





**Iron ore loading in the King pit at  
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 – Assmang

	Measured and Indicated		Proved and Probable	
	Mineral Resources		Mineral Reserves	
	Mt	Fe %	Mt	Fe %
<b>IRON ORE</b>				
<b>Beeshoek Mine Dumps</b>				
All pits	110,33	64,02	46,13	64,31
Dumps	–	–	7,5	55,17
<b>Khumani Mine</b>				
Bruce	194,86	64,32	169,48	64,28
King	451,53	64,23	380,62	64,47
Dumps	–	–	5,59	56,70

	Measured and Indicated			Proved and Probable		
	Mineral Resources			Mineral Reserves		
	Mt	Mn %	Fe %	Mt	Mn %	Fe %
<b>MANGANESE</b>						
<b>Nchwaning Mine</b>						
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
<b>Black Rock (Koppie area)</b>						
Seam 1	43,60	40,6	18,1	–	–	–
Seam 2	26,81	38,6	19,8	–	–	–
<b>Gloria Mine</b>						
Seam 1	125,68	37,4	4,7	100,52	37,5	4,7
Seam 2	31,55	28,3	9,8	–	–	–

	Measured and Indicated		Proved and Probable	
	Mineral Resources		Mineral Reserves	
	Mt	Cr <sub>2</sub> O <sub>3</sub> %	Mt	Cr <sub>2</sub> O <sub>3</sub> %
<b>CHROMITE</b>				
<b>Dwarsrivier Mine</b>				
LG6 Chromotite Seam	51,00	38,14	35,02	34,12

## Subsidiary companies

	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	7,5	9,6	1,2	0,2	1,4
Wonderstone	2,1	14,1	107,2	123,4	2,0	13,4	15,4

# Chairman's statement

► Record headline earnings for the year, at R4,2 billion

► Zero fatalities across all operations for the year

► Dividends for the year increased to R10,00 per share

► Lower iron ore prices to reverse trend of increased earnings

The record earnings referred to above followed a trend of increased earnings over the past five years; however, it is important to note that all indications are that this trend will not be continued into the new financial year. The significant weakening in the prices for iron ore which was already evident in the last quarter of the 2014 financial year, has intensified into the new year with prices falling from the US\$125 range experienced in the past two years to a range of US\$70 to US\$80 during the first three months of the 2015 financial year and which for reasons I shall refer to below (see "Market conditions") are unlikely to revert to previous levels in the short to medium term. As approximately 80% of the group's earnings are derived from its iron ore business, this will result in a significant impact on the bottom line.

Manganese and chrome ore prices should remain relatively stable and the weaker rand/US dollar exchange rate this year could provide some offset, but this will not compensate for the impact of lower iron ore prices on both trading activities and commission income. Shareholders should therefore be advised that the increasing earnings trend experienced over the past five years will not continue and will inevitably move into a new, significantly lower range.

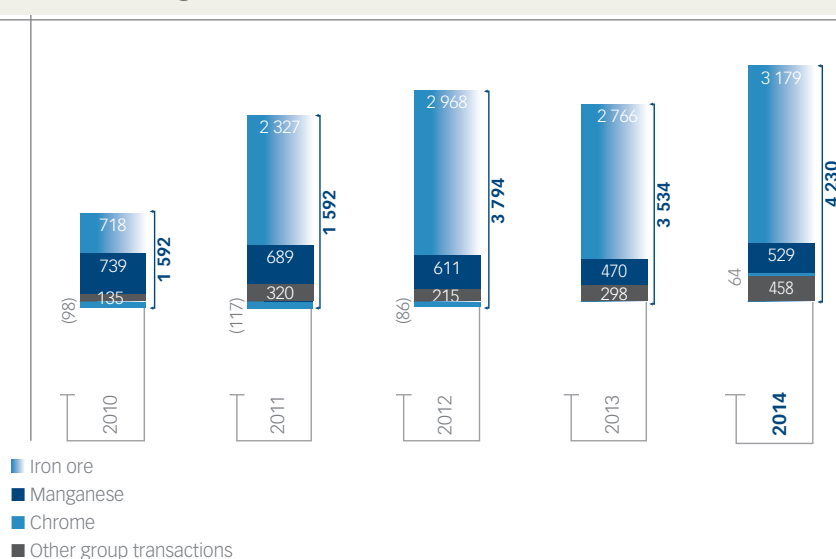
## The year under review

Although the headline earnings reported in the second half of the year (R1,8 billion) were not as strong as in the first half (R2,4 billion), earnings for the year at R4,2 billion were 20% higher than the previous year (R3,6 billion) and an all time record for the group. The increase was attributable mainly to a weakening of 18% in the rand/US dollar exchange rate across the year which also raised the turnover on which the group's commission receipts are based. Average

prices for iron ore were marginally lower than those of the previous year, while prices for manganese ores were significantly weaker. On the other hand chrome ore prices benefited from the lower volumes of "UG2" chrome concentrate delivered to the market as a result of the protracted strike action in the platinum mining sector which, combined with the weaker exchange rate, enabled the chrome division to return to profitability at year-end.

Set out below are the relative contributions to headline earnings by the various divisions of the group:

Headline earnings/(loss) (R million)



## Market conditions

World steel production for the 2014 calendar year is expected to amount to at least 1 640 million tons, which is a record and which is 4,1% higher than the 2013 level of 1 576 million tons. China produces more than half of the world's steel and the level of its economic activity continues to be the main influence in determining prices for iron ore and other base minerals.



## Chairman's statement continued

Nevertheless prices for iron ore have been significantly affected by the substantial increases in the volumes of iron ore, which have been placed in the market by large Australian producers. This is in accordance with their strategy to increase the supply of iron ore to customers in the East significantly, in order to push smaller high-cost producers, particularly in China, out of the market.

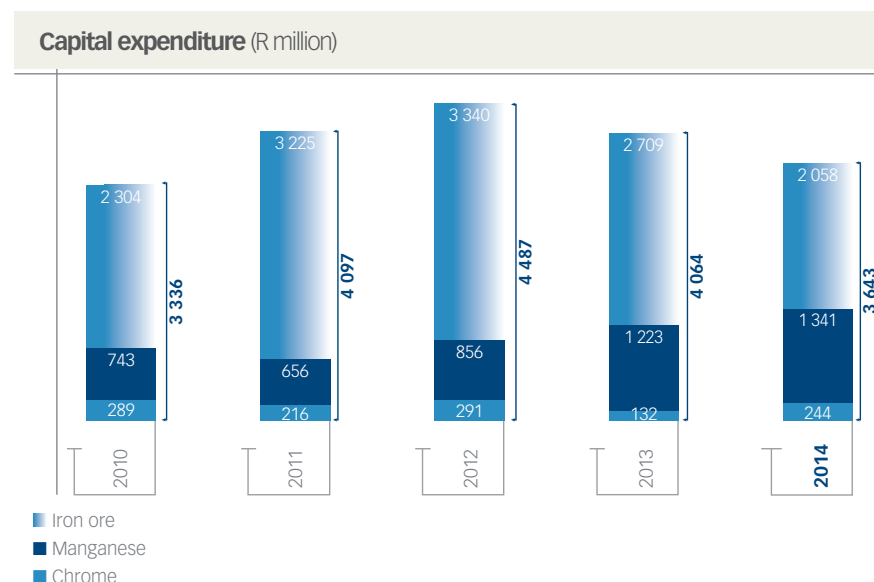
The more established market for manganese ore experienced better prices in the first half of the year. However, large quantities of medium-grade ores, mostly from new South African producers, made their way into the market, resulting in downward pressure on prices for all grades. The impact of these price reductions was partly offset by the level of the rand/US dollar exchange rate, which was weaker across the year by almost 18%. Chrome ore prices benefited from lower volumes of "UG2" chrome concentrate, as a result of the extended strike action in the platinum sector.

Due to recent increases in electricity tariffs, the group's ferrochrome furnaces remained closed, with the group continuing only to dispose of material produced from the metal recovery plant located at Machadodorp, which remains profitable. In line with manganese ore prices, ferromanganese prices reduced only marginally but this business remains profitable, particularly for medium carbon grades.

### Capital expenditure

Most of the capital expenditure during the year occurred in Assmang, which spent approximately R3,6 billion (2013: R4,1 billion) on new projects and on replacement capital

required at its operations. The allocation within its capital expenditure programme over the last five years across its divisions is set out as follows:



The capital expenditure in Assmang's Iron Ore division was evenly distributed across its two mines, Khumani Iron Ore Mine and Beeshoek Iron Ore Mine. At Khumani, R440 million was spent on various plant productivity improvements and a further R171 million was spent on relocating Transnet's general freight line, in order to access mining areas. Beeshoek Iron Ore Mine spent R480 million on acquiring the new mining fleet required for mining the Village Pit, where waste-stripping is due to commence in October 2014. In line with the group's strategy for manganese, Assmang is on track to increase its annual production to above 4 million tons in the longer term. This project is being undertaken on a phased approach. A total of R6,7 billion of capital has been earmarked for it, of which R3,5 billion is for expansion, with R3,2 billion identified as capital necessary to maintain the existing mining capacity. During the financial year, R840 million was spent on this project.

The Sakura Ferroalloys Project in Malaysia, in which Assmang holds a 54,3% interest, is progressing well and is on schedule. The footprint of the facility has sufficient space to construct four furnaces, two of which are under construction in the first phase of the project. These two furnaces will have capacity to produce 110 000 tons of high-carbon ferromanganese and 70 000 tons of silico manganese alloys per annum respectively, the first of which is expected to be commissioned in October 2015 and the second during the first quarter of 2016.

### Dividends

With the higher earnings across the year, the group was able to increase both the interim and final dividend declared during the year. The interim dividend was increased from R2,50 to R4,50 per share and the final dividend from R3,50 to R5,50 per share, making the total dividend payout in relation to the group's activities for the year R10,00 (2013: R6,00) per share.

## Outlook

Conditions in the group's markets weakened considerably during the last quarter of the financial year and this downward trend has continued into the new financial year.

Despite uncertainty regarding the level of demand in China, the level of world steel production is expected to remain strong, due to increased demand from the United States and the rest of Asia. As part of a determined strategy, large Australian producers have already placed an additional 200 million tons of iron ore in the market over the past two years, causing prices to drop significantly. Pricing pressure is also expected from Brazil, with additional volumes becoming available on the market. Mixed signals and uncertainty in respect of demand out of China and the East will probably cause prices for iron ore to move in a range of between US\$70 and US\$90 in the short to medium term.

Prices for manganese ore have strengthened moderately and these prices are expected to be maintained, despite additional volumes becoming available from the new producers, mostly in the Kalahari area of South Africa. Due mainly to the uncertainty regarding the timing and extent of the re-entry of cheaper "UG2" tonnages into the Chinese market, the rate at which chrome ore prices may decline remains unclear.

The ongoing uncertainty created by the delay in the promulgation of the amendments to the Mineral and Petroleum Resources Development Act is cause for concern and does not create a climate conducive to further investment in the industry. Furthermore, South Africa's competitiveness

continues to be eroded by excessive increases in railage and electricity tariffs, lack of capacity and poor reliability from the supply of services from its parastatals. Transnet's Market Demand Strategy is a welcome development, but will only alleviate the current situation in the medium term. In the Northern Cape, a major constraint remains the availability of water for the new and expanded mines and towns. On the other hand, the initiative with the Sedibeng Water Board to increase capacity and to address the maintenance backlog is encouraging.

As mentioned above, in these trading conditions, the profitability of the group will not be at the levels experienced over the past four years, and the level of the rand/US dollar exchange rate, which is difficult to predict with any certainty, will continue to have a significant bearing on the profitability of all the group's products.

## Appreciation

Achieving record earnings in these uncertain markets takes a concerted effort from all and on behalf of the board I thank management and staff at all levels in the group for their efforts during the year. I also thank the board for its solid and ongoing support, and customers, agents, suppliers and bankers for the constructive relationships maintained during the year.



**Desmond Sacco**

Chairman

20 October 2014

# Board of directors

## 1. 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).

## 2. 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).

## 3. 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.

## 4. 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.

## 5. 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).





## 6. 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 practiced 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 province and of the Law Society of South Africa. He is a director of a number of companies. He joined the Assore board as a non-executive director in January 2009, and was appointed as Deputy Chairman and lead independent director in November 2010. He is the chairman of the group's Audit and Risk, and Remuneration committees.

## 7. Robert J Carpenter

Non-executive director

*BA, ACIS*

Bob joined the Ore & Metal Company Limited in 1964 and was appointed as its Managing Director in 1991. He was appointed to the Assore board in 1987 and to the Assmang board in 1989. He served as Deputy

Chairman of Assore from 1993 until November 2010, when he stood down in this capacity, in anticipation of his retirement as executive director on 28 February 2011, on which date he accepted an appointment as a non-executive director.

## 8. Sydney Mhlarihi

Independent non-executive director

*BCom, BAcc, CA(SA)*

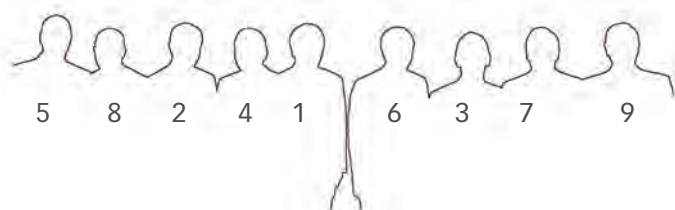
Sydney qualified as a chartered accountant in 1998 following the completion of his articles at Ernst & Young in 1997. He co-founded Tamela Holdings Proprietary Limited (Tamela) in 2008, which holds investments in various industries. Sydney has held various senior positions in the investment banking sector, 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.

## 9. 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.





## Executive committee

### 1. Desmond Sacco

Chairman  
*BSc (Hons) (Geology)*  
47 years' service

### 2. CJ Cory

Chief Executive Officer  
*BA, CA(SA), MBA*  
25 years' service

### 3. AD Stalker

Group Marketing Director  
*BSc (Hons) (Geology), GDE*  
20 years' service

### 4. BH van Aswegen

Group Technical and Operations Director  
*BEng (Metallurgy), BCom, MEng*  
11 years' service

### 5. RP Burnand

Group General Manager: Wonderstone  
*BTech (MatSci), PhD (Eng Science)*  
14 years' service

### 6. C Claassen Pruis

Senior Sales Manager: Chrome  
*BCom (Marketing and Communication)*  
12 years' service

### 7. RA Davies

Group Accountant  
*BCompt (Hons), CA(SA)*  
6 years' service

### 8. JC Venter

Senior Sales Manager: Manganese  
*BEng (Industrial)*  
14 years' service





**9. C Els**

Senior Sales Manager: Iron Ore  
*BEng (Industrial)*  
 8 years' service

**10. HH Gouws**

Senior Project Manager  
*BEng (Mechanical), PrEng*  
 5 years' service

**11. CA Magalhaes**

Manager: Technical Services  
*GDE (Mining Engineering), GCC (Mining Survey), Pc.Ms*  
 8 years' service

**12. A McAdam**

Group Manager: New Business  
*BSc (Hons) (Metallurgy), MBA*  
 15 years' service

**13. FT Olivier**

Group Consulting Mining Engineer  
*BEng (Mining), MCom, GDE*  
 14 years' service

**14. CL Reichardt**

Senior Manager: Safety, Health, Environment,  
 Risk and Quality  
*BSc (Hons) (Geology), MSc (Hydro Geology)*  
 5 years' service

**15. PE Sacco**

Deputy Managing Director: Ore & Metal  
*BA (Indus Psych), MA (Marketing)*  
 11 years' service

**16. HL Smith**

Group Consulting Metallurgist  
*BEng (Metallurgy)*  
 3 years' service

**17. C van der Merwe**

Geologist  
*BSc (Hons) (Geology), MAP (Wits)*  
 2 years' service





## Operational review and commentary

The performance of the Assore group is 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 influenced 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 outside southern Africa, in the Far East, Asia, Europe and North America. 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.

Growth in global steel production has continued during 2014 and the total is expected to be above 1 640 million tons for the calendar year, of which China is expected to produce at least 815 million tons, where continued demand is foreseen based on its central government's investment into housing and infrastructure.

In Asia, steel production is expected to remain at a high level, with a revival of growth taking place in India due to pending changes in governmental policies. North American production is expected to remain at reasonable levels, but there are renewed concerns regarding Europe, particularly regarding the state of the Italian and French economies.

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

	2014 R'000	2013* R'000
Iron ore	3 179	2 766
Manganese	529	470
Chrome	45	(6)
Other group transactions	477	304
Total headline earnings	4 230	3 534

\* Restated due to the adoption of changes to IFRS (refer page 104).

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:

	2014 metric tons '000	2013 metric tons '000	Increase/ (decrease) %
Iron ore	15 640	16 070	(3)
Manganese ore*	2 708	2 856	(5)
Manganese alloys	279	260	7
Chrome ore	988	1 054	(6)
Charge chrome	32	77	(58)

\* 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. Assmang's iron ore export sales for the year were 3% lower than the previous year due mostly to restricted plant availability and unreliable water supply in the Northern Cape, which has arisen as a result of maintenance backlogs in the water delivery infrastructure.

As in recent years, most of the sales (68% (2013: 68%)) were made into Asia, with a steady recovery of sales volumes into Japan of over 28%. With sluggish economic growth in Europe persisting, volumes into this region remained constant. The sales strategy of the group is to focus on expanding into new markets to achieve as much regional diversification as possible, while ensuring effective risk management and the delivery of optimal returns.

Despite an expectation that significant additional supply entering the market in the second half of 2013 would depress selling prices, delays in major iron ore projects and strong demand supported robust pricing levels. However, early during the 2014 calendar year, the market dynamics changed significantly, with most of the large Australian projects being commissioned and ramped

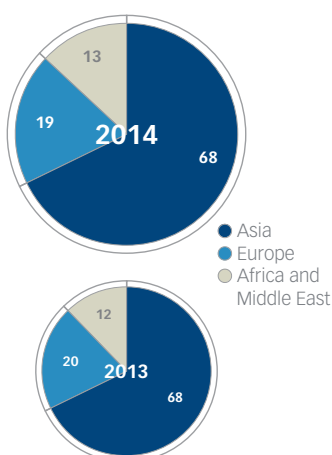
up, and with additional volumes from new projects in Brazil due to be brought on stream in the near future.

For now, a new normal price range for the 62% fines index seems to have been established between US\$80 and US\$100 per metric ton (mt), for 62% content fines grade, delivered into China. Resistance to this downward pricing pressure is evident, due to producers in the upper part of the cost curve, both in China and globally, having had to cut back or cease production. Because much of this new production is of a lower grade, the differential between the higher and lower grade pricing indices has increased substantially, as have the penalties for impurities such as silica.

Due to the volatility of iron ore prices, the premium that steel producers are willing to pay for lumpy grade material has varied greatly. This premium was recorded at a level as high as US\$19 per mt at the end of the 2013 calendar year, and at a low of less than US\$3 per mt in June 2014, which is the cost differential to operate sintering plants, which upgrade iron ore fines grades. While the higher levels of the premium were not sustainable, the low levels do not reflect the "value in use" of lumpy grades and the premium has since recovered to a more realistic level of between US\$5 and US\$7 per mt.

The contribution to Assore's headline earnings by Assmang's Iron Ore division increased by 14,9% to R3 179 million (2013: R2 766 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 R2,1 billion (2013: R2,7 billion) of which R673 million was spent on various optimisation projects at the Khumani Iron Ore Mine. At the Beeshoek Iron Ore Mine, R480 million was spent on acquiring the new mining fleet required for mining the Village Pit, which is on schedule to commence waste-stripping in October 2014.

## 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 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. 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. High-carbon ferromanganese is produced from furnaces

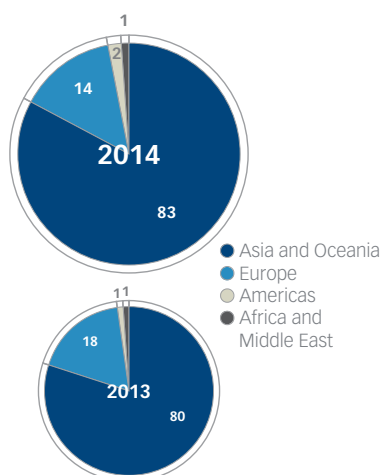
1, 2 and 5 at Cato Ridge Works and from furnace 3 at Machadodorp Works, while refined ferromanganese is produced from hot metal sourced from furnaces 5 and 6 at Cato Ridge Works.

The level of global steel production has increased to another record level, annualised to the end of the 2014 calendar year at 1 640 million (2013: 1 607 million) mt, which continues to be driven by China, with increases from Korea and Japan evident as well. Prices for manganese ore remained stable for the first eight months of the financial year, at an average of US\$5,20 per metric ton unit (mtu). However, additional volumes of medium-grade semi-carbonate ore from new South African producers have since become available, resulting in downward pressure on manganese ore prices towards the end of the financial year.

Although higher grade ores are generally not in oversupply, these prices also came under pressure and the index price for 44% grade manganese declined to a low of US\$4,15/mtu, delivered in China. This price has since recovered marginally and the pricing differential between high-grade ore and medium-grade ore is now at a more realistic level of between 60 and 70 US cents per mtu.

Sales volumes of manganese ore for the year were somewhat lower than in the previous year due to lower domestic demand and timing differences of shipments. On a per-region basis, sales for the year and the previous financial year are illustrated as follows:

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



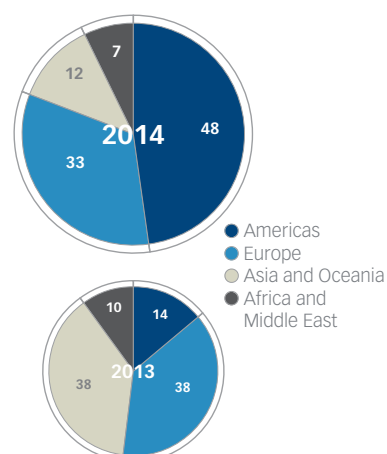
Market conditions for manganese alloys have remained generally stable over the financial year, with the exception of the high-carbon ferromanganese sector, which remains significantly oversupplied. Towards the end of the 2013 calendar year there were some supply cutbacks by major producers which caused a minor recovery in prices, particularly in the European market. The exceptionally cold winter in North America also caused a strong temporary upward movement in that market when logistics were disrupted. Prices in both of these geographical areas, which are the main seaborne markets, have since eroded.

Prices in US dollars for medium-carbon ferromanganese alloys were higher by 2,2% compared to the previous financial year due to cutbacks by producers. Recently, the increased margins have attracted additional volumes back into the market.

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 ferromanganese sales on a per-region basis (%)**



These market conditions resulted in the contribution to Assore's headline earnings from Assmang's Manganese division increasing by 12,6% to R529 million for the current year (2013: R470 million). Capital expenditure during the year in Assmang's Manganese division amounted to R1,3 billion



## Operational review and commentary continued

(2013: R1,2 billion), the bulk of which (R840 million) was spent on the expansion of the Black Rock mines to reach a sustainable output capacity of at least 4 million tons per annum in the longer term.

Construction of the ferromanganese plant by a joint venture, approved by its board in the amount of US\$328 million, in which Assmang has a 54,36% interest, in the Sarawak state in Malaysia, is progressing according to schedule and is within budget (US\$76 million spent to date). Once fully commissioned, the plant will be able to produce 110 000 mt of high-carbon ferromanganese and 70 000 mt of silico manganese annually.

### 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, currently under development. Commercial production from the underground shafts is due to commence early in 2015. In addition, the group is undertaking trials to re-establish open-cast mining at Zeerust Chrome Mines Limited (Zeerust), which is located about 70 km 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", page 40).

The bulk of chrome ore mined worldwide is converted to ferrochrome and utilised in the production of stainless steel. The markets for ferrochrome and chrome continue to be driven by the level of Chinese stainless steel production and has increased to over 20 million tons per annum, which accounts for more than half of global production volume. China is also the largest consumer of ferrochrome, due to its low level of scrap metal availability and its preference to produce non-nickel-containing stainless steel. As a result of these factors and lower production costs, it is also the largest ferrochrome producer with an estimated market share of 36%, compared

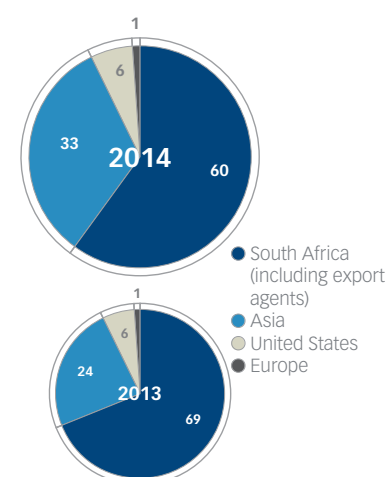
to South Africa's share of 32%. As China has few chrome ore deposits of its own, it remains by far the largest importer of chrome ore and, in 2013, imports exceeded 12 million metric tons, of which more than 50% was supplied from South Africa.

Ferrochrome remains in oversupply, and although there have been some closures of smaller producers in China, several large new smelters have been commissioned. New capacity is also planned in Finland and Kazakhstan, and the South African producers have increased their capacity utilisation post the Eskom buybacks. Although Assmang is no longer operating chrome furnaces, it is still producing charge chrome from historical slag material and has established niche markets for these products.

Chrome ore prices for most grades have been better than expected, principally as a result of the prolonged strike action in the platinum sector, which deprived the market of much of the low-grade "UG2" grade chrome concentrate, which is a by-product of platinum production.

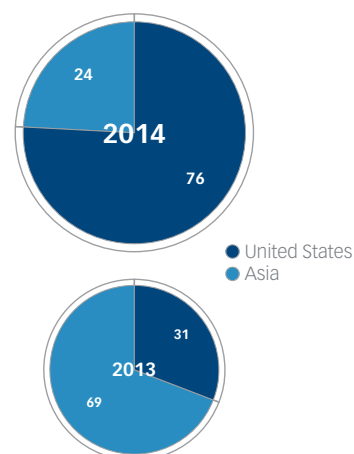
Chrome ore sales on a per-region basis for the current and previous financial years are illustrated as follows:

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



The distribution of sales of ferrochrome on a per-region basis for the current and previous financial years is illustrated as follows:

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



The Chrome division of Assmang returned to profitability, contributing R64 million to the headline earnings of the group.

During the year, Rustenburg Minerals produced and sold approximately 182 000 tons (2013: 179 000 tons) lumpy and concentrate grades and Zeerust produced and sold approximately 20 000 tons (2013: 37 000 tons). Development expenditure on the Groenfontein and Zandspruit underground shafts continues, and R57 million (2013: R36 million) was spent in this regard during the year.

### 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 where the price level of crude oil determines the level of drilling activity, leading to increased demand for these products.

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.

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.

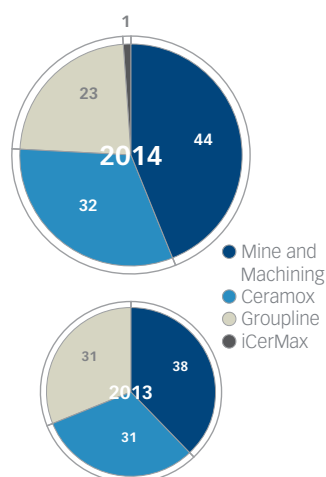
Market conditions for all the Wonderstone divisions (Wonderstone Mining and Machining, Ceramox and Group Line Projects) have been difficult over the past year as a result of subdued economic growth, as well as delays in the start-up of capital projects in the South African mining industry and backlogs in steel fabrication. However, despite these conditions, these divisions reported a break-even result, compared to a loss of R12 million in the previous year, representing a significant turnaround in these businesses. Efforts by Wonderstone's management, which were focussed on developing the expanding Eastern markets, which appear to have moved from the traditional Western markets, have resulted, in particular, in its Mine and Machining division recording a significant improvement in profitability to R10,5 million (2013: R2,6 million). In order to improve proximity to market and to be able to support maintenance contracts, Groupline's business has recently been expanded by the

establishment of branches in several locations in South Africa.

During its first year of business, positive feedback was received on the performance of iCerMax's filtration units and Wonderstone's ceramic cartridges from the identified market. The results are currently being assessed to ensure the most effective degree and method of market penetration is adopted. With this business currently in an embryonic stage, iCerMax recorded a loss of R3,6 million (2013: R1,9 million loss) for the year.

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 R2,3 million (2013: R7,9 million).

### 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 R27,6 billion (2013: R25,0 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 profit after taxation for the year increased to R320,9 million (2013: R275,9 million) for the year under review, due mainly to higher iron prices in the first half of the year and a weaker rand/US dollar exchange rate across the year.

### 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 gradual recovery of the US economy has resulted in Minerais' contribution to the group's attributable profit for the year increasing to R20,9 million (2013: R5,6 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 group turnover-related, and due to the higher turnover in the group, resulted in its net profit after taxation for the year increasing to R193,7 million (2013: R139,1 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 R22,2 million on its revaluation (after allowing for capital gains taxation relief). At 30 June 2014, the market value of the portfolio was R378,0 million (2013: R178,4 million), based on a cost of R293,4 million (2013: R157,8 million). Other income includes interest received of R112,9 million (2013: R82,3 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 higher cash balances in the group during the financial year, mainly as a result of increased turnover in Assmang.



# Corporate governance and risk management report

The Assore board (the board) is of the opinion that strong corporate governance and risk management not only enhance sustainability of an organisation but 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 its business entities where management, in conjunction with the necessary support from the Audit and Risk Committee, is responsible for identifying, quantifying and managing risks related to the achievement of the organisation's objectives on a sustainable basis. The process of quantification takes into account qualitative aspects in addition to their potential financial impact.
- Creating a process which provides the board, through the Audit and Risk Committee, with assurance over the adequacy of internal control within the organisation, ie that the risk and control environment in place is appropriate for the business concerned and that the business is operated in a manner which provides the board with reasonable assurance that appropriate safeguarding of the group's assets is achieved.
- 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 (2013: AAA), utilising its Governance Assessment Instrument. The detailed governance register is located on the group's website at, 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 has a unitary structure, comprising eight directors, four of whom are executive and four non-executive. As the Chairman does not have a casting vote, there is a clear balance of power and authority to ensure that no one director has unfettered powers in its decision-making processes.

Of the four non-executive directors, three directors are independent and either hold, or have held, directorships in other listed and unlisted companies registered in South Africa, or have had considerable experience at a senior level in their respective professions.

Independent non-executive directors are appointed in terms of three-year 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 the appropriate professional qualifications and having had substantial exposure to business as a whole, and in particular in the mining industry, in senior managerial roles and/or related professional practice, including exposure to applicable legislation, rules, codes and standards. In the event that an incoming director does not possess the necessary knowledge, the group provides formal and on-the-job training as required. Incoming non-executive directors are fully apprised of the group's activities and relevant issues 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 (Mol), all non-executive directors are subject to retirement by rotation and re-election by shareholders at least once every three years, provided that at least one-third of their number offer themselves for re-election at

the 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 10 February 2014.

### 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 <sup>^</sup>	4	3
EM Southey	4	4
CJ Cory	4	4
AD Stalker	4	4
BH van Aswegen	4	4
RJ Carpenter	4	4
S Mhlarhi	4	4
WF Urmson	4	4

<sup>^</sup> Represented by alternate at meeting not attended.

### 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 to the group. Documented terms of reference for the board are not required, since all of the directors have substantial business experience at a senior level.

The composition of the board as described above having an equal number of executive and non-executive directors, 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 non-executive directors.

A key aspect of the group's activities includes marketing and distribution, its reputation and relationships with its customers, together with all other stakeholders, is assessed in all of the board's actions and not in isolation. The Chairman is appointed by the controlling shareholder in Assore and, in order to compensate for the resulting lack of formal appraisal of his performance, further insight into the group's activities is provided to the Chairman at regularly convened 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.



# Corporate governance and risk management report continued

## 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 four times in the year under review and attendance at these meetings is tabled below (the additional meeting was an extraordinary meeting to consider the application of IFRS 10 – *Consolidated Financial Statements* (refer “Changes in accounting policies”, page 103 of this report)):

	Possible attendance	Attended
EM Southey (Chair)	4	4
S Mhlarhi	4	4
WF Urmson	4	4

The chairman of the committee reports to the board 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 2014 to the board on 20 October 2014.

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 the 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 shareholders regarding the appointment of the external auditors;
- review the activities, services and performance of the external auditors, evaluating their independence and reviewing their overall role and appropriateness of fees charged;
- review and approve the annual financial statements, interim reports and related disclosures and other significant announcements made by the group, making the necessary recommendations to the board;
- consider the appropriateness of the group’s accounting policies;
- monitor and supervise the effective functioning of the internal audit function (refer “Internal audit and internal control”) to ensure that the roles of both internal and external audit are clear 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 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 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 internal 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 and meets with external audit independently in order to exchange their respective views on the risk environment to which the group is exposed, as well as issues that may have a bearing on the external audit process and objectives based on fieldwork performed by them. Internal audit certifies to the board and the

committee on an annual basis that the internal controls and financial controls have not revealed any significant breakdown in internal controls 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 the external auditors in terms of ISRE 2410 – Review of Interim Financial Information Performed by the 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 terms of reference, the committee is required to meet at least twice per annum (previously three times) on predetermined dates. The committee met three times during the year and attendance at these meetings is tabled below:

	Possible attendance	Attended
WF Urmson (Chair)	3	3
RA Davies	3	3
BH van Aswegen	3	3

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. 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 relating to:

- social and economic development of communities within the vicinities of the group's operations;
- maintaining good corporate citizenship;
- the environment, health and public safety, 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.

### Company Secretary

The company has appointed a wholly owned subsidiary, African Mining and Trust Company Limited (AMT), as company secretary (refer page 33). 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 operates a closed period 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 prior to the announcement of information considered to be price sensitive and where a public announcement is imminent. 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), in Assmang, 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 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, including operational risks, which could adversely affect the



# Corporate governance and risk management report continued

achievements of the group's business objectives. Risk assessments are ongoing, and risk registers for all significant operations in the joint-venture entity, Assmang, are prepared and updated quarterly by a dedicated risk management department, with assistance from specialised external consultants.

For larger business entities, independent risk engineering consultants grade each operation against international risk standards for fire, security, engineering, commercial crime, contingency planning and mining, as well as environmental risk to monitor whether current practices meet the set criteria and are being maintained. Input is obtained from various risk management committees comprising representatives from senior management. On completion and review of these processes, insurance cover is acquired 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 44):

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

Details of the risks to which the group is exposed is included on pages 14 to 16 in 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), which 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 at this stage, given the degree of involvement by the CEO and senior management on an ongoing basis in these issues. In addition, the IT systems are subjected to a detailed annual external audit, which 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 committees for the fields appropriate to their respective terms of reference, from which management receives any guidance deemed necessary from those committees. 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. 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 14 to 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. The internal audit functions at the various operations in the group have been outsourced to the respective special services divisions of recognised professional auditing firms. Internal auditors monitor the operation of the internal control systems and governance processes and, after discussion with management, report findings and recommendations to the Audit and Risk Committee. Corrective action is taken to address control deficiencies as and when they are identified. Since material issues of compliance are 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 37). 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 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.

The MPRD Act has changed the previous common law and statutory position in South Africa in terms of which mineral rights could be held privately. Instead, pursuant to the MPRD Act, and with effect from 1 May 2004, the state has assumed sovereignty and custodianship of all mineral rights in South Africa and 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 commencing in May 2004 and ending in 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 42).
- 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 Excom 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
	26,07



## The 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

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 recently 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 R13,3 million (2013: R9,2 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 Lekgatlle#

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, as far as possible, 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 2014 financial year, and pursuant to the trust deeds, the trustees have approved expenditure amounting to R6,9 million (2013: R7,2 million) and have committed themselves to spending a further R4,6 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	5 399	965	6 364
Rustenburg Minerals	Imfundo Likusasaletu, primary educational intervention	782	1 891	2 673
Rustenburg Minerals	Makgope Primary School Media Centre	734	566	1 300
Wonderstone	Tsholonang Children's Disability Centre	—	1 200	1 200
		6 915	4 622	11 537

## Black economic empowerment status report continued

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". Pursuant to the Boleng Trust becoming a beneficiary of the Fricker Road Trust, the trusts have R38,0 million of funds available for application to future projects.

### The 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. During the 2014 financial year, the trust effected dividend rights distributions to employees totalling R10,1 million (2013: R13,2 million). The distributions for 2013 included payments relating to Assore's dividends for both the 2012 and 2013 financial years. An independent valuation performed as at 30 June 2014 indicates that the value of equity rights granted to employees amounted to R5,1 million (2013: R3,7 million (refer note 13, "Share-based payment liability", in the consolidated financial statements)).

### 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 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
<b>2014</b>			
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
<b>2013</b>			
Assmang	11 166,3	10 114,9	90,6
Rustenburg Minerals	184,6	118,0	63,9
Zeerust	42,0	17,9	42,6
Wonderstone	48,0	39,2	81,7
African Mining and Trust	61,5	75,8	123,3 <sup>†</sup>

\* 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).

<sup>†</sup> Expenditure of Level 1 to 3 suppliers is recognised at more than 100% in terms of the dti codes.

The improvement in the percentage of BBBEE expenditure within Assmang is due to management's consistent efforts in ensuring that suppliers selected are certified at higher levels. In absolute terms, the relative proportion of Level 2 suppliers has increased over the previous year by 35,2%, with reductions in Level 3 and 4 suppliers of 19,2% and 9,3% respectively.

The modest decline in the results of the preferential procurement in the group's subsidiary operations is due in part to a

mining services contractor failing to procure the necessary certification, which has since been undertaken. Management continues to ensure that, where possible, all suppliers remain certified for BBBEE purposes. In addition, the group has embarked on a programme with one of its suppliers to assist it in restructuring its ownership, which, upon completion, will contribute significantly to the procurement status of Rustenburg Minerals, while simultaneously providing a model for similar restructuring opportunities with other suppliers.

Phase 1 of the Natanja School, Ottosdal, located in the vicinity of Wonderstone Mine, an Assore CSI project



## Sustainability highlights

The complete Sustainability report is located on the group's website under "Annual reports" in the "Investor centre".

### Safety

- ▶ Three consecutive years of zero fatalities in Assmang and zero fatalities in the group for the year
- ▶ Assmang's Beeshoek mine awarded the MineSafe Industry award for 2014 as the base metals mine with the best safety performance in South Africa

### Employee housing

- ▶ 1 321 new houses completed by Assmang's Khumani Housing Development Corporation in Kathu, Kuruman and Postmasburg during the year

### Empowerment

- ▶ Through its BEE trusts, the Assore group spent R6,9 million on projects and has a further R38 million available to spend

### Community economic development

- ▶ Total community and economic development expenditure of R159,4 million: Assmang, R136,4 million and the Assore group, R23,0 million on social upliftment and economic development projects





## Group sustainability performance

Indicator	Unit	2014		2013	
		Assmang operations	AMT operations	Assmang operations	AMT operations
Total greenhouse gas emissions	Tons CO <sub>2</sub> e	1 691 894	28 309	1 659 657	22 621
– scope 1 emissions	Tons CO <sub>2</sub> e	549 210	14 306	532 418	9 418
– scope 2 emissions	Tons CO <sub>2</sub> e	1 142 684	14 003	1 127 239	13 203
Electricity consumption	MWh	1 215 621	14 974	1 199 191	14 118
Diesel consumption	'000 litres	54 017	5 494	62 710	3 581
Water consumption	m <sup>3</sup>	11 701 756	560 399	13 725 444	493 203
Waste generation					
– waste rock	m <sup>3</sup>	79 207 808	2 339 191	52 394 275	929 988
– tailings/slag	Tons	4 019 204	68 778	4 199 299	86 549
Financial provision for rehabilitation and closure	R million	817,2	19,8	734,1	18,0
Number of environmental administrative penalties/fines	Number	1	0	1	0
Fatalities	Number	0	0	0	2
Lost-time injuries	Number	31	11	42	12
Lost-time Injury Frequency Rate (LTIFR)	Rate per 200 000 hours	0,25	1,15	0,32	1,13
Section 54 notices issued (Mine Health & Safety Act)	Number	5	3	7	4
Production shifts lost due to Section 54 notices	Number	18	17	15	55
Prohibition notices issued (Occupational Health & Safety Act)	Number	1	0	0	0
Medicals performed	Number	19 894	1 100	19 352	1 021
Noise induced hearing loss cases referred for compensation	Number	13	3	14	2
New TB cases reported	Number	50	0	59	0
Total employees as of 31 July 2014	Number	13 128	906	9 760	820
– permanent	Number	6 537	389	6 573	332
– contract	Number	6 591	517	3 187	488
Production days lost to strike action	Production days	0	7	0	0
New employee houses completed	Number	1 321	0	837	0
Community and economic development expenditure	R million	136,4	23,0	100,7	9,0

All figures for the Assmang operations are stated on a 100% basis



Front entrance to the Natanja School, Ottosdal, located in the vicinity of Wonderstone Mine, an Assore CSI project



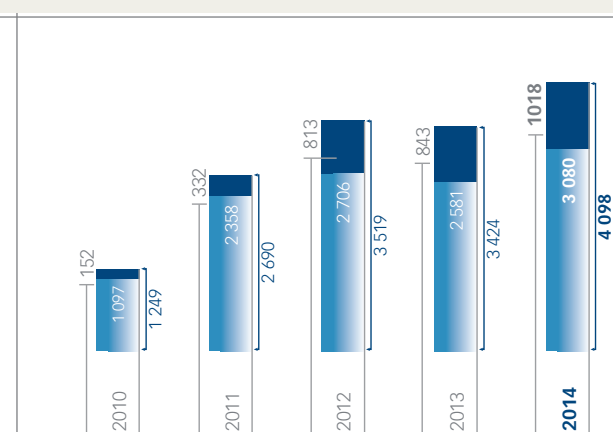


# Five-year summary

## OF THE CONSOLIDATED FINANCIAL STATEMENTS

	2010 <sup>1</sup> R'000	2011 <sup>1</sup> R'000	2012 <sup>1</sup> R'000	2013 <sup>1</sup> R'000	2014 R'000
<b>INCOME STATEMENTS</b>					
<b>Revenue</b>					
Profit before profit on disposal of available-for-sale investments	1 029 786	1 568 968	1 699 861	1 964 409	<b>2 894 596</b>
Profit on disposal of available-for-sale investments	253 586	535 710	378 268	480 603	<b>698 053</b>
Taxation	–	–	472 200	27 850	<b>–</b>
Share of profit from joint venture, after taxation	(108 200)	(179 428)	(245 427)	(171 227)	<b>(240 486)</b>
	1 366 111	2 893 404	3 441 994	3 092 476	<b>3 572 155</b>
<b>Profit for the year</b>					
Attributable to:					
– Shareholders of the holding company	1 511 497	3 249 686	4 047 035	3 429 702	<b>4 029 722</b>
– Non-controlling shareholders	1 479 524	3 219 754	4 033 014	3 426 978	<b>4 005 123</b>
	31 973	29 932	14 021	2 724	<b>24 599</b>
As above	1 511 497	3 249 686	4 047 035	3 429 702	<b>4 029 722</b>
<b>Other information</b>					
Attributable earnings as above (R'000)	1 479 524	3 219 754	4 033 014	3 426 978	<b>4 005 123</b>
Headline earnings (R'000)	1 494 205	3 219 348	3 707 763	3 533 823	<b>4 229 890</b>
Earnings per share (cents)	1 236	2 691	3 828	3 320	<b>3 881</b>
Headline earnings per share (HEPS, cents)	1 249	2 690	3 519	3 424	<b>4 098</b>
Adjusted headline earnings per share (cents) <sup>2</sup>	1 097	2 358	2 706	2 581	<b>3 080</b>
Dividends declared during the year	415 324	614 271	698 036	767 839	<b>1 116 856</b>
Less: Dividends attributable to treasury shares (BEE-controlled)	(56 309)	(87 716)	(182 000)	(200 200)	<b>(291 200)</b>
	359 015	526 555	516 036	567 639	<b>825 656</b>
Dividends relating to the activities of the group for the year under review (cents)					
– Interim declared and paid	100	200	250	250	<b>450</b>
– Final (declared subsequent to year-end)	240	250	300	350	<b>550</b>
	340	450	550	600	<b>1 000</b>
Weighted average number of shares for purposes of calculating earnings per share					
Ordinary shares in issue	138 430	139 607	139 607	139 607	<b>139 607</b>
Treasury shares, in accordance with IFRS <sup>2</sup>	(18 750)	(19 936)	(34 240)	(36 400)	<b>(36 400)</b>
Weighted average	119 680	119 671	105 367	103 207	<b>103 207</b>
Average exchange rates for the year:					
SA rand to US dollar	7,60	7,00	7,73	8,85	<b>10,42</b>
SA rand to euro	10,53	9,54	10,39	11,46	<b>13,06</b>

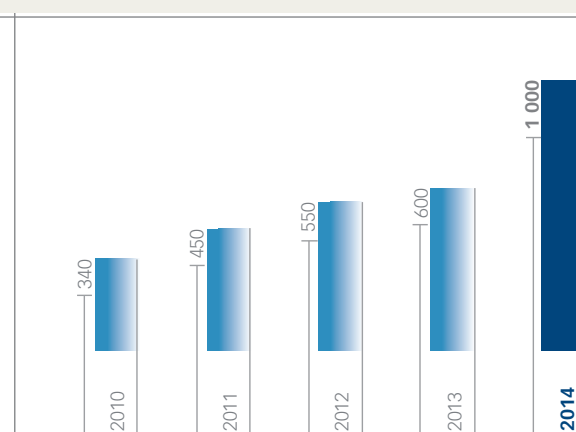
**Headline earnings per share (cents)**



■ Adjusted headline earnings per share – HEPS (refer note 2)

■ Enhancement to HEPS, due to treatment of BEE-controlled shares as treasury shares (refer note 9 to the annual financial statements)

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



### Notes:

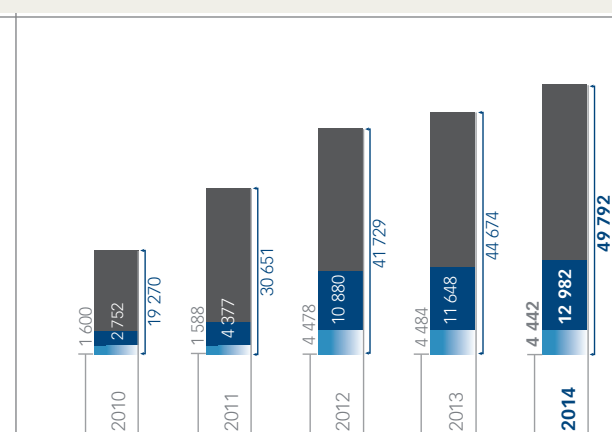
<sup>1</sup> The consolidated financial statements for the years 2010 to 2013 have been restated due to the adoption of new and amended IFRS (refer page 102).

<sup>2</sup> HEPS calculated including treasury shares in the number of shares in issue (this is a non-IFRS measure). Refer note 9 to the consolidated financial statements.



	2010 <sup>1</sup> R'000	2011 <sup>1</sup> R'000	2012 <sup>1</sup> R'000	2013 <sup>1</sup> R'000	2014 R'000
<b>STATEMENTS OF FINANCIAL POSITION</b>					
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment in jointly controlled entity	7 018 140	8 911 494	11 353 539	12 946 015	14 768 170
Property, plant and equipment and intangible assets	398 118	456 438	487 380	510 577	552 191
Investments					
– available-for-sale investments	602 851	918 038	239 333	178 430	377 988
– other	73 267	53 051	34 724	41 963	46 613
Pension fund surplus	–	–	–	12 315	56 973
	8 092 376	10 339 021	12 114 976	13 689 300	15 801 935
<b>Current assets</b>					
Other current assets	571 712	456 013	468 535	677 003	1 011 113
Cash resources	918 869	750 143	1 051 329	1 703 746	2 144 598
<b>Total assets</b>	<b>9 582 957</b>	<b>11 545 177</b>	<b>13 634 840</b>	<b>16 070 049</b>	<b>18 957 646</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Share capital and reserves</b>					
Ordinary shareholders' interest	7 867 443	10 765 524	11 189 751	14 031 378	17 302 592
Non-controlling interests	102 035	114 287	126 858	128 910	150 271
<b>Total equity</b>	<b>7 969 478</b>	<b>10 879 811</b>	<b>11 316 609</b>	<b>14 160 288</b>	<b>17 452 863</b>
<b>Non-current liabilities</b>					
Deferred taxation	63 840	100 485	44 835	43 622	63 426
Long-term liabilities	19 560	19 004	1 645 564	870 782	373 234
	8 052 878	10 999 300	13 007 008	15 074 692	17 889 523
<b>Current liabilities</b>					
Non-interest-bearing	498 435	391 730	435 813	645 933	529 535
Interest-bearing	1 031 644	154 147	192 019	349 424	538 588
<b>Total equity and liabilities</b>	<b>9 582 957</b>	<b>11 545 177</b>	<b>13 634 840</b>	<b>16 070 049</b>	<b>18 957 646</b>
Exchange rates at year-end					
SA rand to US dollar	7,66	6,78	8,31	9,96	10,58
SA rand to euro	9,39	9,82	10,45	13,00	14,44

Market capitalisation – analysis (R million)



■ Market capitalisation of BEE-controlled entities, consolidated in terms of IFRS (refer pages 66 and 103)  
■ Unpaid vendor financing in BEE-controlled entities

Total assets (R billion)

