

# ASSMANG LIMITED

annual report | 2004



**ASSMANG**



# Contents

Group profile **1** Forward looking statements **2** Salient features **2** Five-year summary **3** Administration **4** Asset locations **5**  
Review by the chairman **6** Mineral resources and reserves **9** Regulatory matters **13** Sustainable development **15**  
Corporate governance and responsibility **18** Approval of annual financial statements **22** Certificate by secretary **22**  
Report of the independent auditors **23** Directors' report **24** Accounting policies **29** Balance sheets **36** Income statements  
**37** Cash flow statements **38** Statements of changes in equity **39** Notes to the financial statements **40** Shareholders' diary **53**  
Notice of annual general meeting **54** Form of proxy **Attached**

# Group profile

Assmang Limited (“Assmang”), a company incorporated in the Republic of South Africa (Company Registration No. 1935/007343/06), mines manganese and iron ores in the Northern Cape Province and chrome ore at Dwarsrivier in the Mpumalanga Province. The Company also produces manganese alloys at its works at Cato Ridge in the KwaZulu-Natal Province and chrome alloys at its works at Machadodorp, in the Mpumalanga Province. Cato Ridge Alloys (Proprietary) Limited, a joint venture between the Company, Mizushima Ferroalloys Company Limited and Sumitomo Corporation of Japan, produces refined ferromanganese at the Cato Ridge works.

Incorporated in 1935 – listed on the JSE Securities Exchange South Africa (JSE) in 1936 – the Group employs 2 602 people and is operated as three divisions namely, iron ore, manganese and chrome. In terms of a long standing arrangement the Company is controlled jointly by African Rainbow Minerals Limited (“ARM”) (which holds 50,4%) and Assore Limited (“Assore”) (which holds 45,7%), both of which are listed on the JSE Securities Exchange South Africa.

Assmang mines iron ore near Postmasburg and manganese ore near Kuruman, both about 700 kilometres south-west of Johannesburg. Most of the Group’s production is exported to the Far East, Europe and the United States of America. Manganese ore is also transferred to the works at Cato Ridge where it is used in the production of manganese alloys. Assmang’s Dwarsrivier chrome ore mine supplies ore to the Company’s Machadodorp Works for the production of chrome alloys. The Group’s alloy production is exported.

Assmang’s community investment initiatives continue with successful joint venture projects in close collaboration with Regional and Local Government, local community leadership and other mining companies operating in the areas. Community investment initiatives are also specifically focused on the remote rural areas in which the Company operates, where much needed networking, community empowerment and upliftment continues to be addressed. The community investment philosophy and approach has also been revised in order to align community investment to a series of human resources development legislations and to optimally align community investment with the core business strategy of Assmang.

Assmang is committed to the protection of the environment in which it operates and environmental management programmes have been established which are fully integrated with the safety and quality management systems and address all potential environmental impacts. The Group makes annual contributions into an environmental rehabilitation trust fund to provide for the funding of the future cost of rehabilitation. Quality control and environmental management systems are well established and maintained.





## Forward looking statements

Certain statements included in this report may constitute “forward looking statements”. Inevitably such forward looking statements involve known and unknown risks and uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by those forward looking statements. The Group is subject to commodity price, exchange rate and interest rate variances and the risks involved in mining operations and while every effort is made to anticipate and counter adverse impacts on the Group’s performance, it is not possible to guarantee the outcome of future results.

## Salient features

Financial results for the year ended:	<b>30 June 2004</b>	30 June 2003
	<b>R000</b>	R000
Turnover	<b>3 304 537</b>	2 904 483
Headline earnings	<b>213 821</b>	203 817
Attributable earnings	<b>218 323</b>	203 839
Dividends paid	<b>26 612</b>	42 578
Headline earnings per share	<b>6 026 cents</b>	5 745 cents
Attributable earnings per share	<b>6 153 cents</b>	5 745 cents
Dividends paid per share	<b>750 cents</b>	1 200 cents

# Five-year summary

	2004 R000	2003 R000	2002 R000	2001 R000	2000 R000
<b>Financial results</b>					
Turnover	3 304 537	2 904 483	2 809 352	1 926 189	1 579 075
Profit before taxation and State's share of profit	342 304	333 727	1 233 452*	349 879	215 777
Taxation and State's share of profit	123 981	129 888	246 911	118 943	89 180
Net profit for the year	218 323	203 839	986 541	230 936	126 597
Ordinary dividends	26 612	42 578	47 901	26 612	26 612
Retained profit	191 711	161 261	938 640	204 324	99 985
<b>Assets</b>					
Property, plant and equipment	2 395 331	2 072 198	1 877 833	1 622 306	1 085 965
Deferred tax assets	4 972	12 006	11 204	27 558	21 407
Environmental rehabilitation trust fund	18 617	13 068	10 385	8 150	5 905
Current assets	1 807 677	1 529 414	1 439 226	931 053	750 503
	4 226 597	3 626 686	3 338 648	2 589 067	1 863 780
<b>Equity and liabilities</b>					
Shareholders' equity	2 480 226	2 288 515	2 127 254	1 188 614	984 290
Deferred tax liabilities	527 587	447 768	379 801	288 395	213 668
Long-term liabilities	78 115	35 848	31 889	29 560	27 102
Current liabilities	1 140 669	854 555	799 704	1 082 498	638 720
	4 226 597	3 626 686	3 338 648	2 589 067	1 863 780
<b>Statistics</b>					
Number of ordinary shares in issue	3 548 206	3 548 206	3 548 206	3 548 206	3 548 206
Attributable earnings per ordinary share cents	6 153	5 745	27 804	6 508	3 568
Headline earnings per ordinary share cents	6 026	5 745	12 467	6 492	3 548
Dividend paid per ordinary share cents	750	1 200	1 350	750	750
Capital expenditure R000	492 677	338 116	372 312	625 772	404 643
Sales volumes					
– Manganese ore					
(excluding sales to Cato Ridge facility) t000	1 438	1 171	999	979	925
– Iron ore t000	5 460	5 263	4 775	4 315	4 170
– Chrome ore					
(excluding sales to Machadodorp facility) t000	44	20	39	–	–
– Manganese alloys t000	218	197	187	193	206
– Charge chrome t000	295	244	190	125	114

\*Includes exceptional item of R543,7 million



# Administration

## Directors

Desmond Sacco **Chairman**  
R P Menell **Deputy chairman**  
M Arnold\* (appointed 1 May 2004)  
B R Broekman\*†  
R J Carpenter†  
D N Campbell (resigned 1 May 2004)  
C J Cory\*  
P C Croust†  
J C Steenkamp†

## Alternate directors

B J Funston\* (withdrawn 22 June 2004)  
G C Butler‡  
P G W Henderson (appointed 22 June 2004)  
F H Kalp  
J W Lewis‡  
A McAdam‡  
G S Potgieter  
A D Stalker‡  
M J N Uys

\*Members of the audit committee

†Executive directors

‡British

## Secretaries, administrative and financial advisers

African Rainbow Minerals Limited

### Postal address

PO Box 782058  
2146, Sandton  
South Africa  
Telephone: (011) 779-1000  
Telefax: (011) 779-1031

### Transfer secretaries

Computershare Limited  
70 Marshall Street  
2001, Johannesburg

### Postal address

PO Box 61051  
2107, Marshalltown  
Telephone: (011) 370-5000  
Telefax: (011) 688-7721

### Technical advisers

African Rainbow Minerals Limited  
African Mining and Trust Company Limited

## Sole selling agents and distributors

Ore & Metal Company Limited  
Assore House  
15 Fricker Road  
Illovo Boulevard  
2196, South Africa  
  
Private Bag X03  
Northlands  
2116  
South Africa  
Telephone: (011) 770-6800  
Telefax: (011) 268-6440

## Management at the operations:

### Manganese and iron ores

W S Grobbelaar, **General Mine manager – Iron**  
A J Nel, **General Mine manager – Manganese**  
M A Oosthuizen, **Financial manager**

### Chrome ore

A P Hamman, **General Mine manager**  
W Smith, **Financial manager**

### Chrome alloys

K Cookson, **General manager**  
L R Wohlberg, **Financial manager**

### Manganese alloys

C G Muir, **General manager**  
G C T Karsten, **Financial manager**

### Auditors

Ernst & Young

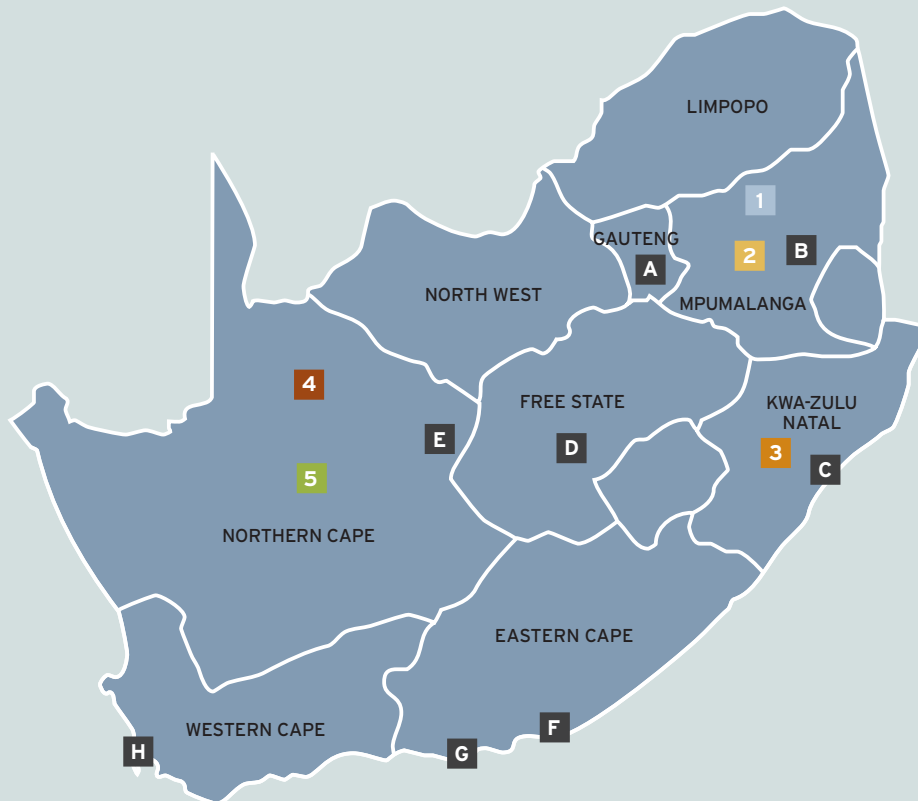
### Bankers

The Standard Bank of South Africa Limited  
ABSA Bank Limited

### Registered office

24 Impala Road  
2196, Chislehurst  
South Africa

# Location of operations



- A** Johannesburg
- B** Nelspruit
- C** Durban
- D** Bloemfontein

- E** Kimberley
- F** East London
- G** Port Elizabeth
- H** Cape Town

- 1** Chrome ore (Dwarsrivier)
- 2** Chrome alloys (Machadodorp)
- 3** Manganese alloys (Cato Ridge)
- 4** Manganese ore (Nchwaning)
- 5** Iron ore (Beeshoek)



# Review by the chairman

## Results

Assmang's financial year ended 30 June 2004 was, as far as earnings performance is concerned, a year of two halves. At the end of the first half in December 2003, the directors were compelled to announce a 97% decline in headline earnings. At the 30 June 2004 end of the second half, they have been able to report a 216,4% growth in headline earnings for that half. Combined, the results for the year have shown an improvement in headline earnings of 4,9% to R213,8 million (2003: R203,8 million) or R60,26 (2003: R57,45) per share.

These swings are directly attributable to the strength of the rand against the US dollar which was offset by significantly higher US dollar prices for all products, which occurred mainly in the last quarter of the financial year. The impact of these variables puts into perspective the difficulties of trading in such conditions and of predicting future conditions and performance. The average rand exchange rate achieved which export sales of the Group's products were negotiated during the year was R6,77 to the US dollar or 24,5% below the R8,97 realised in the previous year.

Steady growth in production volumes was achieved over the previous year across all the Group's commodities. In addition to increases in production volumes, sales volumes for all products also showed increases over the previous year as indicated in the table below:

	Sales volumes		
	2004 Metric Tons '000	2003 Metric Tons '000	Percentage Increase
Iron ore	5 460	5 263	3,7
Manganese ore (excluding sales to Cato Ridge Works)	1 438	1 171	22,8
Manganese alloys	218	197	10,7
Charge chrome	295	244	20,9

As a result turnover for the year rose by 13,8% to R3 304,5 million (2003: R2 904,5 million) and operating profit before depreciation by 5,4% to R560,1 (2003: R531,4) million. Attributable earnings, including the profit of R4,5 million realised on the sale of assets, rose by 7,1% to R218,3 million.

The increase in US dollar prices varied both in extent and timing across the year and exerted a variable impact upon the results of the individual divisions. While manganese alloy prices increased to unprecedented levels in the second half, the increase in dollar prices for manganese and iron ores was only effective in the last quarter and their contribution to earnings for the year was lower, despite higher tonnages.

The manganese division's contribution showed an 18,5% reduction in profit to R232,1 million (2003: R286,0 million) while the iron ore division's R11,1 million profit contribution was 79,3% down on the 2003 figure of R53,7 million. An increase in the US dollar price of charge chrome helped to reduce the loss reported by the chrome division, from the previous year's R135,8 million to R24,9 million.

## Volumes and prices

World crude steel production increased by 7,8 percent to 502,3 million tons in the first half of calendar 2004, largely driven by China's continuing production expansion which rose by a further 21% compared to the same period in calendar 2003.

Sales volumes of iron ore for the year under review increased to a record 5,5 million tons (2003: 5,3 million tons) and US dollar prices for both lumpy and fines have increased on average by 19 percent for the period April 2004 to March 2005 as a result of buoyant markets.



However, the scope to achieve further benefits from the strong demand is limited by railage and shipping capacity available through the port of Saldanha Bay. I have referred to this constraint on previous occasions as have other interested parties and it remains a serious impediment to the further expansion of iron ore sales volumes.

Sales volumes of manganese ore were substantially higher than last year's levels at 1,4 million tons (2003: 1,2 million tons). In Japan, US dollar prices for manganese ore for the period April 2004 to March 2005 have increased on average by 16 percent.

Co-operation in resolving constraints with regards to manganese ore export capacity through the port of Port Elizabeth is enjoying high priority from Spoornet management and the South African Port Operations.

Sales of manganese alloys increased to 218 000 tons over the previous year's 197 000 tons. This was facilitated by higher levels of production and by reduced stock levels at the Cato Ridge Works.

Sales of high carbon ferromanganese rose to 143 000 tons (2003: 127 000 tons) while sales of refined ferromanganese reached 47 000 tons from the previous year's 45 000 tons. Silico manganese sales also improved to 28 000 tons (2003: 25 000 tons) following increased production volumes. Recently, manganese alloy prices have reached unprecedentedly high levels. This has been due to a combination of strong demand, the closure of a substantial high carbon ferromanganese facility in France and production cutbacks in China, mainly due to a shortage of electric power.

Global stainless steel production has continued to show positive growth over the year and total production for calendar 2004 is likely to reach almost 24 million tons (2003: 22.5 million tons). The stronger rand, low global ferrochrome stocks, higher production and transport costs worldwide, resulted in US dollar prices for charge chrome rising by 75 percent over the past year. Sales volumes of charge chrome increased by over 20 percent to a record 295 000 tons (2003: 244 000 tons) during the year under review.

### **Major capital projects**

The Group continued with its significant capital expenditure programme, which has seen Assmang invest R2,1 billion over the past six years. The programme is focused on re-capitalising and enlarging the businesses of all the Group's commodity divisions. An amount of R492,7 million (2003: R338,1 million) was spent during the period under review, of which R182,3 million was incurred on the new shaft complex at the Nchwaning manganese mine which has commenced production and is currently being ramped up. The total capital cost of this project is estimated at R748,1 million, excluding capitalised interest.

A total of R441,5 million (2003: R342,3 million) is committed in respect of further capital expenditure as at 30 June 2004. This is targeted at current and additional enhancement projects. Among these are the completion of the Nchwaning shaft complex, the construction of an underground mine at Dwarsrivier chrome mine to replace the existing opencast mine and the further development of exploitable reserves at the iron ore division.



# Review by the chairman (continued)

The expenditure will be financed from the Group's operating cash flows and through the utilisation of available borrowing facilities.

## **Borrowings**

Short-term borrowings totalled R737,2 million at 30 June 2004, compared with R524,0 million the previous year. The additional borrowings were incurred mainly in financing the capital expenditure programmes as noted above.

Long term borrowings rose to R14,3 million at year end and comprise long term leases of mining vehicles which have been capitalised in accordance with generally accepted accounting practice.

## **Fatalities**

I deeply regret to report that two employees tragically lost their lives in two separate incidents at the Company's chrome mine and ferrochrome smelter during the year under review. On behalf of myself and the board, I extend condolences to the bereaved families and friends.

## **Outlook**

The strong demand for the Group's products, particularly from international sources, is expected to prevail in the new financial year. This should see US dollar prices for those products at even higher levels than those attained during the year under review.

World crude steel production should exceed one billion tons this year, but as I have pointed out, the benefits to Assmang are likely to be limited by the inability to expand our export volumes due to logistical capacity.

The demand for manganese alloys is expected to remain vibrant although prices could moderate slightly, but the high costs of coke, electricity and ocean freight will probably limit this. In addition, improved margins for ferrochrome could follow the better utilisation of available capacity and higher prices.

As has been emphasised over recent years, translating growth in production volumes and sales as well as higher selling prices into higher earnings has proved to be, and is likely to remain, very dependent upon the rand/US dollar exchange rate. Considerable success towards combating this trend has been achieved through careful management of costs and this will continue.

I mentioned last year that heads of agreement had been entered into with Kumba Resources Limited to exchange technical information regarding possible expansion of our respective iron ore assets, adjacent to Sishen in the Northern Cape. These have proved unfruitful and alternative expansion scenarios are being investigated and discussed with Transnet.

## **Dividends**

An interim dividend of R2,50 per share was declared on 10 March 2004 and paid to shareholders on 5 April 2004.

A final dividend of R7,50 per share has been declared after year end and is not included in the result reported for the year in accordance with the Group's accounting policy for dividends.

## **Appreciation**

I have already alluded to the impressive turnaround of a 97% drop in earnings at the half year to a 4,9% improvement in earnings for the full year. I have also pointed out that this was largely achieved through consistent growth in production and sales and the realisation of higher selling prices combining to overcome the adverse effects of currency exchange variation. This achievement could not have happened without the dedicated contributions from management and staff and I thank them all accordingly on behalf of the board.

# Mineral resources and reserves

## **GENERAL STATEMENT**

Assmang's method in reporting of mineral resources and mineral reserves conforms to the South African Code for Reporting Mineral Resources and Mineral Reserves (SAMREC Code) and the Australian Institute of Mining and Metallurgy Joint Ore Reserves Committee Code (JORC Code).

The convention adopted in this report is that mineral resources are reported inclusive of that portion of the total mineral resource converted to a mineral reserve. Underground resources are in-situ tonnages at the postulated mining width, after deductions for geological losses. Resources from dumps are estimated as in-situ tonnages.

Underground mineral reserves reflect milled tonnages while surface (dumps) mineral reserves are in-situ tonnages without dilution. Both are quoted at the grade reporting to the mill.

The evaluation method is generally ordinary kriging with mining block sizes ranging from 10\*10m<sup>2</sup> to 100\*100m<sup>2</sup> to 250\*250m<sup>2</sup> in the 2D plain. The blocks vary in thickness from 2,5 to 50m. Inverse distance is used in a few instances and with similar block sizes. The evaluation process is fully computerised and generally decentralised. The Sichel-t and log-mean estimation methods are occasionally used for estimation of resources, so is the weighted polygonal method. The evaluation process is fully computerised and generally decentralised. The software package utilised is Datamine with the resource/reserve volumes being wireframed.

## **Iron ore operations**

The mineral reserves of the iron operations (Beeshoek/Bruce-King-Mokaning) decreased during 2004 by 4,7Mt or 1 per cent to 482,3Mt (487Mt) and the mineral resources increased by 726,6Mt or 149 percent to 1 214,7Mt (488.1Mt). These variations result from depletion due to production, adjustments of orebody definitions in the Beeshoek-Olyfontein property and on the Bruce-King-Mokaning deposit which were brought about by extensive drilling, geological reinterpretation and the changed reporting style whereby the resources include now those resources converted to reserves, as mentioned above. Mineralisation at 60 per cent Fe and below is considered contaminated ore and is discarded from the resource/reserve base. The entire measured mineral resource has been converted to proven mineral reserve, while about 40% of the indicated mineral resources have been converted to probable mineral reserves.

## **Manganese ore operations**

Manganese operations (Nchwaning and Gloria). The mineral reserves increased by 119,4Mt to 131Mt (11,6Mt). The reasons for this are the re-evaluation of the mineral reserves undertaken in 2004, the conversion to reserves of all the measured and indicated mineral resources of the No. 1 Orebodies, while last year only the measured resources of these orebodies were converted to reserves and, finally the conversion of the graben area resources into reserves for the first time this year. The mineral resources increased by 475,8Mt or 300 percent to 631,3Mt (155,5Mt). The latter is due primarily to the re-evaluation of resources undertaken during 2004, the geological reinterpretation in both Nchwaning and Gloria and the changed reporting style. All the measured and indicated mineral resources of the No. 1 Orebody in both Nchwaning and Gloria were converted to proven mineral reserves and probable mineral reserves respectively. The mineral resources of the No. 2 Orebody were not converted to mineral reserves and account for approximately 40% of the total mineral resources of Nchwaning and Gloria shown in this report. The mineral resources and reserves are reported at current contract grades or at guaranteed minimum grades, whichever is relevant.



# Mineral resources and reserves (continued)

## Chromite operations

Chromite operations (Dwarsrivier). When compared to last year, the mineral reserves increased by 1,2Mt or 4,6 percent to 27,1Mt (25,9Mt) and the mineral resources increased by 16,8Mt or 24 percent to 86,6Mt (69,8Mt). The reason for the change in mineral reserves is the routine conversion of certain measured and indicated mineral resources to mineral reserves to compensate for the loss of production. The changed reporting style is the main cause for the increase in mineral resources.

## COMPETENCE

The competent person with overall responsibility for the compilation of the mineral reserves and resources is Mr PJ van der Merwe, PrSciNat.

The following competent persons were involved in the calculation of mineral resources and reserves.

### Resources

A M Burger, PrSciNat

M A Burger, PrSciNat

A Pretorius, PrSciNat

Dr F Camisani\* PrSciNat

\*Outside consultant

### Reserves

G Butler, PrEng

A Mostert, PrMs

Most of the competent persons are members of either South African Council of Natural Scientific Professionals (SACNASP, PrSciNat) or the Engineering Council of South Africa (ECSA, PrEng) or the Association of Professional Surveyors of South Africa (PLATO, PrMs) and have in excess of five years' experience relevant to the style of mineralisation and type of deposits under consideration.

Consulting firms routinely audit the resources and reserves of most operations.

Maps, plans and reports supporting resources and reserves are available for inspection at the Company's registered office and at the relevant mines.

## DEFINITIONS

The definitions of resources and reserves, quoted from the SAMREC CODE, are as follows:

**A 'mineral resource'** is a concentration (or occurrence) of material of economic interest in or on the Earth's crust in such form, quality or quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a mineral resource are known, estimated from specific geological evidence and knowledge, or interpreted from a well constrained and portrayed geological model. Mineral resources are subdivided, in order of increasing confidence in respect of geoscientific evidence, into inferred, indicated and measured categories.

**An 'inferred mineral resource'** is that part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability.

**An 'indicated mineral resource'** is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

**A 'measured mineral resource'** is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

**A 'mineral reserve'** is the economically mineable material derived from a measured and/or indicated mineral resource. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified. Mineral reserves are subdivided in order of increasing confidence into probable mineral reserves and proved mineral reserves.

**A 'probable mineral reserve'** is the economically mineable material derived from a measured and/or indicated mineral resource. It is estimated with a lower level of confidence than a proved mineral resource. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified.

**A 'proved mineral reserve'** is the economically mineable material derived from a measured mineral resource. It is estimated with a high level of confidence. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified.

**P J van der Merwe**, BSc Hons (Geology), PrSciNat

22 September 2004



# Mineral resources and reserves (continued)

## Summary of mineral resources and mineral reserve

### ASSMANG

IRON			
	Tons		
Beeshoek	000		%Fe
Probable mineral reserves	61 200		64,84
Proved mineral reserves	401 000		65,35
Measured mineral resources	624 300		64,98
Indicated mineral resources	221 000		64,15
Inferred mineral resources	369 400		64,14
Total mineral reserves	462 200		65,28
Total mineral resources	1 214 700		64,58
MANGANESE			
		%Mn	%Fe
Nchwaning			
Probable mineral reserves	111 500	44,58	8,86
Proved mineral reserves	7 100	46,25	8,82
Measured mineral resources	8 800	46,25	8,82
Indicated mineral resources	321 400	43,34	12,54
Gloria			
Probable mineral reserves	5 000	38,38	5,69
Proved mineral reserves	7 400	38,64	4,91
Measured mineral resources	9 600	38,64	4,91
Indicated mineral resources	150 900	35,47	5,60
Inferred mineral resources	140 600	34,23	8,97
Total mineral reserves	131 000	44,10	8,51
Total mineral resources	631 300	39,40	9,92
CHROMITITE			
Dwarsrivier		%Cr <sub>2</sub> O <sub>3</sub>	%FeO
Probable mineral reserves	12 200	38,08	22,69
Proved mineral reserves	14 900	38,94	23,03
Measured mineral resources	18 300	38,92	23,06
Indicated mineral resources	15 300	38,08	22,69
Inferred mineral resources	53 000	38,76	23,10
Total mineral reserves	27 100	38,50	22,88
Total mineral resources	86 600	38,67	23,02

#### Note:

Resources and reserves are quoted in metric tons

Cr <sub>2</sub> O <sub>3</sub>	chrome ore
Fe	Iron
FeO	ferrous oxide
Mn	manganese

# Regulatory matters

## LEGISLATION

Assmang is supportive of the broad-based economic imperatives contained in the Minerals and Petroleum Resources Development Act (the Act) and has embarked on initiatives aimed at meeting these requirements, as set out below. The Act changed the current common law and statutory position in South Africa whereby mineral rights can be held privately. The State has assumed sovereignty and custodianship of all mineral rights in South Africa, and grants prospecting rights and mining rights to applicants, who might not be current holders. A transitional period is provided during which holders of existing mineral rights, upon meeting certain requirements, may convert existing in-use mining or prospecting rights, or in the case of unused rights may apply for new rights.

The Act also contains a provision intended to develop a broad based socio-economic empowerment charter facilitating the entry of historically disadvantaged South Africans (“HDSAs”) into the mining industry. The scorecard which the State has issued pursuant to the charter requires, amongst other things, that mining companies achieve 15 per cent HDSA ownership of mining assets within five years and 26 per cent within ten years. The charter also requires that mining companies provide plans for achieving employment equity at management level.

In view of meeting the charter's requirements Assmang:

- has initiated an audit of current compliance with the requirements of the charter. To this end a scorecard, which evaluates the current position of Assmang relative to the required position five years after the Act is proclaimed, is in the process of being compiled. This evaluation will highlight the areas where the Group needs to concentrate its efforts in order to meet the charter's requirements
- is presently introducing a preferential procurement policy and in this regard the Company's Beeshoek iron ore operation was awarded the Northern Cape Preferential Procurement Manager of the year trophy, awarded by the Northern Cape Procurement Initiative.

## EMPLOYMENT EQUITY

Employment equity policies have been formulated, in accordance with the Employment Equity Act, at each of the Company's operations which seek to promote the principles of respect for individual dignity, the maintenance of fair employment practices and the development of competent and committed employees. The development of skills is a critical issue, which is being implemented rapidly and yet thoroughly at each operation in order to address the widening gap between the supply of, and demand for, skilled labour.

The advancement of new and existing employees by means of employment equity can only succeed if this forms part of carefully managed and monitored succession and manpower plans that do not compromise the high standards which are a hallmark of the Group.

Employment equity plans and reports for each operation have been presented to the Department of Labour in accordance with legal requirements. These reports were developed in consultation with the recognised unions and other employees at each of the respective operations. An employment equity committee representing management and employees exists at each of the operations. Progress in implementing the equity plans and revising targets are done on a regular basis.



## Regulatory matters (continued)

The following equity principles have been employed in formulating the policies referred to above:

- to ensure no unfair discrimination in employment;
- to treat all persons equally, fairly with dignity and respect;
- to achieve a diverse, efficient workforce that is equitably representative of the population in its operational area;
- to create opportunities for, and remove barriers to, human resource development;
- to involve employees and their representatives in employment equity matters;
- to comply with legislative requirements;
- to be an effective corporate partner of communities, government and other social stakeholders.

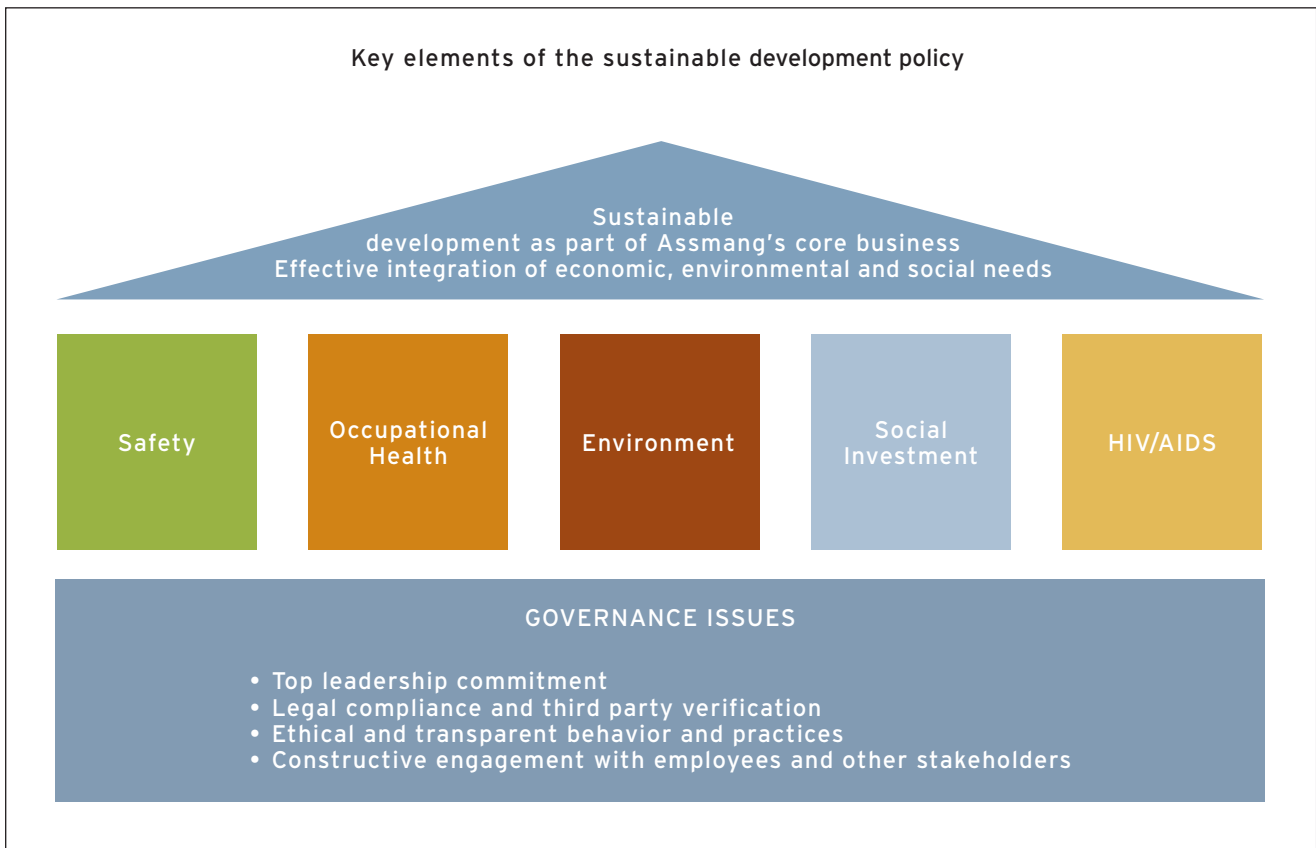
In compliance with Section 22 of the Employment Equity Act, the table below summarises the progress reports as submitted by the Company's operating divisions to the Department of Labour, setting out their occupational categories as at 30 June 2004 compared to the 2005 target.

Occupational categories	Actual to 30 June 2004			Target 2005	
	Number of employees		Designated groups as a percentage of total employees	Percentage designated groups	Percentage non-designated groups
	Designated groups	Non-designated groups			
Legislators, senior officials and managers	4	29	12	15	85
Professionals	34	43	44	55	45
Technicians and associate professionals	56	81	41	55	45
Clerks	169	8	96	80	20
Craft and related trade products	161	293	35	50	50
Plant and machine operators and assemblers	1 018	69	93	80	20
Elementary occupations	633	4	99	80	20

Designated groups are defined as Historically Disadvantaged South Africans and include Blacks, Coloureds, Indians and females.

# Sustainable development

Assmang's sustainable development mission is to convert mineral wealth into income and other forms of sustainable capital to the mutual benefit of shareholders, employees, local communities, and other interested and affected parties where applicable.



The five primary pillars of sustainable development are safety, health (occupational), the environment, social and community investment, and HIV/AIDS. The key premise of sustainable development is the Group's ability to convert the raw ore that is mined (natural resource capital) into sustained shareholder income as well as new forms of capital such as economic, social and human capital, all of which are essential requirements for sustainable development to succeed.



# Sustainable development (continued)

## COMMITMENT

Assmang is committed to:

- Embedding sustainable development as an integral part of the business;
- An occupational health and safety approach that views any safety/risk incident in a serious light and any accident at any of the operations as unacceptable;
- The prevention and management of HIV/AIDS as a key strategic health imperative;
- An environmental goal that seeks to effectively and beneficially integrate land once mined into the community and ecology;
- Legal compliance (as a minimum), including clear and effective communication with government and the public, with third party verification of performance reports;
- Ethical and transparent behaviour and practices based on the principles of honesty, equity, freedom and opportunity for everyone;
- Willing and constructive engagement with employees on matters of mutual concern;
- Working smartly, responsibly and efficiently to effectively integrate economic, environmental and social needs as a basis for continuously improving performance and ensuring trust; and
- Investing one per cent of pre-tax profit to seed and enable sustainable development initiatives in communities in which the Group operates.

## FRAMEWORK

Each operation is encouraged to develop its own sustainable development policy, strategy and programme; to meet its unique circumstances and to give effect to the Group's commitment to sustainable development. To this end, the Group's policy framework is as follows:

- Business case for sustainable development: A policy, strategy and programme at each operation reflecting the premise that sustainable development makes good sense, and that ultimately, it is the core of what will sustain business itself;
- Community development: The involvement of local communities and other role players in decisions impacting upon our respective needs and concerns;
- Communication: Effective communication with all role players in the process of achieving "buy-in" and ownership;
- Partnership approach: Implementing sustainable development programmes in a manner complementary to state planning and in partnership with government and other role players where appropriate; and
- Roles and responsibilities: Clear definition of the identity and responsibility of the various role players.

### *Safety*

Employees undergo stringent safety training on procedures, use of equipment and operation of machinery and furnaces. Much attention is given to supervision and direction in reducing workplace accidents, fatalities and occupational health and hygiene related incidents through the application of regular measurement against legislated or regulatory requirements, reviews of accidents and current industry and international best practices.

### *Health*

The HIV/AIDS pandemic is without doubt the most important health concern for all businesses in South Africa. It not only affects the productivity of all operations through illness, absenteeism and ultimately death, but also has an effect on the social environment of employees, their families and their communities.

Each operation has devised a comprehensive strategy to control the impact of the disease on its operations and on its global competitiveness, and to provide humanitarian support to its employees and their families.

Participation in initiatives to address HIV/AIDS is ongoing. Current policies include, inter alia, the education of the work force in terms of HIV/AIDS by way of an extensive education programme. This programme has also been taken to the schools and other institutions within the rural areas of the operating divisions. Regular surveys are conducted to measure changing perspectives towards HIV/AIDS and voluntary peer education takes place.

In addition, the Group continues to work closely with organisations collaborating with the Centre for International Health at Boston University. Risk and prevalence surveys at various Group operations have been conducted and have provided the Group with a statistically viable measurement of the HIV/AIDS prevalence stratified into age, job skill, division and area categories. They have also provided a baseline for assessing any future growth of the epidemic and the effectiveness of future HIV/AIDS prevention efforts.

The strategic plans for each operation can be broadly broken down into two sections:

- The prevention of future infection;
- Support systems for affected employees, which are structured around counselling services and health care services.

### *Environment*

Mining and smelting activities by their very nature impact on the environment. The policy that the Group has adopted to manage the impact of its activities on the environment is intended to ensure that the Group at least meets the legal requirements imposed by environmental legislation.

To enhance its environmental performance the Group is committed to the active participation and involvement of stakeholders and a process of regular internal and external audits. In addition, the Group is implementing Environmental Management Systems that fulfil the requirements of the International Standard ISO 14001 at all its operations. The iron ore mines, manganese ore mines and the Machadodorp Works have already achieved this standard and those that have not are in the process of attaining it.

### *Community development*

The Group invests one per cent of pre-tax profit before exceptional items into community development. A portion of these funds is used for initiating, supporting or participating in national projects and pilot schemes with potential for replication in other areas. The remainder of the funds are retained by the operations to address local needs. The general approach to community investment is to concentrate efforts in the area of education as it is believed that it is here that it can make a difference to the future of South Africa, as well as adding value to the Group by employing well educated and trained employees from their own communities. Most community investment programmes are well established and extensive rural networks with all the various stakeholders have resulted in a beneficial impact within the lives of the communities surrounding the Group's operations.

The challenge is to find a balance between channelling limited resources into activities with long-term benefits such as education and skills development, whilst at the same time addressing the more immediate needs for food and other relief. The Group's community investment strategy concentrates on the following areas:

- Education: Training and support of educators in the fields of mathematics, science and technology.
- Work creation: Technical and business skills training, access to start up resources and mentoring of emerging entrepreneurs.
- Welfare: Assistance to those who are not in a position to help themselves such as the frail and aged, small children and the profoundly disabled.



# Corporate governance and responsibility

## **Governance**

The Assmang Group has strong commitments to a wide range of corporate governance practices. The directors of Assmang are accountable to shareholders and have a responsibility, both collectively and individually, to ensure that a high standard of corporate governance is maintained in all the Group's activities.

## **Code of Corporate Practice and Conduct**

The board of Assmang is committed to maintaining the standards of integrity, accountability and openness advocated in the King Report on Corporate Governance for South Africa 2002 ("King II Report") and believes that in principle the Group has complied with the stipulated requirements.

## **Board of directors**

Details of the board of directors are set out on page 4 of the annual report. The chairman is a non-executive director. The board meets at least four times a year and none of the directors has a service contract with the Group. The directors have access to advice from the company secretary and are entitled to seek independent advice about the affairs of the Group at the Company's expense.

In terms of the Group's articles of association, the maximum term of office for directors is three years and one-third of the directors retire by rotation annually and, if eligible for re-election, their names are submitted for election at the annual general meeting. All directors who were appointed subsequent to the last annual general meeting are required to seek election at the following annual general meeting. Directors seeking election at the annual general meeting have submitted to the JSE Securities Exchange South Africa the latter's section 21 declaration as to their qualifications, experience and integrity.

A board charter has been proposed and will be submitted for approval by the board during early 2005.

## **Operations Committee**

J C Steenkamp (Presiding officer), P C Crous, B R Broekman, R J Carpenter

This board appointed committee is mandated to implement strategy, considering operational and project matters and maintaining effective management of the Group's operations. The committee meets at least quarterly. The members of the committee comprise four executive directors. The committee members contribute a diverse range of professional skills across a broad spectrum of the Group's activities.



### **Audit Committee**

C J Cory (Chairman), B R Broekman, M Arnold

The Audit Committee comprises two non-executive directors and one executive director. The committee meets at least three times a year to consider the interim and final reports, approve dividend declarations and monitor the internal and external audit functions. The committee operates under a board approved charter.

The main responsibilities of this committee include the safeguarding of the Group's assets and shareholders' investments, the maintenance of high standards of records and systems of internal control as well as the monitoring of standards of corporate governance. In addition, the committee pursues the objective of ensuring that effective policies and practices are adopted in the preparation of public financial information. The committee conducts reviews of audits, which are conducted on a risk basis, undertaken by both internal and external auditors. It examines their respective plans and reports to ensure effectiveness. Both external and internal auditors have unrestricted access to the chairman of the Audit Committee who is a non-executive director.

### **Internal audit**

The Group's internal auditors operate with full authority of the directors. The head of this department directly reports to the chairman of the Audit Committee and has unrestricted access to the chairman of the board and other members of the Audit Committee. The internal audit department performs a variety of activities that ultimately result in an examination and evaluation of the effectiveness of all operating sectors of the Group's businesses. Through this process, significant business risks are highlighted and the systems of operating and financial controls are monitored. All audit issues are brought to the attention of the Audit Committee and external auditors. Issues that require corrective action are discussed with senior management and acted upon with urgency under the auspices of the Audit Committee.

With effect from 1 July 2004 the Group internal audit function has been outsourced to KPMG.

### **Internal control**

The directors are of the opinion, based on the information and explanations given by management, the internal auditors and comment by the external auditors on the results of their audits, that the internal accounting controls are adequate, so that the financial records may be relied upon for the preparation of the financial statements and maintaining accountability for assets and liabilities.



# Corporate governance and responsibility (continued)

The directors ensure that, in all material respects, assets are used as intended with appropriate authorisation. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of the controls, procedures and systems has occurred during the year under review.

## **Remuneration**

The board appointed Operations Committee ensures appropriate levels of remuneration for senior management of the Group. This committee determines policy for individual remuneration and benefits to maintain a conformation policy which is both competitive and equitable. This committee comprises four executive directors. Directors of the Company are not remunerated for their services other than by way of directors' fees paid in terms of the Company's articles of association.

Details of emoluments paid to directors, in terms of par 8.63(l) of the JSE Securities Exchange listing requirements, are disclosed on pages 26 and 27 of this report.

## **Employee participation**

The Group has for many years entered into collective bargaining arrangements and recognition agreements with various employee organisations and unions.

## **Code of ethics**

The Group is committed to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders. All directors and employees are required to maintain the highest ethical standards to ensure that the Group's business practices are conducted in a reasonable manner and to act in good faith and in the interests of the Group.

A code of ethics is being reviewed and will be submitted for board approval during early 2005.

## **Insider trading and closed periods**

The Company operates a closed period prior to the publication of its interim and final results. During this period directors, officers and designated persons who may have access to price sensitive information, are precluded from dealing in the shares, securities or financial instruments of the Group. The closed period extends from the 15th of the month following the end of a reporting period or the financial year until the day of publication of the results. Where appropriate, dealing is also restricted during sensitive periods where major transactions are being negotiated and a public announcement is imminent.

## **Nominations Committee**

A nominations committee has not been established as all directors are appointed to the Company's board by the two major shareholders. All other senior appointments are made in consultation with the Operations Committee.



## Financial contents

Approval of annual financial statements **22** Certificate by secretary **22** Report of the independent auditors **23**  
Directors' report **24** Accounting policies **29** Balance sheets **36** Income statements **37** Cash flow statements **38**  
Statements of changes in equity **39** Notes to the financial statements **40** Shareholders' diary **53** Notice of annual general  
meeting **54** Form of proxy **Inserted**



## Approval of annual financial statements

for the year ended 30 June 2004

The annual financial statements and Group annual financial statements which appear on pages 24 to 52 were approved by the directors on 22 September 2004 and are signed on their behalf by:



**Desmond Sacco**

*Chairman*

22 September 2004



**R P Menell**

*Deputy Chairman*

22 September 2004

### Certificate by Secretaries

We certify that the requirements as stated in Section 268G(d) of the Companies Act have been met and that all returns, as are required of a public company in terms of the aforementioned Act, have been submitted to the Registrar of Companies and that such returns are true, correct and up to date.

### African Rainbow Minerals Limited

*Secretaries*



*per: A Jepson*

22 September 2004

## Report of the independent auditors

### To the members of Assmang Limited

We have audited the annual financial statements and Group annual financial statements of Assmang Limited set out on pages 24 to 52 for the year ended 30 June 2004. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

### Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

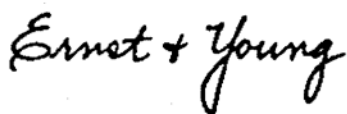
An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation

We believe that our audit provides a reasonable basis for our opinion.

### Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and Group at 30 June 2004, and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, International Financial Reporting Standards and in the manner required by the Companies Act in South Africa.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten script font.

### Ernst & Young

*Registered Accountants and Auditors*

*Chartered Accountants (SA)*

Johannesburg

22 September 2004



## Directors' report

The directors have pleasure in submitting the annual financial statements of the Company and the Group for the year ended 30 June 2004.

### **Business of the Group**

The Company mines manganese and iron ores in the Northern Cape Province and the major portion of its production is exported. The remainder is sold locally, mainly to the Company's ferromanganese division which produces manganese alloys at its works at Cato Ridge in the KwaZulu-Natal Province. The Company also mines chrome ore at Dwarsrivier, near Steelpoort, in the Mpumalanga Province. This mine supplies chrome ore to the Company's ferrochrome division which produces chrome alloys at its works at Machadodorp, in the Mpumalanga Province.

The Company's subsidiary, Cato Ridge Development Company Limited ("Cato Ridge Development"), owns and receives rentals from land and improvements thereon in the Cato Ridge area. Cato Ridge Alloys (Proprietary) Limited ("Cato Ridge Alloys"), a joint venture between the Company, Mizushima Ferroalloys Company Limited ("Mizushima") and Sumitomo Corporation ("Sumitomo") of Japan, produces refined ferromanganese at the Cato Ridge works. The major portion of alloy production is exported.

The Company's shares are listed on the JSE Securities Exchange South Africa.

### **Directors' responsibility relating to the annual financial statements**

It is the directors' responsibility to prepare annual financial statements that fairly present the state of affairs and the results of the Company and the Group. The independent auditors are responsible for auditing and reporting on these annual financial statements.

The annual financial statements set out in this report have been prepared by management in accordance with South African Statements of Generally Accepted Accounting Practice and International Financial Reporting Standards. They are based on appropriate accounting policies which have been consistently applied. The accounting policies are supported by reasonable and prudent judgements and estimates. The annual financial statements have been prepared on a going-concern basis and the directors have no reason to believe that the business will not be a going concern in the foreseeable future.

In fulfilling its responsibilities, management ensures that adequate accounting records are maintained and has developed and continues to maintain systems of internal accounting controls which are designed to provide reasonable, although not absolute, assurance as to the integrity and reliability of the annual financial statements and to adequately safeguard, verify and maintain the assets of the Group. These controls are monitored throughout the Group and nothing has come to the directors' attention to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred to the date of this report.

### **Control**

The Company's holding company is African Rainbow Minerals Limited ("ARM") but in terms of a long standing arrangement the Company is controlled jointly by ARM (which holds 50,4 percent of the Company's issued share capital) and Assore Limited ("Assore") (which holds 45,7 percent of the Company's issued share capital).

### **Changes in accounting policies**

No changes were made to the accounting policies during the year ended 30 June 2004. The policies stated in the annual financial statements are the same as those applied for the year ended 30 June 2003.

# Directors' report

(continued)

## Financial

The results of operations for the year, details of dividends declared and transfers to distributable reserves are set out in the income statement and statements of changes in shareholders' equity.

The financial position of the Company and Group is set out in the balance sheets which contain information regarding capital, reserves and provisions.

## Operations

Group operations for the year ended 30 June:

	2004 tons 000	2003 tons 000
Ores and alloys despatched for export and sold locally were as follows:		
Iron ore	5 460	5 263
Manganese ore (excluding sales to Cato Ridge Works)	1 438	1 171
Chrome ore (excluding sales to Machadodorp Works)	44	20
Manganese alloys	218	197
Charge chrome	295	244
	<b>R000</b>	<b>R000</b>
Group expenditure on property, plant and equipment was as follows:		
Production facilities – iron ore mine	148 389	102 250
Production facilities – manganese ore mines	248 864	126 956
Production facilities – chrome mine	25 811	11 120
Alloy production	69 613	97 790
	<b>492 677</b>	<b>338 116</b>

## Borrowing powers

In accordance with the Company's articles of association the borrowing powers of the Group at 30 June 2004 were limited to R2 480 million (R2 289 million). Group borrowings at that date totalled R751 million (R524 million).

The increase in borrowings during the period under review was incurred mainly to finance the Group's capital expenditure programme.

## Investments

Information regarding the Company's interests in subsidiaries and a jointly controlled entity is given in separate reports on pages 41 and 42 which form part of the annual financial statements.



## Directors' report

(continued)

### Directorate

The names and details of the directors of the Company are reflected on page 4.

On 1 May 2004 Mr D N Campbell tendered his resignation as a director of the Company and was succeeded by Mr M Arnold on 1 May 2004. In terms of the Company's articles of association Mr M Arnold's appointment lapses on termination of the forthcoming annual general meeting. In addition, Messrs R J Carpenter, R P Menell and D G Sacco retire by rotation in terms of the articles of association at the forthcoming annual general meeting. All of the aforementioned directors being eligible, have offered themselves for re-election.

On 22 June 2004 Mr J C Steenkamp nominated Mr P G W Henderson as his alternate and Mr M Arnold nominated Mr A J N Uys as his alternate.

There are no service contracts between the Company and any of its directors.

### Directors' emoluments

The undermentioned table sets out directors' emoluments paid by the Company during the year under review. No emoluments were paid to alternate directors.

All of the directors, including alternate directors, are employees of either one of the two controlling shareholders (ARM and Assore) and are remunerated by the controlling shareholder concerned. The controlling shareholders perform a combination of management, marketing and administration services for the Group for which they are compensated, the quantum of which is disclosed in note 27 on page 51 of the annual financial statements.

	Total 2004 R000	Total 2003 R000
Directors' fees paid to		
<b>Executive directors</b>	<b>144</b>	144
R J Carpenter	36	36
P C Crous	36	36
J C Steenkamp *	36	36
B R Broekman *	36	36
<b>Non-executive directors</b>	<b>158</b>	158
D G Sacco (Chairman)	50	50
R P Menell *	36	36
M Arnold * (appointed 1 May 2004)	3	–
D N Campbell * (resigned 1 May 2004)	33	–
C J Cory	36	36
D N Murray * (resigned 23 June 2003)	–	36
<b>Total</b>	<b>302</b>	302

\*Fees paid to ARM

## Directors' report

(continued)

### Emoluments earned by executive directors from African Rainbow Minerals Limited and Assore Limited

	Salary and benefits R000	Retirement benefits R000	Bonuses R000	Gains on share options exercised R000	Directors' fees R000	Severance package R000	Total emoluments 2004 R000	Total emoluments 2003 R000
<b>Executive directors</b>								
B R Broekmant†	1 286	110	534	433	–	–	2 363	2 674
J C Steenkamp†	2 198	185	715	–	–	2 160	5 443	4 671
R J Carpenter*	1 854	405	3 031	–	60	–	5 350	3 199
P C Crous*	1 435	311	1 091	–	60	–	2 897	2 682

†Total remuneration received from ARM

\*Total remuneration received from Assore

### Interests of directors

The direct and indirect beneficial and deemed beneficial interests of the directors of the Company in the issued share capital of the Company at 30 June 2004 were as follows:

	Number of shares 30 June 2004		Number of shares 30 June 2003	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
<b>Executive director</b>				
J C Steenkamp	–	400	–	400
<b>Non-executive directors</b>				
D G Sacco	1 400	400	1 400	400
B J Funston (withdrawn 22 June 2004)	–	–	–	400
<b>Total</b>	<b>1 400</b>	<b>800</b>	<b>1 400</b>	<b>1 200</b>

A register of directors' and officers' interests in contracts is available for inspection at the Company's registered office.

### Shareholder spread

The percentage of shares held by non-public shareholders at 30 June 2004, which was unchanged from that of the previous year, was as follows:

	Percentage
<b>Non-public shareholders</b>	
– Beneficial holders in excess of 10 percent of the capital, being ARM and Assore and certain of their subsidiaries and nominees	96,0
– Directors of the Company	<0,1
<b>Public shareholders</b>	
	96,1
	3,9
	100,0



## Directors' report

(continued)

### Major shareholders

As at the date of this report, the following were the holders of more than five percent of the issued shares of the Company:

	Number	Percentage
African Rainbow Minerals Limited	1 786 362	50,35
Assore Limited	1 620 214	45,67

### Special resolution

There were no special resolutions passed by the Company during the period 1 July 2003 to the date of this report.

### Events subsequent to year-end

#### *Dividend*

On 10 August 2004 the board declared a final dividend of R7,50 per share which will be paid to shareholders on Monday, 7 September 2004.

#### *Sale of mineral rights*

The Company has concluded an agreement with Samancor Limited ("Samancor") whereby the Company sold Samancor the right to mine certain chrome minerals on the farm Dwarsrivier. The total consideration payable by Samancor to the Company is R18,0 million which amount was received on 31 August 2004. At year end this transaction was still subject to a suspensive condition.

## Accounting policies

The financial statements of the Group and Company are prepared on the historical cost convention, modified by the revaluation of certain financial instruments to fair value. The principal accounting policies, set out below, are consistent with those applied in the previous year. These financial statements comply with the accounting standards issued by the International Accounting Standards Board and the South African Institute of Chartered Accountants.

### **Basis of consolidation**

#### *Subsidiary companies*

Investments in subsidiaries are accounted for at cost less impairments. The results of subsidiaries are included in the Group financial statements from the date effective control was acquired and up to the date effective control ceases. All intra-group transactions and balances are eliminated on consolidation. Unearned profits that arise between Group entities are eliminated.

#### *Joint ventures*

Investments in jointly controlled entities are accounted for using the proportionate consolidation method. Entities are regarded as joint ventures where the Group, in terms of contractual agreements, has joint control over the financial and operating policy decisions of the enterprise. The Group's attributable share of the assets, liabilities, income and expenses of such jointly controlled entities is incorporated on a line-by-line basis in the Group financial statements.

### **Capitalisation of borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset that requires a substantial period of time to be prepared for its intended use are capitalised until such time that the asset is commissioned. Thereafter, these costs together with other borrowing costs are expensed. Discounts or premiums relating to borrowings are deferred and amortised over the term of the respective borrowing.

### **Deferred taxation**

Deferred tax liabilities and assets are recognised on temporary differences between the book value and tax base of balance sheet items, including items with a tax base but no book value.

Deferred tax is not recognised when the transaction involves the initial recognition of an asset or liability which is not subject to a business combination, and at the time of the transaction, affects neither accounting nor taxable profit. Deferred tax assets are not recognised on negative goodwill and no deferred tax liability is recognised on goodwill for which amortisation is not deductible for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax is calculated at the applicable rate for mining and non-mining taxes.

### **Environmental**

#### *Rehabilitation*

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the Group's environmental management plans which are prepared in compliance with current technology, environmental and regulatory requirements.

## Accounting policies

### **Environmental (continued)**

#### *Decommissioning costs*

The present value of estimated future decommissioning obligations at the end of the operating life of a mine is included in long-term provisions. The related decommissioning asset is capitalised in fixed assets when it gives access to future economic benefits. Charges related to the unwinding of the obligation are included in the income statement.

#### *Restoration costs*

The present value of the estimated cost of restoration caused by production to date is included in long-term provisions and charged to the income statement based on the units-of-production mined during the current year, as a proportion of the estimated total units which will be produced over the life of the mine.

#### *Ongoing rehabilitation costs*

Expenditure on ongoing rehabilitation is charged to the income statement as incurred.

#### *Environmental rehabilitation trust fund*

The Group makes annual contributions to an environmental rehabilitation trust fund which was created to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the lives of the Group's mines. Annual contributions are determined on the basis of the estimated environmental obligation divided by the remaining life of a mine. Income earned on monies paid to the Trust is accounted for as net investment income.

### **Exploration expenditure**

Exploration expenditure comprises expenditure incurred and advances made in respect of exploratory ventures, research programmes and other related projects. The costs of exploration programmes are expensed in the year in which they are incurred, except for expenditure on specific properties which have indicated the presence of a mineral resource with the potential of being developed into a mine, in which case the expenditures are capitalised and amortised in the same way as detailed in the Mine development and decommissioning accounting policy below. Where it is subsequently found that no potential exists to develop a mine, the capitalised costs are written off in full.

### **Financial instruments**

Financial instruments recognised on the balance sheet consist primarily of cash on hand, balances with banks, deposits on call, money-market instruments, trade and other receivables, trade payables, borrowings and investments other than those in subsidiaries or associates. Initial recognition is at cost, including transaction costs. Subsequent recognition is at fair value or at amortised cost. A financial instrument or portion of a financial instrument will be derecognised and a gain or loss recognised when the Group loses the contractual rights or extinguishes the obligation associated with such an instrument.

On derecognition of a financial asset, the difference between the proceeds received or receivable and the carrying amount of the asset is included in income.

On derecognition of a financial liability the difference between the carrying amount of the liability extinguished or transferred to another party and the amount paid for is included in income.

# Accounting policies

(continued)

## Financial instruments (continued)

### *Financial investments*

The book value of cash deposits with banks and money-market instruments which are subject to insignificant risk of changes in value are measured at cost. Negotiable instruments are recorded initially at cost and marked to market at reporting intervals. Any gain or loss arising from marking instruments to market, or a change from book value to fair value, is included in the determination of other net income.

### *Accounts receivable*

Accounts receivable is stated at the gross invoice value adjusted for payments received and, where appropriate, adjusted for impairment to reflect the fair value of the expected economic benefit.

### *Accounts payable*

Accounts payable is stated at the initial recognised obligation less payments made and any adjustments made to reflect the fair value of the expected economic outflow of resources.

### *Forward exchange contracts*

Forward exchange contracts are valued at the balance sheet date using the forward rate available at the balance sheet date for the remaining maturity period of the forward contract. Any gain or loss from valuing the contract against the contracted rate is recognised in the income statement. A corresponding forward exchange asset or liability is recognised.

On settlement of a forward exchange contract, any gain or loss originating on recorded value is recognised in the income statement.

### *Long-term borrowings*

All loans and long-term borrowings are subsequently measured at amortised cost using the effective interest rate method.

## Impairment of assets

The carrying value of assets is reviewed at each balance sheet date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amounts of the assets is estimated. Where the carrying value exceeds the estimated recoverable amount such assets are written down to their recoverable amount. If the circumstances leading to the impairment no longer exist, the appropriate portion of the impairment loss previously recognised is written back.

## Intangible assets

Intangible assets represent licence and technical information.

Intangible assets are reflected at cost and are amortised on a straight-line basis over the anticipated useful lives of the assets up to a maximum of 20 years.

### *Research and development*

Expenditure on research projects (or on the research phase of an internal project) is recognised as an expense when it is incurred. When the development phase of a project demonstrates that it is probable that future economic benefits will be generated, the related expenditure is recognised as an asset if all the following requirements have been met:

- the technical feasibility of completing the asset demonstrates that it will be available for use or sale;
- there is an ability to use or sell the asset;
- there are adequate technical, financial and other resources available to complete the development, and to use or sell the asset; and
- the expenditure attributable to the asset can be measured reliably.



## Accounting policies

(continued)

### Property, plant and equipment

Tangible assets, other than land, are stated at cost less accumulated amortisation.

#### *Land and buildings*

Freehold land and buildings, other than mine properties, are reflected at cost. Land is not depreciated. Buildings on freehold land are depreciated on a straight-line basis over their estimated useful lives to an estimated residual value.

#### *Mine development and decommissioning*

Costs to develop new ore bodies, to define further mineralisation in existing ore bodies and to expand the capacity of a mine, or its current production, as well as the decommissioning thereof, are capitalised. Assets representing the future economic benefits relating to environmental rehabilitation provisions for decommissioning are recognised and capitalised when the obligation arises. Development costs to maintain production are expensed as incurred.

Mine development and decommissioning costs are amortised using the lesser of its estimated useful life or the units-of-production method based on proven and probable ore reserves. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in future from known mineral deposits. These reserves are reassessed annually. Where the reserves are not determinable due to their scattered nature, the straight-line method of amortisation is applied based on the estimated life of the mine. The maximum period of amortisation using these methods is 25 years.

#### *Mineral rights*

Mineral rights that are being depleted are amortised over their estimated useful lives using the units-of-production method based on proven and probable ore reserves. Where the reserves are not determinable, due to their scattered nature, the straight-line method is applied. The maximum rate of depletion of any mineral right is 25 years. Mineral rights that are not being depleted are not amortised. Mineral rights that have no commercial value are written off in full.

The excess purchase price over the fair value paid for mineral rights is recognised as being an amount paid for the acquisition of ore reserves. This amount is capitalised and amortised over the period during which future economic benefits are expected to be obtained from these mineral rights, up to a maximum period of 25 years.

#### *Plant and machinery*

Mining plant and machinery is amortised using the lesser of its estimated useful life and life of mine, using the units-of-production method based on proven and probable ore reserves. Where ore reserves are not determinable, due to their scattered nature, the straight-line method of amortisation is applied.

Industrial plant and machinery is amortised over its estimated useful life. The maximum life of any single item is 25 years.

# Accounting policies

(continued)

## Property, plant and equipment (continued)

### *Other*

Properties (including houses, schools and administration blocks), motor vehicles, furniture and equipment are reflected at cost less accumulated amortisation calculated on the straight-line basis over their expected useful lives, to estimated residual values. The residual value is the amount expected to be obtained for the asset at the end of its useful life, after deducting expected costs of disposal.

The annual amortisation rates generally used in the Group are:

Buildings	– between 2 and 5 percent;
Mine properties	– lesser of life of mine and expected useful life of the asset;
Other properties	– expected useful life of the asset;
Motor vehicles	– 20 percent;
Furniture and equipment	– 10 to 33 percent.

Note: Life of mine estimates are reviewed annually and amortisation rates are adjusted accordingly.

## Foreign currency translations

Transactions in foreign currencies are converted to South African rand at the rate of exchange ruling at the date of these transactions. Monetary assets and liabilities denominated in a foreign currency at the end of the financial year are translated to rand at the approximate rates ruling at that date. Foreign exchange gains or losses arising from foreign exchange transactions are included in the determination of net profit.

## Inventories

Inventories are valued at the lower of cost and estimated net realisable value with due allowance being made for obsolete and slow-moving items. Cost is determined using the following bases:

- Consumables, stores and maintenance spares are valued at weighted average cost.
- Finished products are valued at weighted average cost including an appropriate portion of direct overhead costs.
- Raw materials are valued at weighted average cost.
- Slow moving stocks are valued at the lower of actual cost of production and estimated net realisable value.

## Leased assets

Leases of fixed and tangible assets where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance leases are capitalised as property, plant and equipment at fair value of the leased assets at inception of the lease, and the corresponding liability to the lessor is raised. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against operating profit, and the capital repayment which reduces the liability to the lessor. These assets are depreciated on the same basis as the fixed assets owned by the Group.



# Accounting policies

(continued)

## Employee benefits

Current service contributions in respect of defined contribution pension plans are expensed as incurred.

The Group has liabilities in respect of post-retirement medical health care benefits for certain employees. These benefits are unfunded. The entitlement to these benefits is dependent upon the employee remaining in service until retirement age. The actuarially determined costs of providing these benefits are charged to income as incurred and a corresponding liability is raised. Actuarial gains and losses are expensed in the period in which these are incurred.

## Provisions

Provisions are recognised when:

- a present legal or constructive obligation exists as a result of past events where it is probable that a transfer of economic benefits will be required to settle the obligation, and
- a reasonable estimate of the obligation can be made.

A present obligation is considered to exist when the Group has no realistic alternative but to make the transfer of economic benefits. The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation. Only expenditure related to the purpose for which the provision was raised is charged to the provision.

## Revenue recognition

Revenue is recognised when the risks and rewards of ownership in the goods have been transferred and when the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably on the following bases:

### *Ores and alloys*

Revenue from the sale of ores and alloys is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

### *Interest*

Interest is recognised on a time proportion basis that takes account of the effective yield on the asset, and an appropriate accrual is made at each accounting reference date.

### *Turnover*

Turnover represents the F.O.B. or C.I.F. sales value of ores and alloys exported and the F.O.R. sales value of ores and alloys sold locally.

## Dividends declared

Dividends and related taxation thereon at reporting intervals are deducted from shareholders' equity in the period in which the dividend is declared.

## Accounting policies

(continued)

### Definitions

#### *Cash and cash equivalents*

Cash and cash equivalents includes cash on hand and at bank and excludes bank overdrafts.

#### *Attributable earnings per share*

Net profit for the year divided by the weighted average number of shares in issue.

#### *Headline earnings per share*

Headline earnings comprise net profit for the year, adjusted for profits, losses on the disposal of items of a capital nature divided by the weighted average number of shares in issue.

#### *Dividends per share*

Dividends paid during the year divided by the number of ordinary shares in issue.



## Balance sheets

as at 30 June 2004

	Note	GROUP		COMPANY	
		2004 R000	2003 R000	2004 R000	2003 R000
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>2 418 920</b>	2 097 272	<b>2 436 233</b>	2 102 594
Property, plant and equipment	1	2 390 074	2 066 085	2 366 282	2 039 042
Intangible assets	2	5 257	6 113	418	915
Deferred tax assets	9	4 972	12 006	–	–
Environmental rehabilitation trust fund		18 617	13 068	18 617	13 068
Investment in subsidiaries	3			12 694	11 347
Investment in joint venture	4			38 222	38 222
<b>Current assets</b>		<b>1 807 677</b>	1 529 414	<b>1 718 528</b>	1 474 319
Inventories	5	889 164	829 772	848 764	802 116
Trade and other receivables	6	908 562	696 480	859 979	669 278
Cash and cash equivalents		9 951	3 162	9 785	2 925
		<b>4 226 597</b>	3 626 686	<b>4 154 761</b>	3 576 913
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	7	1 774	1 774	1 774	1 774
Share premium		11 611	11 611	11 611	11 611
Retained earnings		2 466 841	2 275 130	2 452 133	2 281 860
Shareholders' equity		<b>2 480 226</b>	2 288 515	<b>2 465 518</b>	2 295 245
<b>Non-current liabilities</b>					
Long-term borrowings	8	14 285	3	14 285	3
Deferred tax liabilities	9	527 587	447 768	516 618	437 227
Long-term provisions	10	63 830	35 845	63 830	35 845
<b>Current liabilities</b>		<b>1 140 669</b>	854 555	<b>1 094 510</b>	808 593
Short-term provisions	11	15 450	11 355	15 450	11 355
Trade and other payables	12	373 338	298 649	339 060	281 488
Amount owing to subsidiary				4 781	4 781
Taxation		14 691	20 515	12 152	20 484
Overdrafts and short-term borrowings	13	737 190	524 036	723 067	490 485
		<b>4 226 597</b>	3 626 686	<b>4 154 761</b>	3 576 913

# Income statements

for the year ended 30 June 2004

	Note	GROUP		COMPANY	
		2004 R000	2003 R000	2004 R000	2003 R000
<b>Revenue</b>	16	<b>3 323 894</b>	2 918 886	<b>3 254 079</b>	2 849 131
<b>Turnover</b>		<b>3 304 537</b>	2 904 483	<b>3 233 365</b>	2 836 758
Cost of sales		<b>2 740 527</b>	2 308 403	<b>2 714 629</b>	2 268 691
<b>Gross profit</b>		<b>564 010</b>	596 080	<b>518 736</b>	568 067
Other operating income		<b>22 125</b>	13 119	<b>23 522</b>	11 178
Other operating expenses		<b>193 824</b>	219 895	<b>184 143</b>	213 586
<b>Net profit from operations</b>	17	<b>392 311</b>	389 304	<b>358 115</b>	365 659
Interest received		<b>1 734</b>	1 306	<b>1 694</b>	1 217
Finance costs	18	<b>51 741</b>	56 883	<b>48 944</b>	49 784
<b>Net profit before taxation and State's share of profit</b>		<b>342 304</b>	333 727	<b>310 865</b>	317 092
Taxation and State's share of profit	19	<b>123 981</b>	129 888	<b>113 980</b>	124 629
<b>Net profit for the year</b>		<b>218 323</b>	203 839	<b>196 885</b>	192 463
Earnings per share (cents)					
– attributable		<b>6 153</b>	5 745	<b>5 549</b>	5 424
– headline	20	<b>6 026</b>	5 745	<b>5 422</b>	5 424
Dividends per share (cents)		<b>750</b>	1 200	<b>750</b>	1 200
Number of shares in issue (thousands)					
– weighted average		<b>3 548</b>	3 548	<b>3 548</b>	3 548
– at year end		<b>3 548</b>	3 548	<b>3 548</b>	3 548



## Cash Flow statements

for the year ended 30 June 2004

	Note	GROUP		COMPANY	
		2004 R000	2003 R000	2004 R000	2003 R000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers		3 093 493	2 919 327	3 045 067	2 864 532
Cash paid to suppliers and employees		2 703 609	2 365 491	2 675 129	2 335 955
Cash generated from operations	23	389 884	553 836	369 938	528 577
Interest received		1 734	1 306	1 694	1 217
Finance costs	18	(70 003)	(63 099)	(67 206)	(56 000)
Dividends paid		(26 612)	(42 578)	(26 612)	(42 578)
Taxation paid	24	(42 952)	(77 480)	(42 921)	(77 564)
Net cash inflow from operating activities		252 051	371 985	234 893	353 652
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Additions to property, plant and machinery to maintain operations		(458 105)	(331 900)	(457 897)	(330 499)
Proceeds on disposal of property, plant, equipment, township property and improvements		6 217	1 702	5 157	1 700
Increase in long-term receivables		–	–	(1 347)	(1 055)
Net cash outflow from investing activities		(451 888)	(330 198)	(454 087)	(329 854)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Long-term borrowings repaid		(3)	(49)	(3)	(49)
Increase/(decrease) in short-term borrowings		206 629	(53 453)	226 057	(35 051)
Net cash inflow/(outflow) from financing activities		206 626	(53 502)	226 054	(35 100)
Net increase/(decrease) in cash and cash equivalents		6 789	(11 715)	6 860	(11 302)
Cash and cash equivalents at beginning of year		3 162	14 877	2 925	14 227
<b>Cash and cash equivalents at end of year</b>		<b>9 951</b>	<b>3 162</b>	<b>9 785</b>	<b>2 925</b>

## Statements of changes in shareholders' equity

for the year ended 30 June 2004

	GROUP		COMPANY	
	2004 R000	2003 R000	2004 R000	2003 R000
<b>Share capital and premium</b>				
Balance at beginning and end of year	13 385	13 385	13 385	13 385
<b>Retained earnings</b>				
Balance at beginning of year	2 275 130	2 113 869	2 281 860	2 131 975
Earnings per income statement	218 323	203 839	196 885	192 463
Ordinary dividends	(26 612)	(42 578)	(26 612)	(42 578)
No 128 totalling 500 cents per share	(17 741)		(17 741)	
No 129 totalling 250 cents per share	(8 871)		(8 871)	
No 126 totalling 700 cents per share		(24 837)		(24 837)
No 127 totalling 500 cents per share		(17 741)		(17 741)
Balance at end of year	2 466 841	2 275 130	2 452 133	2 281 860



## Notes to the financial statements

for the year ended 30 June 2004

	Mine develop- ment	Plant and machinery	Land and buildings	Mine properties	Mineral rights	Furniture, equipment and vehicles	Leased* assets capitalised	2004 Total	2003 Total
<b>1. PROPERTY, PLANT AND EQUIPMENT</b>									
<b>Group – R000</b>									
Cost									
Balance at beginning of year	793 734	1 224 910	168 848	97 622	180 594	288 071	385	2 754 164	2 417 815
Additions	260 972	112 343	9 018	41 478	–	47 621	21 245	492 677	338 116
Disposals	–	(636)	–	(1 057)	–	(43 236)	–	(44 929)	(1 767)
Balance at year end	1 054 706	1 336 617	177 866	138 043	180 594	292 456	21 630	3 201 912	2 754 164
Accumulated depreciation									
Balance at beginning of year	98 831	358 593	30 109	24 397	11 144	164 702	303	688 079	546 766
Charge for the year	24 488	79 548	7 117	9 840	3 945	41 393	642	166 973	141 380
Disposals	–	(636)	–	–	–	(42 578)	–	(43 214)	(67)
Balance at year end	123 319	437 505	37 226	34 237	15 089	163 517	945	811 838	688 079
Carrying value at 30 June	931 387	899 112	140 640	103 806	165 505	128 939	20 685	2 390 074	2 066 085
<b>Company – R000</b>									
Cost									
Balance at beginning of year	793 734	1 195 005	169 980	94 769	178 412	283 412	385	2 715 697	2 380 747
Additions	260 972	112 266	9 018	41 478	–	47 490	21 245	492 469	336 715
Disposals	–	(636)	–	–	–	(43 215)	–	(43 851)	(1 765)
Balance at year end	1 054 706	1 306 635	178 998	136 247	178 412	287 687	21 630	3 164 315	2 715 697
Accumulated depreciation									
Balance at beginning of year	98 831	347 901	29 660	24 397	11 144	164 419	303	676 655	537 528
Charge for the year	24 488	77 705	6 685	9 841	3 945	41 269	642	164 575	139 194
Disposals	–	(636)	–	–	–	(42 561)	–	(43 197)	(67)
Balance at year end	123 319	424 970	36 345	34 238	15 089	163 127	945	798 033	676 655
Carrying value at 30 June	931 387	881 665	142 654	102 008	163 323	124 560	20 685	2 366 282	2 039 042

\*Equipment with a net book value of R20 685 000 (2003: R82 000) is encumbered as security for finance lease agreements referred to in note 8.

### Borrowing costs

Borrowing costs amounting to R18 262 000 were capitalised in respect of the year to 30 June 2004 (2003: R6 216 000). Borrowing costs are capitalised on material capital projects at prime overdraft rates applicable on Group borrowings during the year.

A register containing details of land and buildings is available for inspection during business hours at the registered address of the Company by members or their duly authorised agents.

## Notes to the financial statements

for the year ended 30 June 2004 (continued)

	GROUP		COMPANY	
	2004 R000	2003 R000	2004 R000	2003 R000
<b>2. INTANGIBLE ASSETS</b>				
<b>Cost</b>				
Balance at beginning of year	8 979	8 979	1 776	1 776
Additions	–	–	–	–
Balance at year end	8 979	8 979	1 776	1 776
<b>Accumulated depreciation</b>				
Balance at beginning of year	2 866	2 195	861	531
Charge for the year	856	671	497	330
Balance at year end	3 722	2 866	1 358	861
Carrying value at 30 June	5 257	6 113	418	915

### 3. INVESTMENT IN SUBSIDIARIES

Name and nature of business	Issued capital		Interest in capital		Book value of the Company's interests			
					Shares		Indebtedness	
	2004 R000	2003 R000	2004 %	2003 %	2004 R000	2003 R000	2004 R000	2003 R000
Feralloys Limited – dormant	2 900	2 900	100	100	4 781	4 781	–	–
Cato Ridge Development Company Limited – township development	1 950	1 950	100	100	1 520	1 520	6 393	5 046
					6 301	6 301	6 393	5 046

Company's aggregate interest in the losses, after taxation of subsidiaries was R1 877 000 (2003: R895 000 loss).

Loans to subsidiaries are interest free and no fixed terms of repayment have been agreed upon.

All subsidiaries are incorporated and carry on operations in the Republic of South Africa.



## Notes to the financial statements

for the year ended 30 June 2004 (continued)

	GROUP		COMPANY	
	2004 R000	2003 R000	2004 R000	2003 R000
<b>4. INVESTMENT IN JOINT VENTURE</b>				
The Company has a 50 percent interest in Cato Ridge Alloys (Proprietary) Limited, which is controlled jointly by the Company, Mizushima and Sumitomo and whose business is the production of refined ferromanganese. Included in the Group financial statements are the following amounts relating to its share of the joint venture which were proportionately consolidated.				
<b>Income statement</b>				
Turnover	149 604	147 862		
Cost of sales	115 588	119 253		
Other operating expenses	9 306	3 025		
Other operating income	429	1 055		
Profit for the year after taxation	15 683	13 741		
<b>Balance sheet</b>				
Property, plant and equipment	26 809	29 337		
Current assets	85 540	74 526		
Current liabilities	34 043	26 030		
Short-term borrowings	14 188	33 550		
<b>Cash flows</b>				
Net cash outflow from operating activities	(16 916)	(21 570)		
Net cash outflow from investing activities	(2 528)	(1 401)		
Net cash inflow from financing activities	19 362	20 708		
Cash and cash equivalents	151	69		
There are no commitments for future capital expenditure or for contingent liabilities relating to the Company's interest in the joint venture.				
<b>5. INVENTORIES</b>				
Raw materials	525 772	425 597	427 511	425 502
Consumable stores	63 157	60 646	46 753	57 714
Finished goods	300 235	343 529	374 500	318 900
	889 164	829 772	848 764	802 116

## Notes to the financial statements

for the year ended 30 June 2004 (continued)

	GROUP		COMPANY				
	2004 R000	2003 R000	2004 R000	2003 R000			
<b>6. TRADE AND OTHER RECEIVABLES</b>							
Trade receivables	785 329	542 312	743 393	522 649			
Other receivables	123 233	154 168	116 586	146 629			
	<b>908 562</b>	696 480	<b>859 979</b>	669 278			
<b>7. SHARE CAPITAL</b>							
<b>Authorised</b>							
3 636 260 ordinary shares of 50 cents each	1 818	1 818	1 818	1 818			
63 740 unclassified shares of 50 cents each	32	32	32	32			
	<b>1 850</b>	1 850	<b>1 850</b>	1 850			
<b>Issued</b>							
3 548 206 ordinary shares of 50 cents each	1 774	1 774	1 774	1 774			
<b>8. LONG-TERM BORROWINGS</b>							
<b>South African long-term borrowings</b>							
<b>Secured loans</b>	20 810	56	20 810	56			
Finance lease liabilities over vehicles with a book value of R20 685 000 (2003: R82 000) are repayable in varying monthly instalments over 60 months (2003: 24 months) and bear interest at 1,75% below the prime overdraft rate.							
Less: Repayable within one year included in short-term borrowings (refer note 13)	6 525	53	6 525	53			
	<b>14 285</b>	3	<b>14 285</b>	3			
<b>Interest payable and repayments</b>							
	Rate of interest	Total borrowings	Repayable during the years ending 30 June				
<b>Group and Company</b>		2004 R000	2005 R000	2006 R000	2007 R000	2008 R000	2009 R000
Finance lease liabilities	1,75% below the prime overdraft rate	20 810	6 525	3 944	4 349	4 792	1 200



## Notes to the financial statements

for the year ended 30 June 2004 (continued)

	GROUP		COMPANY	
	2004 R000	2003 R000	2004 R000	2003 R000
<b>9. DEFERRED TAX ASSETS AND LIABILITIES</b>				
Net deferred tax opening balance	435 762	368 597	437 227	375 296
– deferred tax assets	(12 006)	(11 204)	–	–
– deferred tax liabilities	447 768	379 801	437 227	375 296
Movement during the year	86 853	67 165	79 391	61 931
Reversing temporary difference from assessed loss	4 782	6 422	–	–
Originating temporary difference on fixed assets	87 880	62 788	88 502	63 330
Temporary difference from provisions made	(9 382)	(787)	(9 382)	(787)
Temporary difference from valuation of inventories	3 287	(629)	–	–
Other	286	(629)	271	(612)
Net deferred tax closing balance	522 615	435 762	516 618	437 227
– deferred tax assets	(4 972)	(12 006)	–	–
– deferred tax liabilities	527 587	447 768	516 618	437 227
Consisting of:				
Accelerated depreciation for tax purposes	545 406	457 526	539 457	450 955
Assessed losses utilised	–	(4 782)	–	–
Provisions made, deductible only when costs are incurred/paid	(22 500)	(13 118)	(22 500)	(13 118)
Valuation of inventories	50	(3 237)	–	–
Other	(341)	(627)	(339)	(610)
	522 615	435 762	516 618	437 227
<b>10. LONG-TERM PROVISIONS</b>				
<b>Environmental obligations</b>				
Provision for decommissioning cost				
Balance at beginning of year	11 611	10 096	11 611	10 096
Movement for the year	6 124	1 515	6 124	1 515
Discounted amount for decommissioning of expansion projects	4 325	–	4 325	–
Charged to interest paid	1 799	1 515	1 799	1 515
Balance at year end	17 735	11 611	17 735	11 611
Provision for restoration cost				
Balance at beginning of year	6 700	5 078	6 700	5 078
Movement for the year	22 458	1 622	22 458	1 622
Discounted amount for increase in restoration obligation charged to income statement	20 388	1 436	20 388	1 436
Charged to interest paid	2 070	186	2 070	186
Balance at year end	29 158	6 700	29 158	6 700
<b>Environmental obligation – gross</b>	<b>46 893</b>	<b>18 311</b>	<b>46 893</b>	<b>18 311</b>
<b>Environmental obligations before funding</b>	<b>46 893</b>	<b>18 311</b>	<b>46 893</b>	<b>18 311</b>
Less: Amounts contributed to Nature Conservation Trust Fund	18 617	13 068	18 617	13 068
<b>Obligation provided for but unfunded</b>	<b>28 276</b>	<b>5 243</b>	<b>28 276</b>	<b>5 243</b>

## Notes to the financial statements

for the year ended 30 June 2004 (continued)

	GROUP		COMPANY	
	2004 R000	2003 R000	2004 R000	2003 R000
<b>10. LONG-TERM PROVISIONS (continued)</b>				
<b>Post-retirement health care benefits</b>				
Balance at beginning of year	17 534	16 023	17 534	16 023
Net benefit movement (refer note 22)	(597)	1 511	(597)	1 511
Balance at year end	16 937	17 534	16 937	17 534
Total long-term provisions at year end	63 830	35 845	63 830	35 845
<b>11. SHORT-TERM PROVISIONS – LEAVE PAY</b>				
Balance at beginning of year	11 355	11 108	11 355	11 108
Provision for the year	6 831	836	6 831	836
Less payments made during the year	2 736	589	2 736	589
Balance at year end	15 450	11 355	15 450	11 355
<b>12. TRADE AND OTHER PAYABLES</b>				
Trade payables	367 978	294 544	333 700	277 383
Other payables	5 360	4 105	5 360	4 105
Balance at year end	373 338	298 649	339 060	281 488
<b>13. OVERDRAFTS AND SHORT-TERM BORROWINGS</b>				
Overdrafts and short-term borrowings	730 665	523 983	716 542	490 432
Current portion of long-term borrowings (Note 8)	6 525	53	6 525	53
Balance at year end	737 190	524 036	723 067	490 485
<b>14. CAPITAL COMMITMENTS</b>				
Approved by directors				
– contracted for	112 640	109 323	112 640	109 323
– not contracted for	328 837	233 014	328 837	233 014
	441 477	342 337	441 477	342 337
It is anticipated that this expenditure which relates wholly to plant and equipment will be incurred over a two year period and will be financed from the Group's operating cash flows and by utilising available borrowing resources.				
<b>15. BORROWING POWERS</b>				
The borrowing powers of the Group in terms of its articles of association, is as follows:				
Borrowing powers	2 480 226	2 288 515		
Borrowings at year end				
– long-term	14 285	3		
– overdrafts and short-term	737 190	524 036		
Unutilised borrowing powers	1 728 751	1 764 476		
The borrowing powers of the Group are limited to the aggregate of the issued and paid up share capital and share premium of the Company and the consolidated retained earnings.				



## Notes to the financial statements

for the year ended 30 June 2004 (continued)

	GROUP		COMPANY	
	2004 R000	2003 R000	2004 R000	2003 R000
<b>16. REVENUE</b>				
Revenue comprises				
– Mining and other related products	3 304 537	2 904 483	3 233 365	2 836 758
– Interest received	1 734	1 306	1 694	1 217
– Other operating income	17 623	13 097	19 020	11 156
	<b>3 323 894</b>	<b>2 918 886</b>	<b>3 254 079</b>	<b>2 849 131</b>
<b>17. NET PROFIT FROM OPERATIONS</b>				
Profit from operations includes:				
Surplus on disposal of property, plant and equipment	4 502	22	4 502	22
Foreign exchange losses	37 620	113 582	37 620	115 480
Remuneration for:				
– technical advisory services	3 307	4 737	3 307	4 737
– secretarial, management, administrative, technical and advisory services	72 240	63 531	72 240	63 531
Amortisation and depreciation	167 829	142 051	165 072	139 524
– mine development	24 488	22 170	24 488	22 170
– plant and machinery – owned	79 548	71 919	77 705	70 406
– leased assets capitalised	642	59	642	59
– land and buildings	7 117	5 810	6 685	4 922
– mine properties and buildings	9 840	5 252	9 841	5 252
– mineral rights	3 945	4 392	3 945	4 392
– furniture, equipment and motor vehicles	41 393	31 778	41 269	31 993
– intangible assets	856	671	497	330
Auditors' remuneration	2 305	2 257	2 235	2 169
– audit fees	1 988	1 839	1 918	1 751
– expenses	69	38	69	38
– other services	248	380	248	380
Directors' emoluments for services as directors			302	302
– executive			144	144
– non-executive			158	158
Exploration expenditure	3 704	2 912	3 704	2 912
Johannesburg Securities Exchange fees	95	105	95	105
Movements in provisions				
– long-term	27 985	4 648	27 985	4 648
– short-term	6 831	836	6 831	836
Staff costs				
– salaries and wages	355 925	312 513	355 925	312 513
– pension fund contributions	21 467	18 888	21 467	18 888
– total health care expense	16 455	12 727	16 455	12 727

## Notes to the financial statements

for the year ended 30 June 2004 (continued)

	GROUP		COMPANY	
	2004 R000	2003 R000	2004 R000	2003 R000
<b>18. FINANCE COSTS</b>				
Finance costs incurred	70 003	63 099	67 206	56 000
Less amounts capitalised	18 262	6 216	18 262	6 216
	51 741	56 883	48 944	49 784
<b>19. TAXATION AND STATE'S SHARE OF PROFIT</b>				
South African normal taxation				
– current year	32 369	35 038	29 830	35 015
– prior year over provision	(10)	(2 335)	(10)	(2 337)
State's share of profits	1 442	24 699	1 442	24 699
Deferred taxation				
– temporary differences	86 853	67 165	79 391	61 931
Secondary tax on companies	3 327	5 321	3 327	5 321
	123 981	129 888	113 980	124 629
<b>Reconciliation of rate of taxation:</b>	%	%	%	%
Standard rate of company taxation	30,0	30,0	30,0	30,0
Adjusted for:				
Prior year adjustments	–	(0,7)	–	(0,7)
Exempt income	(1,7)	(0,7)	(1,8)	(0,8)
Effect of State's share of profits	6,2	8,2	6,9	8,7
Secondary tax on companies	1,0	1,6	1,1	1,7
Other	0,7	0,5	0,4	0,4
Effective rate of taxation	36,2	38,9	36,6	39,3
	R000	R000	R000	R000
The estimated losses which are available for the reduction of future taxable income are	–	15 874	–	–
of which	–	15 874	–	–
has been taken into account in calculating deferred taxation.				
The unredeemed capital expenditure available for reduction against future taxable income is estimated at	572 534	486 263	572 534	486 263
The Group has no unused credits in respect of secondary tax on companies (2003: Nil).				
The latest tax assessment received for the Company relates to the year ended 30 June 1999 and is dated 19 June 2000. The 2000, 2001 and 2002 tax returns have been submitted to the revenue authorities, but have not yet been assessed.				



## Notes to the financial statements

for the year ended 30 June 2004 (continued)

	GROUP		COMPANY	
	2004 R000	2003 R000	2004 R000	2003 R000
<b>20. HEADLINE EARNINGS</b>				
Earnings per income statement	218 323	203 839	196 885	192 463
Adjusted for surplus on disposal of property, plant and equipment	4 502	22	4 502	22
Headline earnings	213 821	203 817	192 383	192 441

### 21. RETIREMENT BENEFIT INFORMATION

The Group has made provision for pension plans covering all employees. These comprise a defined contribution pension fund, which is governed by the Pension Fund Act, 1956, and two defined contribution provident funds administered by employee organisations within the industries in which members are employed. The contributions paid by the Group for retirement benefits are charged to the income statement as they are incurred.

The benefits provided by the defined contribution plan are determined by accumulated contributions and returns on investment.

Reviews of the plans are carried out by independent actuaries at regular intervals.

Members contribute 7,5% and the Company 12,5% of pensionable salaries to the funds.

### 22. POST-RETIREMENT HEALTH CARE BENEFITS

The Group has obligations to fund a portion of certain retiring employees' medical aid contributions based on the cost of benefits. The anticipated liabilities arising from these obligations have been actuarially determined using the projected unit credit method, and a corresponding liability has been raised.

The following table summarises the components of the net benefit expense recognised in the consolidated income statements.

	GROUP	
	2004 R000	2003 R000
Current service cost	887	826
Interest cost on benefit obligation	1 547	1 401
Net actuarial loss/(gain) recognised in the year	(3 031)	(716)
Net benefit movement for the year	(597)	1 511

The liability is assessed periodically by an independent actuarial survey. This survey uses the following principal actuarial assumptions:

- a discount rate of 2,50% per annum;
- an increase in health care costs at a rate of 7,32% per annum;
- assumed rate of return on assets at 10% per annum.

The liabilities raised are based on the present values of the post-retirement benefits and have been recognised in full. The most recent actuarial valuation was conducted on 27 September 2004 for the year ended 30 June 2004.

The provisions raised in respect of post-retirement health care benefits amounted to R16,937 million (2003: R17,534 million) at the end of the year. Of this amount, R0,597 million (2003: R1,511 million charge) was credited against income in the current year (refer to note 10).

## Notes to the financial statements

for the year ended 30 June 2004 (continued)

	GROUP		COMPANY	
	2004 R000	2003 R000	2004 R000	2003 R000
<b>23. RECONCILIATION OF NET PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS</b>				
Profit from operations	392 311	389 304	358 115	365 659
Adjusted for:	202 318	160 385	198 765	157 858
– depreciation on property, plant and equipment	167 829	142 051	165 072	139 524
– surplus on disposal of property, plant and equipment	(4 502)	(22)	(4 502)	(22)
– long- and short-term provisions	33 388	5 484	33 388	5 484
– unrealised foreign exchange loss	8 678	16 126	7 914	16 126
– other non-cash flow items	(3 075)	(3 254)	(3 107)	(3 254)
Operating profit before working capital changes	594 629	549 689	556 880	523 517
Increase in inventories	(58 670)	(119 836)	(45 926)	(121 838)
(Increase)/ decrease in receivables	(226 333)	1 807	(204 188)	16 678
Increase in payables	80 258	122 176	63 172	110 220
Cash generated from operations	389 884	553 836	369 938	528 577
<b>24. TAXATION PAID</b>				
Balance due at beginning of year – normal taxation (net)	(20 515)	(35 274)	(20 484)	(35 350)
Amounts charged to the income statement	(123 981)	(129 888)	(113 980)	(124 629)
Adjustment for deferred taxation	86 853	67 167	79 391	61 931
Balance due at year end	14 691	20 515	12 152	20 484
	(42 952)	(77 480)	(42 921)	(77 564)

### 25. SEGMENT INFORMATION

The Group's primary segment reporting format is by business segment and its secondary reporting format is by the geographical location of customers.

#### Business segment

The directors consider that there is only one business segment, being the mining of manganese, chrome and iron ores and the production of manganese and chrome alloys.



## Notes to the financial statements

for the year ended 30 June 2004 (continued)

### 25. SEGMENT INFORMATION (continued)

On the basis of the Group's internal financial reporting systems, the directors have identified the following business segments:

R000	Iron Ore Division	Manganese Division	Chrome Division	Total
<b>Primary segmental information</b>				
<b>Year to 30 June 2004</b>				
Turnover	643 547	1 587 492	1 073 498	3 304 537
Contribution to earnings	11 085	232 117	(24 879)	218 323
Contribution to headline earnings	8 010	230 935	(25 124)	213 821
Other information				
Consolidated total assets	911 587	1 869 353	1 445 657	4 226 597
Consolidated total liabilities	314 722	399 634	1 032 015	1 746 371
Capital expenditure	148 389	267 849	76 439	492 677
Depreciation	54 448	62 230	51 151	167 829
<b>Primary segmental information</b>				
<b>Year to 30 June 2003</b>				
Turnover	687 029	1 494 608	722 846	2 904 483
Contribution to earnings	53 691	285 955	(135 807)	203 839
Contribution to headline earnings	53 691	285 933	(135 807)	203 817
Other information				
Consolidated total assets	789 455	1 559 305	1 277 926	3 626 686
Consolidated total liabilities	203 675	295 089	839 407	1 338 171
Capital expenditure	102 250	183 314	52 552	338 116
Depreciation	41 391	56 294	44 366	142 051

**Note:** Earnings include Secondary Tax on Companies (STC) amounting to R3 327 000 (2003: R5 321 000).

**Geographical segment:** by location of customers:

An analysis of the geographical locations to which product is supplied is set out below:

	Group revenue by segment		Group receivables by segment	
	2004 R000	2003 R000	2004 R000	2003 R000
South Africa	282 882	170 216	83 300	40 615
Europe	1 087 163	937 205	363 623	223 626
USA	572 027	570 788	109 590	136 196
Far East	1 291 929	1 187 127	227 986	283 260
Other	89 893	53 550	124 063	12 783
	3 323 894	2 918 886	908 562	696 480

## Notes to the financial statements

for the year ended 30 June 2004 (continued)

### 26. CONTINGENT LIABILITIES

The Group has issued a back to back guarantee to Assore Limited in respect of guarantees issued to bankers by Assore Limited to secure a short-term export finance agreement facility of R180 million (2003: R180 million).

There were no short-term export finance loans negotiated by Assore in terms of the above facility in the ordinary course of business at year end.

In addition to the above the following guarantees have been issued by the Group:

	2004 R000	GROUP 2003 R000
– Eskom: Electricity supply and accounts	10 294	10 294
– Department of Mineral and Energy Affairs: Rehabilitation	9 341	9 341
	<b>19 635</b>	19 635

### 27. RELATED PARTY TRANSACTIONS

Related party transactions are concluded at arm's length and under terms and conditions that are no less favourable than those arranged with third parties.

The following significant related party transactions occurred during the year:

African Rainbow Minerals Limited – fees for provision of services	72 240	63 531
Assore Limited – fees for provision of services	104 169	74 672

### 28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group does not hold financial instruments for speculative purposes but, in the normal course of its operations, the Group is exposed to currency, commodity price, credit, liquidity and interest rate risks. In order to manage these risks, the Group may enter into transactions that make use of financial instruments.

A treasury risk management committee has been established by the Group to manage these risks.

#### Currency risk

The Group's markets are predominantly priced in US dollars which exposes the Group's cash flows to foreign exchange currency risks. The Group is also exposed to currency risk relating to the purchase of certain products and assets during the ordinary course of its business. Where considered appropriate, these risks are hedged using forward exchange contracts.

The extent to which foreign currency receivables and payables are covered by forward exchange contracts is continuously reviewed in the light of changes in operational forecasts and market conditions and the Group's hedging policy.

Forward exchange contracts open at year end	R000	Principal amount of forward exchange contracts		Maturity date
		Foreign currency amount 000	Average rate	
<b>2004</b>				
Purchases (ZAR: US\$)	38 383	6 056	6.338	30 Sept 04 – 7 Oct 04
Purchases (ZAR: AU\$)	2 255	518	0.230	30 Sept 04 – 11 Feb 05
Sales	–	–	–	
<b>2003</b>				
Purchases	–	–	–	
Sales	–	–	–	



## Notes to the financial statements

for the year ended 30 June 2004 (continued)

### 28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### Credit risk

Credit risk arises from possible defaults on payments by customers or bank counterparties where letters of credit have been issued. The Group minimises credit risk by careful evaluation of the ongoing credit worthiness of the Group's customers and bank counterparties before any transactions are concluded. Cash is only deposited with institutions which have exceptional credit rankings with the amounts distributed appropriately among these institutions to minimise credit risk through diversification.

At year end, the Group did not consider that there was any significant concentration of credit risk which has not been adequately provided for.

#### Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet a financial commitment in any location or currency as they fall due.

This risk is controlled and monitored by the preparation of detailed cash flow forecasts and budgets which are reviewed by management.

Banking facilities are established in advance with reputable banks to ensure that forecast cash flow shortfalls can be met from borrowings.

#### Interest rate risk

Fluctuations in interest rates give rise to interest rate risks through the impact these fluctuations have on the value of short-term cash investments and financing activities.

Interest rates are continually monitored to minimise the impact thereof.

Cash is managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimising risks.

Exposures to interest rate risk at year end were as follows:

	Carrying value at year end R000	Maturity date	Effective interest rate
<b>Financial assets</b>			
<b>Year ended 30 June 2004</b>			
Cash – financial institutions	9 951	Current	Overnight call deposit
<b>Year ended 30 June 2003</b>			
Cash – financial institutions	3 162	Current	Overnight call deposit
<b>Financial liabilities</b>			
<b>Year ended 30 June 2004</b>			
Local long-term borrowings			1,75% below prime overdraft rate
– Finance lease agreements	14 285	2009	
Local short-term borrowings			linked to money market
– Financial institutions	737 190	Current	
	751 475		
<b>Year ended 30 June 2003</b>			
Local long-term borrowings			Linked to money market
– Finance lease agreements	3	2005	
Local short-term borrowings			Linked to money market
– Financial institutions	524 036	Current	
	524 039		

#### Fair value of financial instruments

The estimated fair value of the Group's financial instruments as at 30 June 2004 and for 30 June 2003 are estimated to approximate the carrying amounts reflected in the balance sheet.

## Shareholders' diary

<b>Financial year end</b>		30 June
<b>Annual financial statements</b>		Issued: October
<b>Annual general meeting</b>		November
<b>Interim report</b>		Published February
<b>Dividends</b>	<b>Declared</b>	<b>Paid</b>
Interim	April	May
Final	August	September



## Notice of annual general meeting

Notice is hereby given that the sixty ninth annual general meeting of members of Assmang Limited will be held at 10:00 on Thursday, 4 November 2004 at Assore House, 15 Fricker Road, Illovo Boulevard, Illovo, South Africa, for the following purposes:

1. To receive and consider the annual financial statements for this financial year ended 30 June 2004.
2. To elect the following directors in place of those who retire in accordance with the provisions of the Company's articles of association, and who, being eligible, offer themselves for re-election, namely Messrs R J Carpenter, R P Menell and D G Sacco.
3. To elect Mr M Arnold who was appointed as a director of the Company since the last annual general meeting and who, being eligible, offers himself for election.

Refer **Footnotes** for directors' curriculum vitae.

### Voting and proxies

Each shareholder of the Company who is registered as such and who, being an individual, is present in person or by proxy or which, being a company, is represented at the annual general meeting is entitled to one vote on a show of hands.

On a poll, each shareholder present in person or by proxy or represented shall have one vote for every share held by such shareholder.

### Footnotes

#### Directors retiring by rotation and are seeking re-election

Robert John Carpenter, BA ACIS, 61. An executive director of the Company appointed to the Board on 1 July 1989. A member of the Operations Committee.

Richard Peter Menell, MA, MSc, 49. A non-executive director and Deputy Chairman of the Company appointed to the Board on 3 June 1996.

Desmond Giulio Sacco, BSc Geo. Hon, 64. A non-executive director and Chairman of the Company appointed to the Board on 8 August 1974.

#### Confirmation of appointment of a director appointed since the last annual general meeting

Michael Arnold, BSc Eng. (Mining geology); CA(SA), 47. A non-executive director of the Company appointed to the Board on 1 May 2004. A member of the Audit Committee.

#### Certificate shareholders/dematerialised shareholders with own name registrations

Shareholders who have not yet dematerialised their shares or who have dematerialised their shares with own name registration (entitled shareholders) may appoint one or more proxies to attend, speak and vote or abstain from voting in such shareholders' stead. The person so appointed need not be a member of the Company. A form of proxy is attached for the use of those entitled shareholders who wish to be so represented. Such entitled shareholders should complete the attached form of proxy in accordance with the instructions contained therein and return it to the registered office of the Company, namely 24 Impala Road, Chislehurst, 2196, South Africa (PO Box 782058, Sandton, 2146) or the transfer secretaries, Computershare Limited, 70 Marshall Street, Johannesburg, 2001, South Africa (PO Box 1053, Johannesburg, 2000, South Africa).

#### Dematerialised shareholders

Shareholders who have dematerialised their shares (other than those with own name registrations) should provide their Central Securities Depository Participant (CSDP) or broker with their voting instructions in terms of the custody agreement entered into with the relevant CSDP or broker. Should such shareholders wish to attend the annual general meeting or send a proxy to represent them at the annual general meeting, they should inform their CSDP or broker timeously and request their CSDP or broker to issue them with the necessary authorisation to attend.

By order of the board

**African Rainbow Minerals Limited**  
Secretaries



Per: A Jepson

Johannesburg  
22 September 2004

# Form of proxy

## DEMATERIALIZED SHAREHOLDERS

Shareholders who have dematerialised their shares (other than those with own name registrations) should provide their Central Securities Depository Participant (CSDP) or broker with their voting instructions in terms of the custody agreement entered into with their relevant CSDP or broker. Should such shareholders wish to attend the annual general meeting of Assmang Limited (the Company), they should inform their CSDP or broker timeously and request their CSDP or broker to issue them with the necessary authorisation to attend.

## FOR COMPLETION BY SHAREHOLDERS WHO HAVE NOT YET DEMATERIALIZED THEIR SHARES OR WHO HAVE DEMATERIALIZED THEIR SHARES WITH OWN NAME REGISTRATION

Shareholders who have not yet dematerialised their shares or who have dematerialised their shares with own name registration (entitled shareholders) may appoint one or more proxies to attend, speak and vote or to abstain from voting in such shareholder's stead. The person so appointed need not be a member of the Company. This form of proxy is for the use of those entitled members who wish to be so represented. Such entitled shareholders should complete this form of proxy in accordance with the instructions contained herein and return it to the registered office or the transfer secretaries of the Company, to be received by the time and date stipulated herein.

If you are unable to attend the sixty-ninth annual general meeting of shareholders of Assmang Limited convened for Thursday, 4 November 2004 at 10:00, you should complete and return this form of proxy as soon as possible, but in any event to be received by not later than 10:00 on Tuesday, 2 November 2004.

I/We \_\_\_\_\_ (name in block letters)

of \_\_\_\_\_ (address)

being the holder of \_\_\_\_\_ shares in the issued share capital of **Assmang Limited**, do hereby appoint

\_\_\_\_\_ or failing him/her,

\_\_\_\_\_ or failing him/her, the chairman of the Company, or failing him/her the chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at 10:00 on Thursday, 4 November 2004 and at any adjournment thereof and in particular in respect of the following resolutions:

\*Indicate with an X in the spaces below how votes are to be cast. Unless otherwise directed, the proxy will vote or abstain as he thinks fit in respect of the member's holding.

Resolutions	For	Against	Abstain
1 To re-elect the following directors, who retire by rotation: R J Carpenter			
R P Menell			
D G Sacco			
2 To confirm the appointment of the following director made on 1 May 2004: M Arnold			

Number of shares

Unless this section is completed for a lesser number, the Company is authorised to insert in the said section the total number of shares registered in my/our name(s) one business day before the meeting.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2004

Signature \_\_\_\_\_

Assisted by me (where applicable) \_\_\_\_\_

Please see notes overleaf

## Notes to form of proxy

### INSTRUCTIONS ON SIGNING AND LODGING FORMS OF PROXY

#### Please read the notes below:

1. The completion and lodging of this form of proxy will not preclude the entitled member who grants this proxy from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should he or she wish to do so.
2. Every member present in person or represented by proxy and entitled to vote shall, on a show of hands, have only one vote and upon a poll every member shall have a vote for every ordinary share held.
3. You may insert the name of any person(s) whom you wish to appoint as your proxy in the blank space(s) provided for that purpose. The person whose name appears first on the form of proxy and who is present at this meeting will be entitled to act as proxy to the exclusion of those whose names follow.
4. When there are joint holders of shares, only that holder whose name appears in the register need sign this form of proxy.
5. If the form of proxy is signed under the authority of a power of attorney or on behalf of a company or any other juristic person, then it must be accompanied by such power of attorney or a certified copy of the relevant enabling resolution or other authority of such company or other juristic person, unless proof of such authority has been recorded by the Company.
6. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration must be signed, not initialled.
7. The chairman of the meeting may, in his absolute discretion, reject any form of proxy which is completed other than in accordance with these instructions.
8. Forms of proxy, powers of attorney or any other authority appointing a proxy shall be deposited at the **registered office** of the Company, 24 Impala Road, Chislehurst 2196 South Africa (or posted to PO Box 782058, Sandton 2146 South Africa), or at the **transfer secretaries**, Computershare Limited, 70 Marshall Street, Johannesburg 2001 South Africa (or posted to PO Box 1053, Johannesburg 2000 South Africa) so as to be received not later than 10:00 on Tuesday, 2 November 2004 (in respect of the meeting) or 48 hours, excluding Saturdays, Sundays and public holidays, before the time appointed for holding of any adjourned meeting.
9. No form of proxy shall be valid after the expiration of six months from the date when it was signed except at an adjourned meeting in cases where the meeting was originally held within six months from the aforesaid date.





**ASSMANG**

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