

# ASSMANG LIMITED

Annual report 2006

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# Group profile

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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 and Mizushima Ferroalloys Company Limited and Sumitomo Corporation, both of Japan, produces refined ferromanganese at the Cato Ridge works.

Incorporated in 1935 – the Group employs 2 865 permanent employees and is operated as three divisions namely, iron ore, manganese and chrome. Assmang is managed in terms of a shareholder agreement where the Company is controlled jointly by African Rainbow Minerals Limited (“ARM”) and Assore Limited (“Assore”) which both hold 50% each of the issued share capital of the Company and both of which are listed on the JSE Limited (“JSE”).

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 near Steelpoort supplies ore to the Company’s Machadodorp Works for the production of chrome alloys. The Group’s alloy production is mainly exported.

During the year under review the Company’s directors approved the first phase of the construction of a new 8,4 million-ton-per-annum iron ore mine, Khumani, in the Northern Cape. The total capital cost for phase 1 is estimated at R3,2 billion. This new mine will more than replace current production from the Company’s Beeshoek operation, which is reaching the end of its economic life.

Assmang has community investment initiatives 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 have also been revised in order to align community investment to a series of human resources development legislation 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 of the Group and address potential environmental impacts. The Group makes annual contributions into an environmental rehabilitation trust fund to provide for the funding of the future closure 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 business of the Group is subject to fluctuations in commodity prices, exchange rates and interest rates as well as the risks involved in mining and smelting operations. While every effort is made to anticipate and counter adverse impacts of these risks on the Group's performance, it is not possible to guarantee the outcome of future results.

## Salient features

	30 June 2006 R000	30 June 2005 R000	30 June 2004 R000
Turnover	4 357 697	4 406 474	3 304 537
Profit for the year	666 636	948 973	218 323
Headline earnings	661 026	959 097	213 821
Dividends paid	191 603	90 479	26 612
Headline earnings per share (rand)	186,30	270,30	60,26
Attributable earnings per share (rand)	187,88	267,45	61,53
Dividends paid per share (rand)	54,00	25,50	7,50
Dividends declared per share after year-end (rand)	30,00	34,00	7,50

# Five year review

	2006	2005	2004	2003	2002	
	R000	R000	R000	R000	R000	
<b>Financial results for the year ended</b>						
Turnover	4 357 697	4 406 474	3 304 537	2 904 483	2 809 352	
Profit before taxation†	1 028 779	1 414 250	342 304	333 727	1 233 452*	
Income tax expense	362 143	465 277	123 981	129 888	246 911	
Net profit for the year	666 636	948 973	218 323	203 839	986 541	
Ordinary dividends paid	191 603	90 479	26 612	42 578	47 901	
Retained profit	475 033	858 494	191 711	161 261	938 640	
<b>Assets</b>						
Property, plant and equipment	3 094 428	2 778 702	2 395 331	2 072 198	1 877 833	
Deferred tax assets	–	–	4 972	12 006	11 204	
Environmental rehabilitation trust fund	–	–	18 617	13 068	10 385	
Current assets	2 390 481	2 290 673	1 807 677	1 529 414	1 439 226	
	5 484 909	5 069 375	4 226 597	3 626 686	3 338 648	
<b>Equity and liabilities</b>						
Shareholders' equity	3 813 753	3 338 720	2 480 226	2 288 515	2 127 254	
Deferred tax liabilities	854 920	730 634	527 587	447 768	379 801	
Long-term liabilities	114 051	110 607	78 115	35 848	31 889	
Current liabilities	702 185	889 414	1 140 669	854 555	799 704	
	5 484 909	5 069 375	4 226 597	3 626 686	3 338 648	
<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 share	Cents	18 788	26 745	6 153	5 745	27 804
Headline earnings per share	Cents	18 630	27 030	6 026	5 745	12 467
Dividends paid per share	Cents	5 400	2 550	750	1 200	1 350
Capital expenditure	R000	705 029	699 058	492 677	338 116	372 312
Sales volumes						
– Manganese ore (excluding sales to Cato Ridge facility)	t000	1 678	1 811	1 438	1 171	999
– Iron ore	t000	5 926	5 776	5 460	5 263	4 775
– Chrome ore (excluding sales to Machadodorp facility)	t000	178	34	44	20	39
– Manganese alloys	t000	260	197	218	197	187
– Charge chrome	t000	210	262	295	244	190

\*Includes exceptional item of R543,7 million resulting from the profit on disposal of mineral rights.

# Administration

## Directors

Desmond Sacco – **Chairman**  
A J Wilkens – **Deputy Chairman**  
F Abbott  
B R Broekman\*†  
R J Carpenter†  
C J Cory\*  
P C Crous†  
J C Steenkamp†

## Alternate directors

M Arnold\*  
G C Butler‡  
W M Gule  
P G W Henderson  
F H Kalp  
J W Lewis‡  
A McAdam‡  
A D Stalker‡  
\*Members of the audit committee  
†Executive directors  
‡British

## Secretaries, administrative and financial advisers

African Rainbow Minerals Limited  
24 Impala Road  
Chislehurst  
2196, South Africa

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

## Transfer secretaries

Computershare Investor Services 2004 (Proprietary) Limited  
70 Marshall Street  
2001, Johannesburg

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

## Technical advisers

African Rainbow Minerals 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:

### Iron ore

W S Grobbelaar, **Iron Ore Business Leader**  
M Pool, **General manager- Beeshoek**  
M A Oosthuizen, **Financial manager**

### Manganese ore

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

### Chrome ore

A J Nel, **General manager**  
T Barnard, **Administrative manager**

### Chrome alloys

H Bouwer, **General manager**  
L R Wohlberg, **Financial manager**

### Manganese alloys

R Burger, **Acting General manager and Manager**  
– **refined alloys**  
G C T Karsten, **Financial manager**

## Auditors

Ernst & Young

## Bankers

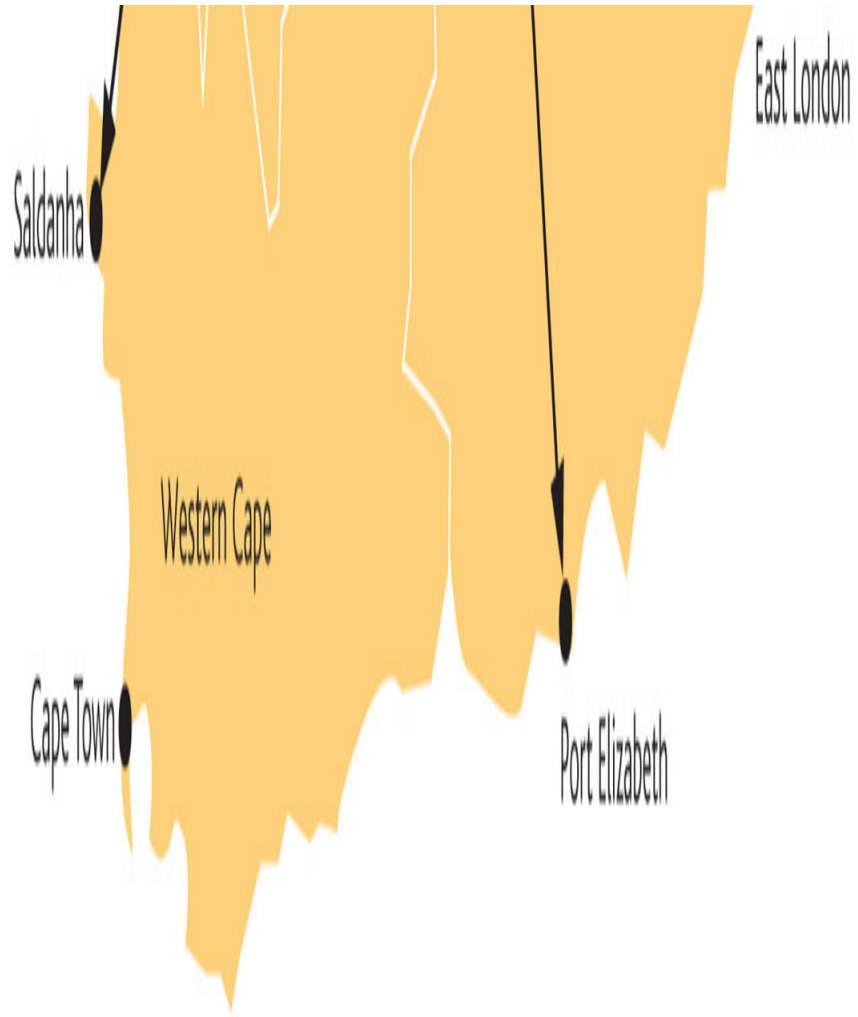
The Standard Bank of South Africa Limited  
ABSA Bank Limited

## Registered office

24 Impala Road  
2196, Chislehurst  
South Africa

# Location of operations

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# Mineral resources and reserves

Summary of mineral resources and mineral reserves  
ASSMANG

<b>IRON</b>	<b>Tons</b>		<b>% Fe</b>
<b>Beeshoek</b>	<b>(Mt)</b>		
Proved mineral reserves	37,3		64,16
Probable mineral reserves	0,1		64,07
Measured mineral resources	134,3		63,94
Indicated mineral resources	13,5		60,07
Inferred mineral resources	0,5		61,87
<b>Total mineral reserves</b>	<b>37,4</b>		<b>64,16</b>
<b>Total mineral resources</b>	<b>147,8</b>		<b>63,50</b>
<b>Khumani</b>			
Proved mineral reserves	273,2		64,75
Probable mineral reserves	171,5		64,59
Measured mineral resources	337,9		64,73
Indicated mineral resources	306,8		64,43
Inferred mineral resources	40,8		62,97
<b>Total mineral reserves</b>	<b>444,7</b>		<b>64,69</b>
<b>Total mineral resources</b>	<b>685,5</b>		<b>64,49</b>
<b>MANGANESE</b>			
<b>Nchwaning 1 ore body</b>	<b>Tons (Mt)</b>	<b>% Mn</b>	<b>% Fe</b>
Proved mineral reserves	11,1	46,9	9,3
Probable mineral reserves	105,7	44,7	8,9
Measured mineral resources	13,9	46,9	9,3
Indicated mineral resources	132,1	44,9	8,9
<b>Total mineral reserves</b>	<b>116,80</b>	<b>44,9</b>	<b>8,93</b>
<b>Total mineral resources</b>	<b>146,0</b>	<b>44,9</b>	<b>8,93</b>
<b>Nchwaning 2 ore body</b>			
Indicated mineral resources	184,7	42,5	15,5
<b>Gloria 1 ore body</b>			
Proved mineral reserves	7,4	38,3	5,08
Probable mineral reserves	65,2	38,2	5,80
Measured mineral resources	9,8	38,3	5,08
Indicated mineral resources	87,9	38,2	5,80
Inferred mineral resources	70,3	–	–
<b>Total mineral reserves</b>	<b>75,3</b>	<b>38,2</b>	<b>5,71</b>
<b>Total mineral resources</b>	<b>97,7</b>	<b>38,2</b>	<b>5,71</b>
<b>Gloria 2 ore body</b>			
Indicated mineral resources	67,9	31,90	10,98
Inferred mineral resources	70,3	34,23	8,97
<b>Total mineral resources</b>	<b>138,2</b>	<b>33,09</b>	<b>9,96</b>
<b>CHROMITITE</b>			
<b>Dwarsrivier</b>	<b>Tons (Mt)</b>	<b>% Cr2O3</b>	<b>% FeO</b>
Proved mineral reserves	12,8	39,66	23,30
Probable mineral reserves	17,4	39,48	23,00
Measured mineral resources	19,8	39,68	23,35
Indicated mineral resources	21,8	39,48	22,95
Inferred mineral resources	45,7	38,76	23,10
<b>Total mineral reserves</b>	<b>30,2</b>	<b>39,56</b>	<b>23,10</b>
<b>Total mineral resources</b>	<b>87,3</b>	<b>39,15</b>	<b>23,12</b>

Note:

Resources and reserves are quoted in metric tons

Cr2O3 = chrome ore

Fe = iron

FeO = ferrous oxide

Mn = manganese

# Mineral resources and reserves (cont)

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## 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.

# Mineral resources and reserves (cont)

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## COMPETENCE

The competent person with overall responsibility for the compilation of the mineral reserves and resources is Mr PJ van der Merwe, Pr.Sci.Nat; an ARM employee. Mr van der Merwe consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

**Mr P vd Merwe** graduated with a B.Sc (Hons) in Geology from the Free State University. He spend 4 years as an exploration geologist for FOSKOR, he then joined the Uranium Resource Evaluation Group of the then Atomic Energy Corporation of SA for 12 years. While employed there he did numerous courses in Geostatistics and spends some time at the University of Montreal, Canada. In 1991 he joined Anglovaal Mining (now ARM Ltd) in the Geostatistics Department and evaluated numerous mineral deposit types for this group in Africa. In 2001 he was appointed as Mineral Resource Manager for the group. He is registered by the South African Council for Natural Scientific Professions as a Professional Natural Scientist in the field of practice of Geological Science, Registration Number 400498/83, and as such is considered to be a Competent Person.

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

The following operations based competent persons were involved in the calculation of mineral resources and reserves:

### Resources/Reserves

Iron : Marius Burger, Pr.Sci.Nat

Chrome : Meiring Burger, Pr.Sci.Nat

Manganese : Awie Pretorius, Pr.Sci.Nat

# Mineral resources and reserves (cont)

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

Underground resources are in-situ tonnages at the postulated mining width, after deductions for geological losses. Underground mineral reserves reflect milled tonnages while surface (dumps) mineral reserves are in-situ tonnages without dilution. Both are quoted at the grade fed to the plant. Open cast mineral resources are quoted as in-situ tonnages and mineral reserves are tonnages falling within an economic pit-shell.

The evaluation method is generally ordinary "Kriging" with mining block sizes ranging from 10\*10 m2 to 100\*100 m2 to 250\*250 m2 in the 2-D plain. The blocks vary in thickness from 2,5 to 50 m. Inverse distance is used in a few instances and with similar block sizes. The Sichel-t and log-mean estimation methods are occasionally used for global estimation of resources, so is the weighted polygonal method. The evaluation process is fully computerised and generally decentralised. The software package utilised is mostly Datamine with the resource/reserve volumes being wireframed.

In order to satisfy the requirements of the Minerals and Petroleum Resources Development Act, Assmang's operations will have to obtain new Mining Rights for all of its properties required to support the planned operations over the next 30 years. The Act is effective from 01 May 2004 and the new Rights must be obtained within 5 years from then. The operations are at various stages of application.

The Group consists of the following operating divisions and assets. A locality map showing the major producers is reflected on page 5 of the annual report.

OPERATING DIVISION	OPERATING ASSETS	TYPE OF OPERATION
Iron Ore Division	Beeshoek Mine	Mines & concentrators
	Khumani Mine	Construction in progress
Manganese Division	Nchwaning Mine	Mines & concentrator
	Gloria Mine	Mine & concentrator
	Cato Ridge Works	Ferromanganese smelter and metal recovery plant
	Cato Ridge Alloys (Pty) Ltd	Ferromanganese refinery
Chrome Division	Dwarsrivier Mine	Mine & concentrator
	Machadadorp Works	Charge chrome smelter & metal recovery plant

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

# Mineral resources and reserves (cont)

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## **MANGANESE ORE OPERATIONS**

The manganese mines are situated in the Northern Cape Province, Republic of South Africa, approximately 80 km west of the town of Kuruman. Located at latitude 27°07'50"S and longitude 22°50'50"E, the site is accessed via the national N14 route between Johannesburg and Kuruman, and the provincial R31 road.

In 1940, the Company acquired a manganese ore outcrop on a small hillock known as Black Rock. Several large properties underlain by ore were subsequently found and acquired. Today the Black Rock area is considered to be the largest and richest manganese deposit in the world. Manganese ore operations were extended and today include the Gloria and Nchwaning underground mines. Manganese ore is supplied locally to Assmang owned smelters, but is mainly exported through the port of Port Elizabeth to Asia and Europe.

### **Mining Authorisation**

Nchwaning Mining Lease - The Nchwaning mining lease (ML10/76) comprises an area of 1877.0587 hectares and is located on the farms Nchwaning (267), Santoy (230) and Belgravia (264). An application for the conversion to a new order mining right, will be submitted during the 2007 financial year.

Gloria Mining Lease - The Gloria mining lease (ML11/83) comprises an area of 1713.1276 hectares and is located on portion 1 of the farm Gloria (266). An application for the conversion to a new order mining right, will be submitted during the 2007 financial year.

### *Geology*

The manganese ores of the Kalahari Manganese field are contained within sediments of the Hotazel Formation of the Griqualand West Sequence, a subdivision of the Proterozoic Transvaal Supergroup. At Black Rock, Belgravia and Nchwaning, the Hotazel, Mapedi and Lucknow Formations have been duplicated by thrusting. The average thickness of the Hotazel Formation is approximately 40m.

The manganese ore bodies exhibit a complex mineralogy and more than 200 mineral species have been identified to date. The hydrothermal upgrading has resulted in a zoning of the ore body with regard to fault positions. Distal areas exhibit a more original and low-grade kutnohorite+braunite assemblages, while areas immediately adjacent to faults exhibit a very high grade hausmannite ore. The intermediate areas exhibit a very complex mineralogy, which includes bixbyite, braunite and jacobsite amongst a host of other manganese bearing minerals. A similar type of zoning also exists in the vertical sense. At the top and bottom contacts it is common to have high Fe and low Mn contents while the reverse is true towards the centre of the seam. This vertical zoning has given rise to a mining practice where only the centre 3.5m high portion of the seam is being mined. At the Gloria mine the intensity of faulting is much less, resulting in lower grades.

# Mineral resources and reserves (cont)

## Resources/Reserves

Measured Resources are classified as material available up to 50 m in front of the mining faces. Material situated further than 50 m from current development is classified as Indicated Resources. Geological losses are built into the grade model. Measured Resources are converted to Proved Reserves taking a 20% pillar loss (Nchwaniing) into account (23% for Gloria). In the same way Probable Reserves are obtained from the Indicated Resources. The Manganese seam is up to 6 m in thickness of which 3.5 m is mined, using a manganese marker zone for control. There is therefore minimum dilution.

The Nchwaniing mine was diamond drilled from surface at 330m centres and the data captured in Excel spreadsheets. The core is logged and 0.5 m long half-core diamond-saw cut samples were submitted to Assmang's laboratory at Black Rock for XRF analyses. Mn and Fe values were checked by Wet Chemical analyses. Several standards were used to calibrate XRF equipment, and results were compared with other laboratories on a regular basis.

A total of 341 boreholes for the No 1 Ore body and 372 holes for the No 2 Ore body, as well as a total of 17 301 face samples were considered in the grade estimation. The available data for an area was optimised over a thickness of 3.5m and exported into data files for computerised statistical and geostatistical manipulation to determine the average grades of manganese (Mn), iron (Fe), silica (SiO<sub>2</sub>), calcium (CaO) and magnesium (MgO).

Ordinary Kriging interpolation within Datamine was used to estimate the grade of each 50m x 50m x 3.5m block generated within the geological model. Sub-cell splitting of the 50 x 50m blocks was allowed to follow the geological boundaries accurately. The relative density of Nchwaniing manganese ore was taken as 4.3 t/m<sup>3</sup>.

The 2006 mineral reserves for the Nchwaniing 1 Ore body changed slightly from 2005 to 116.8 Mt from 116.6 Mt as a result of the ore body being re-modelled. The re-modelling therefore compensated for the production drawdown. Similarly the mineral resources at Nchwaniing 1 Ore body stayed approximately the same at 146,0 Mt (145.6 Mt). The mineral resources at Nchwaniing 2 Ore body increased slightly to 184.7 Mt (182.9 Mt).

Procedures for drilling and assaying at Gloria mine are the same as at Nchwaniing. A total of 103 boreholes were considered in the evaluation of the Gloria mine. The wide-spaced borehole interval puts some limitation on the evaluation in areas away from current mining faces. A total of 4 493 underground sampling values were used in evaluating areas close to current mining.

The boreholes were optimised over a stoping width of 3.5m and the relative density was taken as 3.8t/m<sup>3</sup>. The seams were evaluated by means of statistical and geostatistical methods to determine the average grades of manganese (Mn), iron (Fe), silica (SiO<sub>2</sub>), calcium (CaO) and magnesium (MgO).

Ordinary Kriging interpolation within Datamine was used to estimate the grade of each 50m x 50m x 3.5m block generated within the geological model. Sub-cell splitting of the 50m x 50m blocks was allowed to follow the geological boundaries.

# Mineral resources and reserves (cont)

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The 2006 mineral reserves at Gloria 1 Ore body increased by 2.7Mt to 75.3Mt (72.6Mt in 2005). The 2006 evaluation reported a slightly higher tonnage after the block model was re-built. The Measured and Indicated mineral resources at Gloria 1 Ore body showed an increase from 94.3Mt to 97.7Mt. Only limited production took place at Gloria for the year under review. The mineral resources at Gloria 2 Ore body stayed the same at 138.2Mt.

Trackless mechanised equipment is used in the bord-and-pillar mining method. Mining in the eastern extremity of Nchwaning occurs at a depth of 200 metres while the deepest (current) excavations can be found at a depth of 519 metres below surface. Gloria Mine is extracting manganese at depths that vary between 180m and 250m below surface

Ore from Nchwaning 2 mine is crushed underground before being hoisted to a surface stockpile via a vertical shaft. Similarly ore from the Nchwaning 3 Mine is crushed underground before being conveyed to a surface stockpile via a declined conveyor system. Ore is withdrawn from the surface stockpile and forwarded to two stages of crushing, dry screening and wet screening to yield lumpy and fine products.

At the Gloria Mine, ore is crushed underground before being conveyed to a surface stockpile via a decline shaft. Ore is withdrawn from the surface stockpile and forwarded to crushing, dry screening and wet screening to yield lumpy and fine products.

At both plants the finer fractions are stockpiled while the coarser fractions are extracted from the respective product boxes into road haulers, sampled, weighed and stored on stacks ahead of despatch. Samples from each stack were analysed for chemical content and size distribution. This ensures good quality control and enables the ore control department to blend various stacks according to customer demand.

At current production rates and an annual increase of 1.5% the Nchwaning life of mine on No 1 Ore body is expected to be 30 years, this will include blending in ore from the No 2 Ore body, to supply a Fe-rich product. The Gloria life of mine on No 1 Ore body is estimated at more than 30 years.

## **IRON ORE**

The Iron Ore Division is made up of the Beeshoek Mine located on the farms Beeshoek 448 and Olynfontein 475. The iron ore resources on the farms Bruce 544, King 561, and Mokaning 560, which were formerly known as the BKM Project, are now being developed into what in future will be known as the Khumani Iron Ore mine. All properties are in the Northern Cape approximately 200 km west of Kimberley. The Beeshoek open pit operations are situated 7km west of Postmasburg and the new Khumani open pits will be adjacent to and south-east of the Sishen Mine, which is operated by Kumba Resources. Located at latitude 28°30'00"S / longitude 23°01'00"E, and latitude 27°30'00"S / longitude 22°20'00"E respectively, these mines supply iron ore to both the local and export markets. Exports are railed to the iron ore terminal at Saldanha Bay.

# Mineral resources and reserves (cont)

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Mining of iron ore (mainly specularite) was undertaken as early as 40000BC on the farm Doornfontein, which is due north of Beeshoek. The potential of iron ore in this region was discovered in 1909, but due to lack of demand and limited infrastructure, this commodity was given little attention. In 1929 the railway line was extended from Koopmansfontein (near Kimberley) to service a manganese mine at Beeshoek. In 1935 the Associated Manganese Mines of South Africa Limited (Assmang) was formed, and in 1964 the Beeshoek iron ore mine was established, with a basic hand sorting operation and in 1975 a full washing and screening plant was installed and production increased to over a million tons per annum. Over the years, production has increased to the current level of approximately six million tons per annum.

## **Mining Authorisation**

Beeshoek Mining Lease - The Beeshoek mining lease (ML3/93) comprises an area of 5685.64 hectares and is located on the farms Beeshoek (448) and Olynfontein (475). An application for the conversion to a new order mining right will be submitted during the 2007 financial year.

Khumani Mining Lease - The Khumani mining lease comprises an area of 7388.02 hectares and is located on the farms Bruce (544), King (561), Mokaning ((560) and McCarthy (559). An application for mining rights was submitted in December 2005.

## **Geology**

The iron ore deposits are contained within a sequence of early Proterozoic sediments of the Transvaal Supergroup deposited between 2500 and 2200 million years ago. In general two ore types are present, namely laminated hematite ore forming part of the Manganore Iron Formation and conglomerate ore belonging to the Doornfontein Conglomerate member at the base of the Gamagara Formation.

The older laminated ore types occur in the upper portion of the Manganore Iron Formation as enriched high-grade hematite bodies. The boundaries of high-grade hematite ore bodies crosscut primary sedimentary bedding, indicating that secondary hematitisation of the iron formation took place. In all of these, some of the stratigraphic and sedimentological features of the original iron formation are preserved.

The conglomeratic ore is found in the Doornfontein Conglomerate Member of the Gamagara Formation and is lenticular and not persistently developed along strike. It consists of stacked, upward fining conglomerate-gritstone-shale sedimentary cycles. The lowermost conglomerates and gritstones tend to be rich in sub-rounded to rounded hematite ore pebbles and granules and form the main ore bodies. The amount of iron ore pebbles decreases upwards in the sequence so that upper conglomerates normally consist of poorly sorted, angular to rounded chert and banded iron formation pebbles.

The erosion of the northern Khumani deposit is less than that in the southern Beeshoek area. The result is that Khumani is characterised by larger stratiform bodies and prominent hanging wall outcrops. The down dip portions are well preserved and developed, but in outcrop the deposits are thin and isolated. Numerous deeper extensions occur into the basins due to karst development. A prominent north-south strike of the ore is visible. The southern Beeshoek ore bodies were exposed to more erosion and are more localised and smaller. Outcrops are limited to the higher topography on the eastern side of the properties. Down dip to the west the ore is thin and deep. The strike of the ore bodies is also in a north-south direction, but less continuous.

# Mineral resources and reserves (cont)

## Resources/Reserves

In the iron ore operations the following table shows how the search ellipse (i.e. the ellipsoid used by the kriging process to determine if a sample is used in the estimation of a block) is used to classify the mineral resource:

	Minimum No. of samples	Maximum No. of samples	Search ellipse settings XYZ (m)
Measured	6	30	100x100x10
Indicated	5	30	200x200x20
Inferred	4	30	400x400x40

Only Measured and Indicated resources are converted to Proved and Probable reserves respectively. Modifying factors were applied to these resources and financially optimised. The financial outline is used to define the optimal pit by means of the Lersch-Grossman algorithm. The resources within this mining constraint are defined as reserves. These are categorised into different product types, destined for the different plant processes and scheduled for planning.

The methodology followed to identify targets is initiated with geological mapping, followed by geophysics (ground magnetics and gravity). Percussion drilling is used to pilot holes through overlying waste rock down to the iron ore bodies. Diamond drilling is the next phase, which is usually on a 200m x 200m grid. Further infill drilling is carried out at spacing ranging from 100m x 100m to 25m x 25m depending on the complexity of the structures. Numerous exploration programmes were completed in the last 40 years. A total of 2832 holes (1315 holes on Khumani and 1517 holes on Beeshoek) were drilled. Core samples were logged and split by means of a diamond saw and the half core is sampled every 0.5 metres. Before submission for assaying, the half cores were crushed, split and pulverised. Samples with values  $\geq 60\%$  are included in the definition of the ore bodies. Any lower grade samples inside the ore body are defined as internal waste and modelled separately. Each zone is modelled per section, and then wireframed to get a 3-dimensional model.

Ordinary Kriging interpolation within Datamine was used to estimate the grade of each 10 x 10 x 10m block generated within the geological model. Density in the resource model is calculated using a 4th degree polynomial fit applied to the estimated Fe grade. Densities range from 4.38 t/cub m (60% Fe) to 5.01 t/cub m (68% Fe). A default density of 3.2 is used for waste.

At Beeshoek all blast holes are sampled per metre, but composited per hole. All holes are analysed for density and blast holes in ore are sampled and analysed for Fe, K<sub>2</sub>O, Na<sub>2</sub>O, SiO<sub>2</sub>, Al<sub>2</sub>O<sub>3</sub>, P, S, CaO, MgO, Mn, BaO. Every fifth blast hole is geologically logged per metre, which is used to update the geological model. The chemical results of these holes are used to update the ore block model. Approximately 45000 blast holes are drilled per annum and 9000 blast holes annually are used to update the models. The major analytical technique for elemental analyses is XRF spectroscopy. Volumetric titration is used as verification method for the determination of total iron in the ore. International standards (e.g. SARM11) and in-house iron standards are used for calibration of the XRF spectrometer. The Beeshoek laboratory participates in a Round Robin group that include seven laboratories for verification of assay results.

# Mineral resources and reserves (cont)

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The 2006 mineral resources at Beeshoek Mine decreased from 153.3Mt to 147.8Mt, due to the annual production drawdown. The mineral reserves at Beeshoek decreased substantially mainly due to the now exclusion of the Village deposit. The high stripping ratio of 4.5t waste to 1t ore militates against the inclusion of this in reserve. Ore reserves were also depleted at the GF, HH Ext, HL and West pits. Other pits such as East Pit and the BF pit were also drawn down heavily to meet production. Of the 37Mt of mineral reserves available, only about 40% is suitable for the ordinary wash-and-screen process, limiting the life of mine at Beeshoek to approximately 2-3 years, for the current export ore qualities.

At Khumani mine the 2006 Measured and Indicated mineral resources and ore reserves remain the same. The Inferred mineral resources increased from 671.5 Mt to 685.5 Mt due to an addition of resources on both the King and the Mokaning properties. The mineral reserves amount to 444.7Mt at a Fe grade of 64.7%. Resources/Reserves were audited and signed-off by Snowden Mining Consultants in February 2005. Infrastructure construction is in progress, and production is to start in 2008.

Mining operations are all open pit based on the conventional drill and blast, truck and shovel operations. Run of mine ore is crushed and stored as high or normal grade on blending stockpiles. Ore from the stockpiles is either sent to the wash and screen plant or if contaminated to the beneficiation plant. The washing and screening plant consist primarily of tertiary crushing, washing, screening, conveying and stacking equipment. The beneficiation plant consists of tertiary crushers, scrubbers, coarse and fine jigs or Larcodems, fine crushing, elutriators and upward flow classifiers, lumpy, fines and medium sized product stockpiles and a rapid load-out facility. No chemical is being used in any of the treatment plants.

As stated previously the life of mine at Beeshoek is limited to 3 to 7 years if the current product specification of a 65.5% Fe product is maintained. Investigations into marketing a lower grade Fe product are underway and if feasible would increase the life of mine. The new Khumani mine has a life of mine of approximately 30 years.

## **CHROMITE**

Chromite operations at Dwarsrivier mine forms part of the Company's Chrome Division. The mine is situated on the farm Dwarsrivier 372KT, approximately 30km from Steelpoort and 60km from Lydenburg in the Mpumalanga Province, South Africa. Located at latitude 30°05'00"S / longitude 24°59'00"E, Assmang purchased the farm from Gold Fields Limited, together with all surface and mineral rights in October 1998.

Neighbouring properties to the north and south of Dwarsrivier had existing chrome mining operations at the time of purchase. The feasibility study of the plant, tailings dam and designs for the opencast and underground mines then commenced. After the completion of the consolidated assessment, approval to proceed with the final design and construction work was given in July 1999.

Chromite was obtained from the opencast mining areas at a rate of approximately 0,9Mt per annum and these areas were mined out within five years. Underground mining commenced in 2005 at a rate of 1.2Mt per annum. Dwarsrivier Mine is specifically geared to deliver high quality metallurgical grade chromite to the Machadodorp Smelter. In addition, the plant has been designed to produce chemical and foundry grade products.

# Mineral resources and reserves (cont)

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## **Mining Authorisation**

An old order Mining Licence 21/99 was granted in October 1999. It was granted for the mining of chrome and platinum group metals. An application for the conversion to a new order mining right, will be submitted during the 2007 financial year.

## *Geology*

Dwarsrivier Mine is situated in the eastern limb of the Bushveld Complex, which comprises of persistent layers of mafic and ultramafic rocks, containing the world's largest known resources of platinum group metals, chromium and vanadium. The mafic rocks termed the Rustenburg layered Suite, are approximately 8km thick in the eastern lobe, and are divided formally into five zones.

The rocks of the Marginal Zone at the base of the succession consist mainly of pyroxenites with some dunites and harzburgites. Above the Marginal Zone, the Lower Zone comprises mainly pyroxenites, harzburgites and dunite. The Lower Zone is present only in the northern part of the Eastern Lobe, and only as far south as Steelpoort. The appearance of chromitite layers marks the start of the Critical Zone, economically the most important zone. The layers are grouped into 3 sets termed the Lower-, Middle- and Upper Groups. The sixth chromitite seam in the Lower Group (LG6) is an important source of chromite ore and is the ore body being mined at Dwarsrivier Mine. In the Eastern Lobe, in the vicinity of Dwarsrivier, the strike is nearly north-south, with a dip of approximately 10° towards the west. Average thickness of the LG6 seam is about 1.86m in the Dwarsrivier area. Pipe-like dunite intrusions are evident in the area, as well as dolerite dykes that on average strike northeast-southwest. No significant grade variation is evident, especially not vertically in the ore seam. Small (insignificant) regional variations do, however, exist.

## **Resources/Reserves**

Information was obtained from boreholes with a 300m to 150m grid spacing. Resources were determined with a decreasing level of confidence.

Measured resource (150m drill grid spacing),

Indicated resource (300m drill grid spacing), and

Inferred resource (drill grid spacing greater than 300m)

All possible resources down to a mineable depth of 350 metres below ground level have been considered.

# Mineral resources and reserves (cont)

A strategy to ensure the availability of adequate information ahead of mining activities is in place. The strategy is to ensure all mining areas, falling within the first five years of the life of mine plan contain Proved Reserves. Vertical diamond drilling holes are used, except where information is needed to clarify large scale fault planes. The mineral resource at Dwarsrivier mine is based on a total of 219 diamond drill holes that have been used for grade estimation and ore body modelling purposes. The drill core is NQ size is geologically and geo-technically logged. The collar position of the drill holes is surveyed, but no down-hole surveys are done, and the holes are assumed to have minimal deflection.

The chromitite seam is bounded above and below by pyroxenites. As such, the ore horizon is clearly defined. The core is sampled from the top contact downwards at 0.5m intervals. The core is split and half is retained as reference material in the core sheds. The other half is crushed and split into representative samples, which are crushed and pulverised for chemical analysis. The samples are analysed fusion/ICP-OES for  $\text{Cr}_2\text{O}_3$ ,  $\text{SiO}_2$ ,  $\text{FeO}$ ,  $\text{Al}_2\text{O}_3$ ,  $\text{MgO}$  and  $\text{CaO}$ . Three laboratories, all ISO 17025 accredited for this method are used. Every tenth sample is analysed in duplicate. SARM 8 and SARM 9 standards as well as in-house reference material (CRI) are included every 20 to 30 samples in each batch. The density for each sample is measured using a gas pycnometer.

Datamine software is used to construct a 3-D geological model (wireframe) of the LG6 chromite seam, based on borehole and other geological data. A cut-off value of 35%  $\text{Cr}_2\text{O}_3$  was used to distinguish between ore and waste. Mineral resources have been calculated using ordinary kriging, where  $\text{Cr}_2\text{O}_3$ -,  $\text{FeO}$ -,  $\text{Al}_2\text{O}_3$ -,  $\text{MnO}$  and  $\text{MgO}$ -contents of the LG6 seam and densities were determined, using block sizes of 50m x 50m x 5m.

When compared to 2005, the 2006 mineral reserves decreased by 0.8 Mt or 2.6 per cent to 30.2 Mt (31.0 Mt) and the mineral resources show a limited decrease of 1 Mt or 1 per cent to 87.3 Mt (88.3 Mt). The reason for the change is that no additional exploration drilling was conducted to increase the resource base, so the 2005 resources became depleted by the year's production.

During mining a slightly diluted run of mine ore is fed to the beneficiation plant. This decreases the average grade from approximately 40%  $\text{Cr}_2\text{O}_3$  to 37%  $\text{Cr}_2\text{O}_3$ . An addition of approximately 9% waste material results in this 3%  $\text{Cr}_2\text{O}_3$  grade decrease. In the dense media separation part of the plant, the coarse fraction is upgraded to 40%  $\text{Cr}_2\text{O}_3$ , with a yield of 80%. In the spiral section of the plant the finer fraction is upgraded to 44%  $\text{Cr}_2\text{O}_3$ , and 46%  $\text{Cr}_2\text{O}_3$  respectively for metallurgical grade fines and chemical grade fines. Foundry sand is also produced with a similar grade to that of the chemical grade fines. A 67% yield is achieved in the spiral circuit.

The current life of mine of the Dwarsrivier Chrome mine is 25 years. Excluded from this plan are the inferred mineral resources and material situated deeper than 350 meters below ground level.

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

4 October 2006

# Regulatory compliance

## LEGISLATION

Assmang is supportive of the broad-based economic initiatives contained in the Mineral and Petroleum Resources Development Act ("the Act") and has embarked on initiatives aimed at meeting these requirements, as set out below. The State has assumed sovereignty and custodianship of all mineral deposits in South Africa, and grants prospecting rights and mining rights based on applications received.

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 of commencement of the Act on 1 May 2004. The charter also requires that mining companies provide plans for achieving employment equity targets at management level.

With a view to meeting the charter's requirements the Group:

- has completed 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 proclamation of the Act, has been compiled. This evaluation highlights the areas where the Group needs to concentrate its efforts in order to meet the charter's requirements and to this end the goals that have been set will be achieved;
- has commenced with the lodging of applications for conversion of its old order mining rights in relation to its iron ore, manganese and chrome mining operations. The Company has been advised by the Department of Minerals and Energy ("DME") that its application for conversion of its old order prospecting right relating to its proposed new iron ore mine in the Northern Cape has been granted. Prior to 1 May 2005 the Company lodged a number of applications for prospecting rights in relation to its iron ore, manganese ore and chrome ore divisions, most of which have been accepted by the DME, and the regulatory requirements in respect of which are in the process of being fulfilled;
- has introduced a preferential procurement policy with the required regulatory targets. These targets are continuously monitored at all the Group's operations to ensure progress is being made towards compliance.

## EMPLOYMENT EQUITY

Employment equity policies have been formulated, 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, in accordance with the Employment Equity Act, at each of the Company's operations. The development of skills is a critical issue in this process, 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 is more likely to 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 employee representatives at each of the respective operations. An employment equity committee representing management and employees exists at each of the operations.

# Regulatory compliance (cont)

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 be an effective corporate partner of communities, government and other social stakeholders.

The table below summarises the progress reports submitted by the Company's operating divisions to the Department of Labour in compliance with Section 22 of the Employment Equity Act, setting out their occupational categories as at 30 June 2006.

Employment Equity ("EE") statistics for Assmang Group as at 30 June 2006

Occupational Levels	Number of male employees				Number of female employees				Total	% EE	% EE	% Total
	African	Coloured	Indian	White	African	Coloured	Indian	White		Males	Females	EE
Senior Management	1	2	1	23	0	0	0	1	28	14,29	3,57	14,29
Professionally qualified	22	2	8	53	4	0	2	6	97	32,99	12,53	39,18
Technically skilled	139	83	27	412	4	2	0	20	687	36,24	3,78	37,12
Semi-skilled	1 017	83	6	77	49	14	1	78	1 325	83,42	10,72	88,30
Unskilled and defined	595	32	4	23	61	6	0	7	728	86,68	10,16	95,88
<b>Total</b>	<b>1 774</b>	<b>202</b>	<b>46</b>	<b>588</b>	<b>118</b>	<b>22</b>	<b>3</b>	<b>112</b>	<b>2 865</b>	<b>70,58</b>	<b>8,90</b>	<b>75,57</b>

The Company is progressing well towards the attainment of employment equity targets by calendar 2009 as required by the Act.

# Sustainable development

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

## 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 rehabilitate land once mined;
- 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 sustain development initiatives in communities in which the Group operates.
- Preferential procurement in terms of specific policies and guidelines adopted by the Group as prescribed by the Charter.

## FRAMEWORK

Each operation is encouraged to develop its own sustainable development policy, strategy and programme in order 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 the Group's 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;
- 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.

# Sustainable development (cont)

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## Occupational health and HIV/AIDS

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.

The HIV/AIDS Scorecard process has evolved over the past three years to measure the extent to which Assmang operations are subscribing to the King II Good Governance Principles ("KIIP"), where the board of directors need to:

- Ensure they understand the social and economic impact that HIV/AIDS will have on the Company's business activities;
- Adopt an appropriate HIV/AIDS strategy, plan and policies to address and manage the potential impact;
- Regularly monitor and measure performance using established indicators; and
- Report to stakeholders on a regular basis.

HIV/AIDS is one of the concerns of Sustainable Development in Assmang and, in order to meet the objective of achieving the required KIIP goals after five years, the Group will continue to improve its operational interventions this year. To this end revised/achievable targets will be set with each operation well before their next audit.

## Environment

Mining and smelting activities by their very nature can impact on the surrounding 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, manganese and chrome ore mines and the Machadodorp Works have already been accredited and Cato Ridge Works is in the process of attaining accreditation.

## Social investment

The Group invests into community development in areas in which it operates. 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 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 6 of the annual report. The chairman is a non-executive director and 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.

### Meetings

The board retains full and effective control over the Group, meeting at least four times per annum on predetermined dates with additional meetings convened when considered necessary. The board met on four occasions in the year under review and attendance at these meetings was as follows:

	Possible	Attended
F Abbott	4	4
B R Broekman	4	4
R J Carpenter	4	4
C J Cory	4	4
P C Crous	4	4
D G Sacco	4	4
J C Steenkamp	4	4
A J Wilkens	4	4

## OPERATIONS COMMITTEE

JC Steenkamp (Presiding officer), PC Crous, B R Broekman, R J Carpenter.

This board appointed committee is mandated to consider and implement strategy and maintain effective management of the Group's operations. The committee meets at least quarterly but during the year under review has met fourteen times. 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.

# Corporate governance and responsibility (cont)

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## **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 on predetermined dates to consider the interim and final reports, approve dividend declarations and monitor the internal and external audit functions. The committee met five times during the year under review. 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 record keeping and systems of internal control as well as monitoring compliance with standards of corporate governance. In addition, the committee pursues the objective of ensuring that effective policies and practices are adopted in the preparation of financial information. Audit plans are based on relative risk and the committee conducts reviews of audits, 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.

The provision of a "whistle blowing" facility has been introduced and is operational.

## **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. Audit issues are brought to the attention of the Audit Committee and external auditors and issues that require corrective action are discussed with senior management and acted upon under the auspices of the Audit Committee.

## **INTERNAL CONTROL**

Based on the information and explanations given by management, and reports presented by the internal and external auditors on the results of their audits, the directors are of the opinion that the internal accounting controls are adequate, so that the financial records may be relied upon for the preparation of the annual financial statements.

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 (refer above) ensures appropriate levels of remuneration for senior management of the Group. This committee determines policy for individual remuneration and benefits to maintain a compensation 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 are disclosed on page 31 of this report.

# Corporate governance and responsibility (cont)

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## **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.

## **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.

# Approval of annual financial statements

for the year ended 30 June 2006

The annual financial statements and Group annual financial statements which appear on pages 29 to 58 were approved by the directors on 12 October 2006 and are signed on their behalf by:

**Desmond Sacco**

*Chairman*

12 October 2006

**AJ Wilkens**

*Deputy Chairman*

12 October 2006

## 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*

12 October 2006

# Report of the independent auditors

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## **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 29 to 58 for the year ended 30 June 2006. 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.

We conducted our audit in accordance with statements of International Standards on Auditing. 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.

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and Group at 30 June 2006, and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa.

## **Ernst & Young**

*Registered Accountants and Auditors*

Johannesburg

12 October 2006

# Directors' report

The directors have pleasure in submitting the annual financial statements of the Company and the Group for the year ended 30 June 2006.

## **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 works which produces chrome alloys 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.

In terms of a scheme of arrangement, which was approved on 30 January 2006 by the requisite majority of shareholders authorised to vote, Assore purchased all the minority interests, including a 0,35% interest from ARM, in the Company. As a result Assore increased its shareholding in the Company to 50% per cent. As part of the scheme of arrangement the Company's listing on the JSE was terminated on 28 February 2006.

## **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 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 is jointly controlled by African Rainbow Minerals Limited ("ARM") and Assore Limited ("Assore") (who each hold 50 percent of the Company's issued share capital).

## **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.

# Directors' report (cont)

## OPERATIONS

Group operations for the year ended 30 June:

	2006 tons 000	2005 tons 000
Ores and alloys despatched for export and sold locally were as follows:		
Iron ore	5 926	5 776
Manganese ore (excluding sales to Cato Ridge Works)	1 678	1 811
Chrome ore (excluding sales to Machadodorp Works)	119	34
Manganese alloys	263	197
Charge chrome	210	262
	<b>R000</b>	<b>R000</b>
Group expenditure on property, plant and equipment was as follows:		
– iron ore mines	346 122	193 223
– manganese ore mines	156 532	305 880
– chrome ore mine	58 825	95 130
–Alloy production plants	143 550	104 825
	<b>705 029</b>	<b>699 058</b>

## BORROWING POWERS

In accordance with the Company's articles of association the borrowing powers of the Group at 30 June 2006 were limited to R3 814 million (2005: R3 339 million). Group borrowings at that date totalled R101 million (2005: R174 million).

## INVESTMENTS

Information regarding the Company's interests in a subsidiary and a jointly controlled entity is given in separate reports on pages 47 and 48 which form part of the annual financial statements.

## DIRECTORATE

The names and details of the directors of the Company are reflected on page 6. There were no changes in directorate during the year under review.

In terms of the Company's Articles of Association, Messrs D G Sacco, P C Crous and R J Carpenter retire by rotation at the forthcoming annual general meeting. All of the aforementioned directors, being eligible, offer themselves for re-election.

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

# Directors' report (cont)

## 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 provide a combination of management, marketing and administration services to the Group for which they are compensated, the quantum of which is disclosed in note 29 on page 57 of the annual financial statements.

	Total 2006 R000	Total 2005 R000
<b>Directors' fees paid to</b>		
<b>Executive directors</b>	<b>144</b>	<b>144</b>
B R Broekman*	36	36
R J Carpenter	36	36
P C Crous	36	36
J C Steenkamp*	36	36
<b>Non-executive directors</b>	<b>158</b>	<b>158</b>
F Abbott*	36	15
M Arnold* (resigned 20 January 2005)	-	21
C J Cory	36	36
R P Menell* (resigned 20 January 2005)	-	21
D G Sacco (Chairman)	50	50
A J Wilkens*	36	15
<b>Total</b>	<b>302</b>	<b>302</b>

\* Fees paid to ARM.

## MAJOR SHAREHOLDERS

As at the date of this report, the shareholders were as follows:

	Number	Percentage
African Rainbow Minerals Limited	1 774 103	50,0
Assore Limited	1 774 103	50,0

## SPECIAL RESOLUTION

There were no special resolutions passed by the Company or any of its subsidiaries during the period 1 July 2005 to the date of this report.

## Scheme meeting

On 30 January 2006 the requisite majority of shareholders authorised to vote, voted in favour of the scheme of arrangement in terms of Section 311 of the Companies Act No 61 of 1973, as amended, whereby Assore acquired all the shares in the issued share capital of Assmang, other than those already held by ARM and Assore.

## EVENTS SUBSEQUENT TO YEAR-END

### Dividend

On 31 August 2006 the board declared a final dividend of R30,00 per share which was paid to shareholders on 7 September 2006. Secondary tax on Companies relating to this dividend amounted to R13,3 million.

# Accounting policies

## Corporate information

The company and consolidated financial statements of Assmang Limited (“the Company”) for the year ended 30 June 2006 were authorised for issue in accordance with a resolution of the directors on 12 October 2006. The Company is a limited company incorporated and domiciled in the Republic of South Africa.

## Basis of preparation

The financial statements of the Company and Group are prepared on the historical cost basis, modified by the revaluation of certain financial instruments to fair value. Details of the Company and Group’s accounting policies are set out below, which are consistent with those applied in the previous year except as stated under ‘Changes in accounting policies’ below. The financial statements are presented in South African currency.

## Statement of compliance

The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and interpretations of those standards, as adopted by the International Accounting Standards Board and applicable legislation.

## Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that the group has adopted the following standards or changes to standards in response to changes in IFRS.

IAS 1	Presentation of financial statements
IAS 2	Inventories
IAS 8	Accounting policies, changes in accounting estimates, and errors
IAS 10	Events after balance sheet
IAS 16	Property, plant and equipment
IAS 17	Leases
IAS 21	The effect of changes in foreign exchange rates
IAS 24	Related party disclosure
IAS 31	Interest in joint ventures
IAS 32	Financial instruments: Disclosure and presentation
IAS 33	Earnings per share
IAS 38	Intangible assets
IAS 39	Financial instruments: Recognition and measurement
IAS 40	Investment property

In addition to the above the following accounting standard was early adopted by the Company:

IFRIC 5	Rights to interest arising from decommissioning restoration and environmental rehabilitation funds
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# Accounting policies (cont)

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There was no material impact on adopting the above standards other than the adoption of IFRIC 5 as detailed below.

## *IFRIC 5 Rights to interest arising from decommissioning restoration and environmental rehabilitation funds.*

The environmental trusts fund has been consolidated from this year. The impact is that the environmental trust fund is consolidated in cash and cash equivalents (restricted cash). For the 2005 financial year the effect was R25 million for Group and Company. For the 2006 financial year the effect for Group is R 8 million for Group and Company. There is no income statement effect.

## **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company, a subsidiary company and a jointly controlled entity, which are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transaction, including unrealised profits and losses arising from intra-group transactions, have been eliminated

## *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*

The Group has an interest in a joint venture which is a jointly controlled entity. The Group recognises its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting year as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint venture, the Group does not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent third party.

The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

## **Property, plant and equipment and depreciation**

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment in value.

The remaining useful life and residual value of assets is reviewed on an annual basis and depreciation rates are adjusted if required.

Specific asset categories are accounted for as follows:

# Accounting policies (cont)

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## *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 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 their 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.

## *Plant and machinery*

Mining plant and machinery is amortised over its estimated useful life using the units - of - production method based on estimated proved and probable ore reserves. Non-mining plant and machinery is depreciated over its useful life or life of mine. The maximum life of any single item of plant and machinery, used in the amortisation calculation, is 25 years.

The carrying values of plant and machinery are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of plant and machinery is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

When each major inspection is performed, its cost is recognised in the carrying amount of the plant and machinery as a replacement if the recognition criteria are satisfied.

## *Land and buildings*

Land and buildings are carried at cost less depreciation and impairments in value. Land is only depreciated where the form is changed so that it affects its value. Land is then depreciated to its estimated residual value on a straight line method over the mining activity to maximum of 25 years. Buildings are depreciated on a straight-line basis over their estimated useful lives to an estimated residual value. The annual depreciation rates used vary between two and five percent. New acquisitions and additions to existing land and buildings are reflected at cost.

## *Mineral rights*

Mineral rights are carried at cost less depreciation and impairments in value. 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.

# Accounting policies (cont)

## *Vehicles, furniture and office equipment and other properties*

Mine properties (including houses, schools and administration blocks), motor vehicles and furniture and office equipment are depreciated 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 depreciation rates for vehicles, furniture and office equipment and other properties are:

Other properties	– expected useful life of the asset;
Motor vehicles	– 20 percent;
Furniture and office equipment	– 10 to 33 percent

## **Intangible assets**

Intangible assets represent proprietary 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.

## **Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

# Accounting policies (cont)

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## **Other financial assets**

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

### *Inventories*

Inventories are valued at the lower of cost and net realisable value.

Cost includes the costs incurred in bringing each product to its present location and condition and is determined as follows:

- Consumables, stores and maintenance spares - average cost;
- Raw materials - weighted average cost;
- Finished goods and work in progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs on an average cost basis.

Net realisable value is determined based on the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### *Trade and other receivables*

Trade receivables, which generally have 30-120 days' repayment terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

### *Cash and cash equivalents*

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Cash and cash equivalents are measured at fair value.

## **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset, which require a substantial period of time to be prepared for its intended use are capitalised. Capitalisation of borrowing costs as part of the cost of a qualifying asset commence when:

- expenditures for the asset are being incurred; and
- borrowing costs are being incurred by the Company; and
- activities that are necessary to prepare the asset for its intended use or sale are in process.

Capitalisation is suspended when the active development is interrupted and ceases when the activities necessary to prepare the asset for its use are complete.

Other borrowing costs are charged to finance cost in the income statement as incurred.

# Accounting policies (cont)

## **Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

## **Derecognition of financial assets and liabilities**

### *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Group could be required to repay.

### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

## **Impairment of financial assets**

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

### *Assets carried at amortised cost*

If there is objective evidence that an impairment loss cost has been incurred on loans and receivables carried at amortised, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

# Accounting policies (cont)

## **Provisions**

Provisions are recognised when the following conditions have been met:

- A present legal or constructive obligation, to transfer economic benefits as a result of past events exists; and
- A reasonable estimate of the obligation can be made.

A present obligation is considered to exist when there is 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 is raised is charged against the provision. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## **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. The entitlement to these benefits is dependent upon the employee remaining in service until retirement age. These benefits have been provided for but are unfunded. 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 determined.

## **Leased assets**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

### *Group as a lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease either at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income as incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

## **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific criteria are taken into account in recognition of revenue:

### *Sale of goods*

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

### *Interest income*

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

# Accounting policies (cont)

## *Dividends*

Revenue is recognised when the Group's right to receive the payment is established.

## *Rental income*

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

## **Taxes**

### *Current tax*

Tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities within legislative periods. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

# Accounting policies (cont)

## *Value added tax*

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

## *Secondary tax on companies*

Secondary tax on companies is recognised on the declaration date of all dividends and is included in the tax charge in the income statement when incurred.

## **Environmental obligations**

### *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 technological, environmental and regulatory requirements.

### *Decommissioning costs*

The present value of estimated future decommissioning obligations at the end of the operating life of an operation 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. These contributions are made in accordance with legal compliance and with the approval of the Department of Minerals and Energy.

# Accounting policies (cont)

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## **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 above. Where it is subsequently found that no potential exists to develop a mine, the capitalised costs are written off in full.

## **Foreign currency transactions and balances**

Transactions in foreign currencies are converted to South African Rand at the rate of exchange ruling at the date that the transaction is initially recorded.

Foreign denominated monetary assets and liabilities (including those linked to a forward exchange contract) are stated in South African Rand using the exchange rate ruling at the balance sheet date, with the resulting exchange differences being recognised in the income statement.

## **Dividends declared**

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

## **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 and 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

	Note	GROUP		COMPANY	
		2006 R000	2005 R000	2006 R000	2005 R000
<b>ASSETS</b>					
<b>Non-current assets</b>		3 094 428	2 778 702	3 119 118	2 799 682
Property, plant and equipment	1	3 090 328	2 774 242	3 069 874	2 752 426
Intangible assets	2	4 100	4 460	-	-
Investment in subsidiary	3			11 022	9 034
Investment in joint venture	4			38 222	38 222
<b>Current assets</b>		2 390 481	2 290 673	2 290 346	2 231 356
Inventories	5	1 246 634	1 136 587	1 208 030	1 114 881
Trade and other receivables	6	1 072 338	1 088 667	1 020 386	1 053 612
Cash and cash equivalents	7	71 509	65 419	61 930	62 863
<b>TOTAL ASSETS</b>		5 484 909	5 069 375	5 409 464	5 031 038
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Issued capital	8	1 774	1 774	1 774	1 774
Share premium		11 611	11 611	11 611	11 611
Retained earnings		3 800 368	3 325 335	3 765 980	3 308 393
<b>Total equity</b>		3 813 753	3 338 720	3 779 365	3 321 778
<b>Non-current liabilities</b>					
Interest bearing borrowings	9	8 866	13 216	8 866	13 216
Deferred tax liability	10	854 920	730 634	850 728	734 904
Long term provisions	11	105 185	97 391	105 185	97 391
<b>Current liabilities</b>		702 185	889 414	665 320	863 749
Short term provisions	12	20 976	18 362	20 976	18 362
Trade and other payables	13	517 586	500 217	480 887	481 967
Income tax payable		71 723	210 031	71 557	202 616
Short-term borrowings	14	91 900	160 804	91 900	160 804
<b>TOTAL EQUITY AND LIABILITIES</b>		5 484 909	5 069 375	5 409 464	5 031 038

# Income statements

for the year ended 30 June

	Note	GROUP		COMPANY	
		2006 R000	2005 R000	2006 R000	2005 R000
<b>Revenue</b>	17	4 564 847	4 575 244	4 487 823	4 504 272
<b>Turnover</b>		4 357 697	4 406 474	4 277 645	4 344 811
Cost of sales		3 260 827	2 916 680	3 222 843	2 855 578
<b>Gross profit</b>		1 096 870	1 489 794	1 054 802	1 489 233
Other operating income		214 781	167 561	213 066	158 492
Other operating expenses		278 438	204 536	269 358	196 560
<b>Net profit from operations</b>	18	1 033 213	1 452 819	998 510	1 451 165
Income from investments	19	7 400	2 351	11 901	2 111
Finance costs	20	11 834	40 920	11 795	40 630
<b>Net profit before taxation</b>		1 028 779	1 414 250	998 616	1 412 646
Income tax expense	21	362 143	465 277	349 426	465 907
<b>Profit for the year</b>		666 636	948 973	649 190	946 739
Earnings per share (cents)					
– attributable		18 788	26 745	18 296	26 682
– headline	22	18 630	27 030	18 138	27 102
Dividends paid per share (cents)		5 400	2 550	5 400	2 550
Number of shares in issue (thousands)					
– weighted average and at year end		3 548	3 548	3 548	3 548

# Cash flow statements

for the year ended 30 June

	Note	GROUP		COMPANY	
		2006 R000	2005 R000	2006 R000	2005 R000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers		4 583 191	4 390 578	4 509 948	4 306 564
Cash paid to suppliers and employees		3 268 607	2 933 701	3 221 275	2 870 037
Cash generated from operations	25	1 314 586	1 456 877	1 288 673	1 436 527
Interest received		7 400	2 351	6 901	2 111
Dividends received		-	-	5 000	-
Finance costs	20	(14 687)	(44 588)	(14 648)	(44 298)
Dividends paid		(191 603)	(90 479)	(191 603)	(90 479)
Taxation paid	26	(376 165)	(61 918)	(364 661)	(57 157)
Net cash inflow from operating activities		739 529	1 262 244	729 662	1 246 704
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Additions to property, plant and equipment:					
- to maintain operations		(643 351)	(583 054)	(638 385)	(582 906)
- to expand operations		(58 825)	(92 427)	(58 825)	(92 427)
Proceeds on disposal of property, plant and equipment		34 281	20 624	34 147	20 624
Increase in investment in Rehabilitation Trust Fund included in cash and cash equivalents		7 710	6 920	7 710	6 920
Increase in loan due by subsidiary		-	-	(1 988)	(1 122)
Net cash outflow from investing activities		(660 185)	(647 937)	(657 341)	(648 911)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Long-term borrowings raised/(repaid)		(4)	2 924	(4)	2 924
Decrease in short-term borrowings		(73 250)	(580 379)	(73 250)	(566 256)
Net cash outflow from financing activities		(73 254)	(577 455)	(73 254)	(563 332)
<b>Cash and cash equivalents</b>					
- net increase		6 090	36 851	(933)	34 461
- at beginning of year		65 419	28 568	62 863	28 402
- at end of year		71 509	65 419	61 930	62 863

# Statements of changes in shareholders' equity

for the year ended 30 June

	GROUP		COMPANY	
	2006 R000	2005 R000	2006 R000	2005 R000
<b>Issued capital and share 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	3 325 335	2 466 841	3 308 393	2 452 133
Profit for the year	666 636	948 973	649 190	946 739
Ordinary dividends paid		(90 479)		(90 479)
No 130 totalling 750 cents per share		(26 611)		(26 611)
No 131 totalling 1 800 cents per share	(191 603)	(63 868)	(191 603)	(63 868)
No 132 totalling 3 400 cents per share	(120 639)		(120 639)	
No 133 totalling 2 000 cents per share	(70 964)		(70 964)	
Balance at end of year	3 800 368	3 325 335	3 765 980	3 308 393
Total equity	3 813 753	3 338 720	3 779 365	3 321 778

# Notes to the financial statements

for the year ended 30 June

	Mine develop- ment	Plant and machinery	Land and buildings	Mineral rights	Furniture, Equipment, Vehicles and other	Leased assets capitalised	2006 Total	2005 Total
<b>1. PROPERTY, PLANT AND EQUIPMENT</b>								
<b>Group – R000</b>								
Cost								
At beginning of year	1 368 013	1 516 193	175 672	149 800	636 119	21 450	3 867 247	3 201 912
Reclassifications	(135 614)	406 292	7 067	(891)	(336 697)	-	(59 843)	-
Additions	249 788	253 468	9 462	-	192 311	-	705 029	699 058
Disposals	-	(37 491)	(86)	(10)	(6 588)	(124)	(44 299)	(33 723)
Balance at year end	1 482 187	2 138 462	192 115	148 899	485 145	21 326	4 468 134	3 867 247
Accumulated depreciation								
At beginning of year	200 422	547 448	40 387	31 903	267 796	5 049	1 093 005	811 838
Reclassifications	(43 349)	94 397	-	(891)	(110 001)	0	(59 844)	(20)
Charge for the year	121 702	175 582	12 592	3 735	42 755	3 908	360 294	284 161
Disposals	-	(11 994)	(85)	-	(3 426)	(124)	(15 629)	(2 974)
Balance at year end	278 775	805 433	52 894	34 747	197 124	8 833	1 377 806	1 093 005
Carrying value at 30 June	1 203 412	1 333 029	139 221	114 152	288 021	12 493	3 090 328	2 774 242
<b>Company – R000</b>								
Cost								
At beginning of year	1 368 013	1 482 135	176 855	147 618	633 433	21 450	3 829 504	3 164 315
Reclassifications	(135 614)	406 292	7 0667	(891)	(336 697)	-	(59 843)	-
Additions	249 788	248 528	9 448	-	192 299	-	700 063	698 911
Disposals	-	(39 772)	(86)	(10)	(3 669)	(124)	(43 661)	(33 722)
Balance at year end	1 482 187	2 097 183	193 284	146 717	485 366	21 326	4 426 063	3 829 504
Accumulated depreciation								
At beginning of year	200 422	532 150	40 270	31 903	267 284	5 049	1 077 078	798 033
Reclassifications	(43 349)	94 397	-	(891)	(110 001)	-	(59 844)	-
Charge for the year	121 702	169 563	12 544	3 735	42 627	3 908	354 079	282 018
Disposals	-	(11 489)	(85)	-	(3 426)	(124)	(15 124)	(2 973)
Balance at year end	278 775	784 621	52 729	34 747	196 484	8 833	1 356 189	1 077 078
Carrying value at 30 June	1 203 412	1 312 562	140 555	111 970	288 882	12 493	3 069 874	2 752 426

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.

#### Leased assets

Equipment with a net book value of R12,5 million (2005: R16,4 million) is encumbered as security for finance lease agreements referred to in note 9.

#### Borrowing costs

Borrowing costs amounting to R2,7 million were capitalised in respect of mine development for the year to 30 June 2006 (2005: R3,7 million). Borrowing costs were capitalised at prime overdraft rates applicable on Group borrowings during the year.

#### Capital work-in-progress

Included in mine development and plant and machinery above are assets costing R91,3 million (2005: R265,4 million) which relate to projects in progress and from which no revenue is currently derived.

# Notes to the financial statements (cont)

for the year ended 30 June

	GROUP		COMPANY	
	2006 R000	2005 R000	2006 R000	2005 R000
<b>2. INTANGIBLE ASSETS</b>				
<b>Cost</b>				
Balance at beginning of year	8 980	8 979	1 776	1 776
Reclassifications	-	1	-	-
Balance at year end	8 980	8 980	1 776	1 776
<b>Accumulated amortisation</b>				
Balance at beginning of year	4 520	3 722	1 776	1 358
Reclassifications	-	20	-	-
Charge for the year	360	778	-	418
Balance at year end	4 880	4 520	1 776	1 776
Carrying value at 30 June	4 100	4 460	-	-

Intangible assets consist of licencing and proprietary technical information.

### 3. INVESTMENT IN SUBSIDIARY

Name and nature of business	Issued capital	Interest in capital	Shares	Indebtedness	Book value of the Company's interests	
	2005 and 2006	2005 and 2006	2005 and 2006	2006	2005	2006
	R000	%	R000	R000	R000	R000
Cato Ridge Development Company Limited						
- township development	1 950	100	1 520	9 502	7 514	11 022
			1 520	9 502	7 514	11 022

Company's aggregate interest in the losses, after taxation of subsidiaries was R2 million (2005: R1,7 million loss).

The loan to a subsidiary company is interest free and no fixed terms of repayment have been agreed upon.

The subsidiary is incorporated and carries on operations in the Republic of South Africa.

# Notes to the financial statements (cont)

for the year ended 30 June

	GROUP		COMPANY	
	2006 R000	2005 R000	2006 R000	2004 R000
<b>4. INVESTMENT IN JOINT VENTURE</b>			38 222	38 222
The Company has a 50 percent interest in Cato Ridge Alloys (Pty) Limited, which is controlled jointly by the Company, Mizushima Ferroalloys Company Limited and Sumitomo Corporation 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	175 179	213 252		
Finance income/ (costs)	459	(52)		
Profit for the year after taxation	2 428	22 696		
<b>Balance sheet</b>				
Property, plant and equipment	22 777	24 477		
Current assets	103 299	82 936		
Current liabilities	37 914	25 926		
<b>Cash flows</b>				
Net cash inflow from operating activities	7 823	16 594		
Net cash outflow from investing activities	(823)	(148)		
Net cash outflow from financing activities	-	(14 122)		
Cash and cash equivalents	9 475	2 475		
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	687 766	671 974	683 092	656 979
Consumable stores	87 809	70 868	87 809	70 868
Finished goods	471 059	393 745	439 129	387 034
	1 246 634	1 136 587	1 208 030	1 114 881
Carrying value of inventory written down to net realisable value	-	52 999	-	-
<b>6. TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	874 326	956 913	874 504	925 252
Other receivables	198 012	131 754	145 882	128 360
	1 072 338	1 088 667	1 020 386	1 053 612
<b>7. CASH AND CASH EQUIVALENTS</b>				
Cash at bank and on deposit	38 263	39 883	38 263	39 883
Rehabilitation Trust Fund – restricted cash	33 246	25 536	33 246	25 536
	71 509	65 419	61 930	62 863
Cash at bank and on deposit earns interest at floating rates based on daily bank deposit rates.				

# Notes to the financial statements (cont)

for the year ended 30 June

	GROUP		COMPANY		
	2006 R000	2005 R000	2006 R000	2005 R000	
<b>8. ISSUED 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>Issued</b>					
3 548 206 ordinary shares of 50 cents each	1 774	1 774	1 774	1 774	
The unissued shares are under the control of the directors until the forthcoming annual general meeting					
<b>9. LONG-TERM BORROWINGS</b>					
<b>Secured liabilities</b>					
Finance lease liabilities over mining vehicles, which commenced in March 2004, with a book value of R12,5 million (2005: R16,5 million) which are repayable in varying monthly instalments over 36 months and bear interest at 1,75% below the prime overdraft rate.	13 212	17 209	13 212	17 209	
Less: Repayable within one year included in short-term borrowings (refer note 14)	4 346	3 993	4 346	3 993	
	<b>8 866</b>	<b>13 216</b>	<b>8 866</b>	<b>13 216</b>	
<b>Interest payable and repayments</b>					
	Rate of interest	Total borrowings	Repayable during the years ending 30 June		
<b>Group and Company</b>		2006 R000	2007 R000	2008 R000	
				2009 R000	
Finance lease liabilities	1,75% below the prime overdraft rate	13 212	4 346	4 764	
				4 102	
The Group has finance leases over mining vehicles. These leases have no terms of renewal or purchase options and escalation clauses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:					
		GROUP AND COMPANY		GROUP AND COMPANY	
		2006		2005	
		Minimum payments	Present value of payments	Minimum payments	Present value of Payments
		R000	R000	R000	R000
Within one year		5 371	4 329	5 389	3 993
After one year but not more than five years		9 319	8 883	15 032	13 216
Total minimum lease payments		15 050	13 212	20 422	17 209
Less amounts representing finance charges		1 838	–	3 213	–
Present value of minimum lease payments		13 212	13 212	17 209	17 209

# Notes to the financial statements (cont)

for the year ended 30 June

	GROUP		COMPANY	
	2006 R000	2005 R000	2006 R000	2005 R000
<b>10. DEFERRED TAX ASSETS AND LIABILITIES</b>				
Net deferred tax opening balance	730 634	522 615	734 904	516 618
– deferred tax assets	-	(4 972)	-	-
– deferred tax liabilities	730 634	527 587	734 904	516 618
Movement during the year	124 286	208 019	115 824	218 286
Reduction due to change in rate of taxation	-	(14 816)	-	(14 611)
Originating temporary difference arising on fixed assets	120 883	228 370	121 325	231 173
Temporary difference arising on provisions reversed/ (made)	922	(1 024)	924	(1 078)
Temporary difference arising on valuation of inventories	8 903	(7 317)	-	-
Other	(6 422)	2 806	(6 425)	2 802
Net deferred tax closing balance	854 920	730 634	850 728	734 904
– deferred tax assets	-	-	-	-
– deferred tax liabilities	854 920	730 634	850 728	734 904
Consisting of:				
Accelerated depreciation for tax purposes	884 309	732 880	879 502	726 442
Provisions made deductible only when costs are (incurred)/paid	(28 996)	8 358	(29 049)	8 304
Provisions made for inventories written down to net realisable value	(668)	(10 604)	-	-
Other	275	158	275	158
	854 920	730 634	850 728	734 904
<b>11. LONG-TERM PROVISIONS</b>				
<b>Environmental obligations</b>				
Provision for decommissioning costs				
Balance at beginning of year	46 344	17 735	46 344	17 735
Movement for the year	(6 666)	28 609	(6 666)	28 609
Discounted amount for decommissioning of expansion projects	88	5 893	88	5 893
(Credited)/ charged to interest paid	(6 754)	2 807	(6 754)	2 807
Other amounts raised during the year	-	19 909	-	19 909
Balance at year end	39 678	46 344	39 678	46 344
Provision for restoration costs				
Balance at beginning of year	32 258	29 158	32 258	29 158
Movement for the year	12 334	8 358	12 334	3 100
Discounted amount for increase in restoration obligation charged to income statement	11 042	2 643	11 042	2 643
Charged to interest paid	1 292	457	1 292	457
Balance at year end	44 592	32 258	44 592	32 258
Carried forward	84 270	78 602	84 270	78 602

# Notes to the financial statements (cont)

for the year ended 30 June

	GROUP		COMPANY	
	2006 R000	2005 R000	2006 R000	2005 R000
<b>11. LONG-TERM PROVISIONS (continued)</b>				
Brought forward	84 270	78 602	84 270	78 602
<b>Post-retirement health care benefits</b>				
Balance at beginning of year	18 789	16 937	18 789	16 937
Net benefit movement (refer note 24)	2 124	1 852	2 124	1 852
Balance at year end	20 915	18 789	20 915	18 789
Total long-term provisions at year end	105 185	97 391	105 185	97 391
<b>12. SHORT-TERM PROVISIONS</b>				
– leave pay				
Balance at beginning of year	18 362	15 450	18 362	15 450
Provision raised during the year	4 709	5 648	4 709	5 648
Less payments made during the year	2 095	2 736	2 095	2 736
Balance at year end	20 976	18 362	20 976	18 362
<b>13. TRADE AND OTHER PAYABLES</b>				
Trade payables	361 658	474 425	362 179	456 175
Other payables	155 928	25 792	118 708	25 792
Balance at year end	517 586	500 217	480 887	481 967
<b>14. SHORT-TERM BORROWINGS</b>				
Short-term borrowings	87 554	156 811	87 554	156 811
Current portion of long-term borrowings (Note 9)	4 346	3 993	4 346	3 993
Balance at year end	91 900	160 804	91 900	160 804
<b>15. CAPITAL COMMITMENTS</b>				
Approved by directors				
– contracted for	869 187	183 187	869 187	183 187
– not contracted for	3 282 703	271 193	3 282 703	271 193
	4 151 890	454 380	4 151 890	454 380
It is anticipated that this expenditure which relates wholly to plant and equipment will be incurred over a three year period and will be financed from the Group's operating cash flows and by utilising available borrowing resources and project funding.				
<b>16. BORROWING POWERS</b>				
The borrowing powers of the Group in terms of its articles of association, are as follows:				
Borrowing powers	3 813 753	3 338 720		
Borrowings at year end				
– long-term	8 866	13 216		
–short-term borrowings	91 900	160 804		
Unutilised borrowing powers	3 712 987	3 164 700		
The borrowing powers of the Group are limited to the aggregate of the issued and paid up share capital, the share premium of the Company and the consolidated retained earnings.				

# Notes to the financial statements (cont)

for the year ended 30 June

	GROUP		COMPANY	
	2006 R000	2005 R000	2006 R000	2005 R000
<b>17. REVENUE</b>				
Revenue comprises				
– Mining and other related products	4 357 697	4 406 474	4 277 645	4 344 811
– Interest received	7 400	2 351	11 901	2 111
– Other operating income (forex gains)	199 750	166 419	198 277	157 350
	<b>4 564 847</b>	<b>4 575 244</b>	<b>4 487 823</b>	<b>4 504 272</b>
<b>18. NET PROFIT FROM OPERATIONS</b>				
Profit from operations includes:				
Surplus/ (loss) on disposal of property, plant and equipment	5 611	(7 990)	5 611	(7 990)
Loss on scrapping of fixed assets	-	(2 134)	-	(2 134)
Foreign exchange gains				
- realised	79 986	75 956	85 575	69 932
- unrealised	51 567	72 615	41 260	79 683
Inventory written down	8 036	19 594	7 533	-
Remuneration for services:				
–advisory	2 853	5 677	2 853	5 677
– secretarial, management, administrative and technical	101 534	85 211	101 534	85 211
Amortisation and depreciation	360 634	284 939	354 079	282 436
– mine development	121 702	77 096	121 702	77 096
– plant and machinery	175 582	109 979	169 563	107 992
– land and buildings	12 592	6 313	12 544	6 280
– mineral rights	3 735	16 815	3 735	16 815
– furniture, equipment, motor vehicles and other assets	42 755	69 707	42 627	69 584
– leased assets capitalised	3 908	4 251	3 908	4 251
– intangible assets	360	778	-	418
Auditors' remuneration	2 485	2 450	2 329	2 363
– audit fees	2 192	2 254	2 036	2 167
– expenses	72	61	72	61
– other services	221	135	22	135
Directors' emoluments for services as directors			302	302
– executive			144	144
– non-executive			158	158
Exploration expenditure	884	1 946	884	1 946
Movements in provisions				
– long-term	6 781	13 652	6 781	13 652
– short-term	4 709	5 648	4 709	5 648
Staff costs				
– salaries and wages	429 505	339 837	429 505	339 837
– pension fund contributions	27 156	25 493	27 156	25 493
– health care	22 014	19 017	22 014	19 017
–contractors	559	791	559	711

# Notes to the financial statements (cont)

for the year ended 30 June

	GROUP		COMPANY	
	2006 R000	2005 R000	2006 R000	2005 R000
<b>19. INCOME FROM INVESTMENTS</b>				
Interest received	7 400	2 351	6 901	2 111
Dividends received from joint venture	-	-	5 000	-
	7 400	2 351	11 901	2 111
<b>20. FINANCE COSTS</b>				
Finance costs incurred	14 687	44 588	14 648	44 298
Less amounts capitalised	2 853	3 668	2 853	3 668
	11 834	40 920	11 795	40 630
<b>21. INCOME TAX EXPENSE</b>				
South African normal taxation				
– current year	176 168	209 639	172 537	200 002
– prior year under provision	-	106	-	106
State's share of profits	37 737	36 202	37 737	36 202
Deferred taxation				
– temporary differences	124 286	222 835	115 824	232 897
– adjustment for reduction in rate of taxation	-	(14 816)	-	(14 611)
Secondary tax on companies	23 952	11 311	23328	11 311
	362 143	465 277	349 426	465 907
<b>Reconciliation of rate of taxation:</b>	%	%	%	%
Standard rate of company taxation	29,0	29,0	29,0	29,0
Adjusted for:				
Deferred tax income resulting from reduction in tax rate	-	(1,1)	-	(1,0)
State's share of profits	3,2	3,4	3,3	3,4
Secondary tax on companies	2,3	0,8	2,3	0,8
Other	0,7	0,8	0,4	0,8
Effective rate of taxation	35,2	32,9	35,0	33,0
	R000	R000	R000	R000
Estimated unredeemed capital expenditure available for reduction against future taxable income	143 182	218 998	143 182	218 998

The Group has no unused credits in respect of secondary tax on companies (2005: Nil). The latest tax assessment received for the Company relates to the year ended 30 June 2005 and is dated 31 July 2006.

# Notes to the financial statements (cont)

for the year ended 30 June

	GROUP		COMPANY	
	2006 R000	2005 R000	2006 R000	2005 R000
<b>22. HEADLINE EARNINGS</b>				
Earnings per income statement	666 636	948 973	649 190	946 739
Adjusted for:				
Surplus/(loss) on disposal of property, plant and equipment	(5 610)	7 990	(5 610)	7 990
Loss on scrapping of plant and equipment	-	2 134	-	2 134
Investment in subsidiary written off	-	-	-	4 781
Headline earnings	661 026	959 097	643 580	961 644
<b>23. RETIREMENT BENEFIT INFORMATION</b>				
<p>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.</p> <p>The benefits provided by the defined contribution plan are determined by accumulated contributions and returns on investment. Members contribute 7,5% and the Company 12,5% of pensionable salaries to the funds.</p>				
<b>24. POST-RETIREMENT HEALTH CARE BENEFITS</b>				
<p>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.</p> <p>The following table summarises the components of the net benefit expense recognised in the consolidated income statements:</p>				
	GROUP			
	2006 R000	2005 R000	2006 R000	2005 R000
Current service cost	1 034	975		
Interest cost on benefit obligation	1 090	1 701		
Net actuarial gain recognised during the year	-	(824)		
Net benefit movement for the year (refer note 11)	2 124	1 852		
<p>The liability is assessed periodically by an independent actuarial survey based on the following principal actuarial assumptions:</p> <ul style="list-style-type: none"> <li>- a net discount rate of 2,0% per annum;</li> <li>- an increase in health care costs at a rate of 5% per annum;</li> <li>- assumed rate of return on assets at 5% per annum.</li> </ul> <p>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.</p> <p>The provisions raised in respect of post-retirement health care benefits amounted to R20,9 million (2005: R18,8 million) at the end of the year. Of this amount, R2,1 million (2005: R1,9 million credit) was charged against income in the current year (refer to note 10).</p>				

# Notes to the financial statements (cont)

for the year ended 30 June

	GROUP		COMPANY	
	2006 R000	2005 R000	2006 R000	2005 R000
<b>25. RECONCILIATION OF NET PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS</b>				
Profit from operations	1 033 213	1 452 819	998 510	1 451 165
Adjusted for:	314 193	251 339	317 441	237 252
– depreciation on property, plant and equipment	360 633	284 939	354 078	282 436
– (surplus)/loss on disposal of property, plant and equipment	(5 610)	10 124	(5 610)	10 124
– long- and short-term provisions	11 490	19 300	11 490	19 300
– unrealised foreign exchange gains	(51 567)	(72 615)	(41 260)	(71 697)
– inventory written down to net realisable value	8 036	19 594	7 533	–
– other non-cash flow items	(8 789)	(10 003)	(8 790)	(2 911)
Operating profit before working capital changes	1 347 406	1 704 159	1 315 951	1 688 417
Increase in inventories	(118 083)	(266 682)	(100 682)	(268 093)
Decrease/(increase) in receivables	67 896	(109 457)	74 486	(123 902)
Increase in payables	17 367	128 858	1 082	140 105
Cash generated from operations	1 314 586	1 456 877	1 288 673	1 436 527
<b>26. TAXATION PAID</b>				
Balance due at beginning of year	(210 031)	(14 691)	(202 616)	(12 152)
Amounts charged to the income statement	(362 143)	(465 277)	(349 426)	(465 907)
Adjustment for deferred taxation	124 286	208 019	115 824	218 286
Balance due at year end	71 723	210 031	71 557	202 616
Net movement	(376 165)	(61 918)	(364 661)	(57 157)

# Notes to the financial statements (cont)

for the year ended 30 June

## 27. 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

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 2006</b>				
Turnover	1 410 635	2 008 244	938 818	4 357 697
Contribution to earnings	398 935	326 858	(59 157)	666 636
Contribution to headline earnings	398 904	326 000	(63 878)	661 026
Other information				
Consolidated total assets	1 409 046	2 413 328	1 662 535	5 484 909
Consolidated total liabilities	278 015	162 447	1 230 694	1 671 156
Capital expenditure	346 122	239 142	119 765	705 029
Depreciation	120 546	127 476	112 252	360 274
Net cash inflow from operating activities	526 726	124 038	88 765	739 529
Cash outflow from investing activities	(338 253)	(236 025)	(85 907)	(660 185)
Cash (outflow)/inflow from financing activities	(27 215)	(23 840)	(22 199)	(73 254)
<b>Primary segmental information</b>				
<b>Year to 30 June 2005</b>				
Turnover	837 671	2 409 063	1 159 740	4 406 474
Contribution to earnings	135 231	736 386	77 356	948 973
Contribution to headline earnings	134 451	738 158	86 488	959 097
Other information				
Consolidated total assets	1 097 454	2 230 273	1 741 648	5 069 375
Consolidated total liabilities	365 358	114 647	1 250 650	1 730 655
Capital expenditure	193 223	353 141	152 694	699 058
Depreciation	112 635	92 990	79 314	284 939
Net cash inflow from operating activities	217 778	958 052	86 414	1 262 244
Cash outflow from investing activities	(192 443)	(343 635)	(118 779)	(654 857)
Cash inflow/(outflow) from financing activities	21 007	(554 475)	(43 987)	(577 455)

### Secondary segmental information – by geographical 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	
	2006	2005	2006	2005
	R000	R000	R000	R000
South Africa	367 491	105 501	291 989	31 430
Europe	1 456 558	1 497 002	349 913	373 609
USA	421 310	786 538	106 222	101 668
Far East	1 397 434	1 223 169	249 443	315 809
Other – foreign	714 904	794 264	74 771	266 151
	4 357 697	4 406 474	1 072 338	1 088 667

All the Group's property, plant and equipment is located in South Africa.

# Notes to the financial statements (cont)

for the year ended 30 June

## 28. CONTINGENT LIABILITIES

There were no short-term export finance loans in terms of the above facility in the ordinary course of business at year end. A termination account of a contractor, which went into liquidation in 2004 prior to contract completion, is in dispute. This account deals with claims and counterclaims between the Company and the contractor in liquidation. The ultimate outcome of the matter cannot presently be determined and the directors are of the opinion that no provision needs to be made in this regard.

The following guarantees have been issued by the Group:

	GROUP	
	2006 R000	2005 R000
– Assore: short-term export finance facility	180 000	180 000
– Eskom: Electricity supply and accounts	10 846	10 748
– Department of Mineral and Energy Affairs: Rehabilitation	9 721	9 341
– First National Bank: Loan account	5 000	5 000
	25 567	25 169

## 29. 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 entities were identified as related parties to the Group:

African Rainbow Minerals Limited:	Major shareholder
Assore Limited:	Major shareholder
Cato Ridge Development Company Limited:	Wholly owned subsidiary
Cato Ridge Alloys (Proprietary) Limited:	Jointly controlled entity
Nkomati: Joint Venture	ARM Joint Venture
Two Rivers Platinum (Proprietary) Limited:	55% held subsidiary of ARM

The following significant related party transactions occurred during the year:

African Rainbow Minerals Limited	– fees for provision of services	101 534	89 179
Assore Limited	– fees for provision of services	135 531	127 672
Nkomati : Joint Venture	– purchase of chrome ore	32 758	-
Two Rivers Platinum (Proprietary)Limited	– proceeds received from the disposal of property	-	1 482

## 30. 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.

	R000	Foreign currency amount 000	Average exchange rate	Maturity date
Forward exchange contracts open at year end				
<b>2006</b>				
Exports	71 600	US\$ 10 000	7,16	1 July 06 – 20 November 06
<b>2005</b>				
Exports	198 086	US\$ 30 013	6,60	1 July 05 – 30 March 06

# Notes to the financial statements (cont)

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

### Credit risk

Credit risk arises from possible defaults on payments by customers or their 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 it falls 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 return of short-term cash investments and the cost of financing activities.

Interest rates offered by financial institutions are continually monitored to ensure interest expense is kept to a minimum.

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 2006</b>			
Cash – financial institutions	71 509	Current	Overnight call deposit
<b>Year ended 30 June 2005</b>			
Cash – financial institutions	65 419	Current	Overnight call deposit
<b>Financial liabilities</b>			
<b>Year ended 30 June 2006</b>			
Local long-term borrowings			1,75% below prime
– Finance lease agreements	8 866	2008	overdraft rate
Local short-term borrowings			linked to
– Financial institutions	91 900	Current	money market
	100 766		
<b>Year ended 30 June 2005</b>			
Local long-term borrowings			1,75% below prime overdraft
– Finance lease agreements	13 216	2010	Rate
Local short-term borrowings			linked to
– Financial institutions	160 804	Current	money market
	174 020		

### Fair value of financial instruments

The estimated fair value of the Group's financial instruments as at 30 June 2006 and for 30 June 2005 is estimated to approximate the carrying amounts reflected in the balance sheet.

# Notice of annual general meeting

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Notice is hereby given that the seventy first annual general meeting of members of Assmang Limited will be held at 10:00 on Wednesday, 8 November 2006 at Assore House, 15 Fricker Road, Illovo Boulevard, Johannesburg, South Africa, for the following purposes:

1. To receive and consider the annual financial statements for the financial year ended 30 June 2006.
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 D G Sacco, R J Carpenter and P C Crous.
3. To elect Messrs AJWilkins and FAbbott who were appointed as directors' of the Company since the last annual general meeting and who, being eligible, offer themselves for election.

## **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.

*By order of the board*

**African Rainbow Minerals Limited**  
*Secretaries*

Per: A Jepson  
Johannesburg  
31 August 2006

# 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 seventy first annual general meeting of shareholders of Assmang Limited convened for Wednesday, 8 November 2006 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 Monday, 6 November 2006.

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 Wednesday, 8 November 2006 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 receive and consider the annual financial statements for the financial year ended 30 June 2006.			
2. To re-elect the following directors, who retire by rotation:			
D G Sacco			
R J Carpenter			
P C Crous			

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 \_\_\_\_\_ 2006

Signature \_\_\_\_\_

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

Please see notes overleaf

# Form of proxy (cont)

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## 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), so as to be received not later than 10:00 on Monday, 6 November 2006 (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.