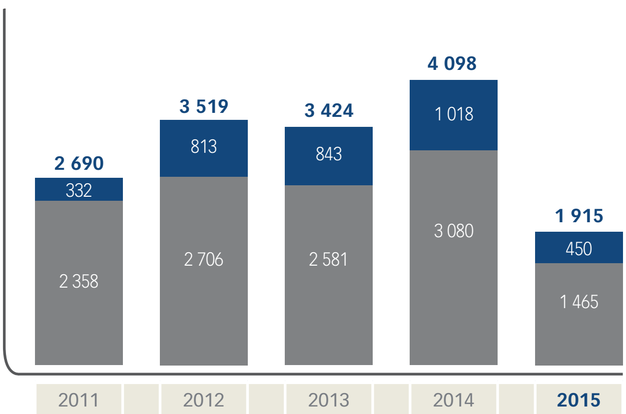
Loaded iron ore train en route to Saldanha Bay

Five-year summary

OF THE CONSOLIDATED FINANCIAL STATEMENTS

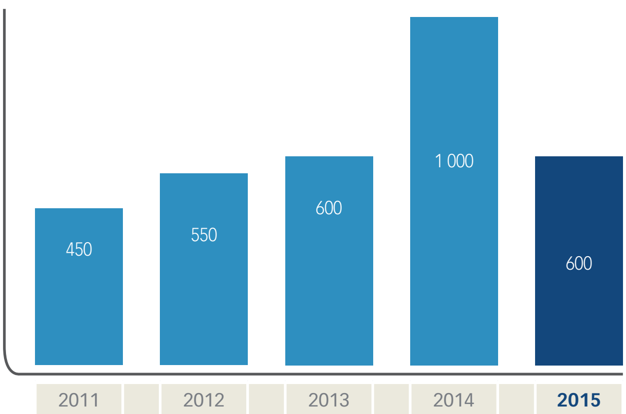
INCOME STATEMENTS	2011 R'000	2012 R'000	2013 R'000	2014 R'000	**2015 R'000**
Revenue	1 568 968	1 699 861	1 964 409	2 894 596	**3 357 297**
Profit excluding profit on disposal of available-for-sale listed investments	535 710	378 268	480 603	698 053	**76 792**
Profit on disposal of available-for-sale listed investments	–	472 200	27 850	–	**–**
Taxation	(179 428)	(245 427)	(171 227)	(240 486)	**(102 293)**
Share of profits and losses from joint-venture entity and associate, after taxation (equity accounted)	2 893 404	3 441 994	3 092 476	3 572 155	**1 315 941**
Profit for the year	3 249 686	4 047 035	3 429 702	4 029 722	**1 290 440**
Attributable to:					
– Shareholders of the holding company	3 219 754	4 033 014	3 426 978	4 005 123	**1 403 371**
– Non-controlling shareholders	29 932	14 021	2 724	24 599	**(112 931)**
As above	3 249 686	4 047 035	3 429 702	4 029 722	**1 290 440**
Other information					
Attributable earnings as above (R'000)	3 219 754	4 033 014	3 426 978	4 005 123	**1 403 371**
Headline earnings (R'000)	3 219 348	3 707 763	3 533 823	4 229 890	**1 976 351**
Earnings per share (cents)	2 691	3 828	3 320	3 881	**1 360**
Headline earnings per share (cents)	2 690	3 519	3 424	4 098	**1 915**
Adjusted* headline earnings per share (cents)	2 358	2 706	2 581	3 080	**1 465**
Dividends declared during the year	614 271	698 036	767 839	1 116 856	**1 186 660**
Less: Dividends attributable to treasury shares held by BEE-controlled entities	(87 716)	(182 000)	(200 200)	(291 200)	**(309 400)**
	526 555	516 036	567 639	825 656	**877 260**
Dividends per share relating to the activities of the group for the year under review (cents)					
– Interim declared and paid	200	250	250	450	**300**
– Final (declared subsequent to year-end)	250	300	350	550	**300**
	450	550	600	1 000	**600**
Weighted average number of shares for purposes of calculating earnings per share					
Ordinary shares in issue	139 607	139 607	139 607	139 607	**139 607**
Treasury shares, in accordance with IFRS*	(19 936)	(34 240)	(36 400)	(36 400)	**(36 400)**
Weighted average	119 671	105 367	103 207	103 207	**103 207**
Average exchange rates for the year:					
SA rand to US dollar	7,00	7,73	8,85	10,42	**11,46**
SA rand to euro	9,54	10,39	11,46	13,06	**13,61**

Headline earnings per share (cents)



■ Enhancement to HEPS due to treatment of BEE-controlled shares as treasury shares (refer note 12 to the consolidated financial statements)
■ Adjusted headline earnings per share – HEPS (refer note 1)

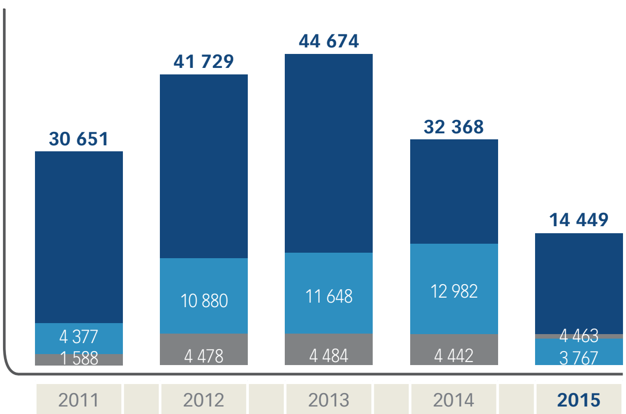
Total dividends per share relating to the activities of the group for the year under review (cents)



** HEPS calculated including treasury shares in the number of shares in issue (this is a non-IFRS measure). Refer note 12 to the consolidated financial statements.*

STATEMENTS OF FINANCIAL POSITION	2011 R'000	2012 R'000	2013 R'000	2014 R'000	**2015 R'000**
ASSETS					
Non-current assets					
Investment in joint-venture entity	8 911 494	11 353 539	12 946 015	14 768 170	**14 585 308**
Property, plant and equipment and intangible assets	456 438	487 380	510 577	552 191	**256 504**
Investments					
– available-for-sale listed investments	918 038	239 333	178 430	377 988	**233 972**
– associate	–	–	–	–	**120 756**
– other	53 051	34 724	41 963	46 613	**47 808**
Pension fund surplus	–	–	12 315	56 973	**57 474**
Deferred taxation	–	–	–	–	**4 964**
	10 339 021	12 114 976	13 689 300	15 801 935	**15 306 786**
Current assets					
Other current assets	456 013	468 535	677 003	1 011 113	**1 335 087**
Cash resources (including restricted cash)	750 143	1 051 329	1 703 746	2 144 598	**2 871 195**
Total assets	11 545 177	13 634 840	16 070 049	18 957 646	**19 513 068**
EQUITY AND LIABILITIES					
Share capital and reserves					
Equity attributable to shareholders of the holding company	10 765 524	11 189 751	14 031 378	17 302 592	**17 808 956**
Non-controlling shareholders' interests	114 287	126 858	128 910	150 271	**15 765**
Total equity	10 879 811	11 316 609	14 160 288	17 452 863	**17 824 721**
Non-current liabilities					
Deferred taxation	100 485	44 835	43 622	63 426	**–**
Long-term liabilities	19 004	1 645 564	870 782	373 234	**367 181**
	10 999 300	13 007 008	15 074 692	17 889 523	**18 191 902**
Current liabilities					
Non-interest-bearing	391 730	435 813	645 933	529 535	**360 300**
Interest-bearing	154 147	192 019	349 424	538 588	**960 866**
Total equity and liabilities	11 545 177	13 634 840	16 070 049	18 957 646	**19 513 068**
Exchange rates at year-end					
SA rand to US dollar	6,78	8,31	9,96	10,58	**12,27**
SA rand to euro	9,82	10,45	13,00	14,44	**13,73**

Market capitalisation – analysis (R million)



- Non-BEE controlled (as measured by Mining Charter requirements)
- Market capitalisation of IFRS consolidated BEE-controlled shares
- Unpaid vendor financing

Total assets (R billion)