Anglovaal Mining Limited Annual Report 1999

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# Introduction

Anglovaal Mining Limited, the name changed from Anglovaal Limited with effect from 2 December 1998, is incorporated in the Republic of South Africa. The Group explores, develops, operates and holds interests in the mining and minerals-related industry.

(Company registration number: 05/04580/06)

**Avmin shares are listed on the Johannesburg Stock Exchange (share code: AIN) and the London Stock Exchange**

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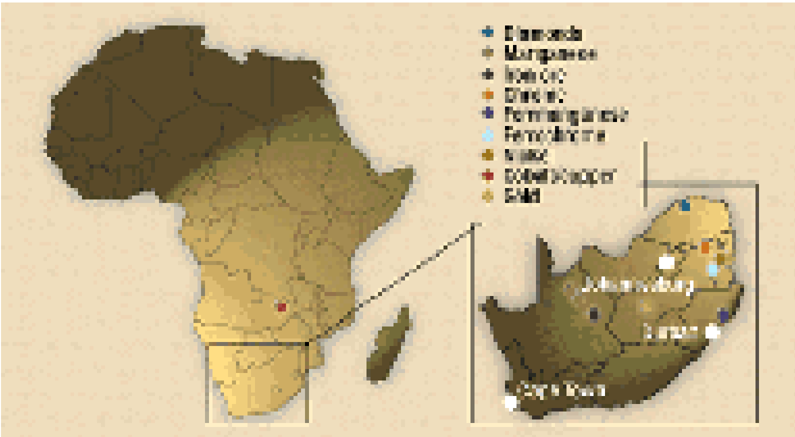
# Change . . . & Challenge

Anglovaal Mining Limited is a company focused entirely on the business of developing above-average mining and mineral-related assets, and successfully exploiting mineral deposits by means of efficient, low-cost operations. A restructuring programme initiated during the year has resulted in an operating and growth focus based on three core areas: ferrous metals, base metals and gold. The company also holds a significant diamond interest.

Anglovaal Mining Limited is creating its future based on a disciplined strategy of discovery, mining, processing and the marketing of a focused portfolio of minerals. The overriding objective is to deliver superior returns to shareholders by sustaining a competitive advantage over both the short- and long-term while contributing economically and socially in all areas where the Group operates. To realise this objective various challenges have been identified and strategies are in place to achieve successful outcomes.

# Major Group Interests




## Production and sales

Based on the Company's holdings as at 30 June 1999

| | Avmin % share | **1999** **Total** | **1999** **Avmin share** | 1998 Total | 1998 Avmin share |
|---|---|---|---|---|---|
| **DIAMONDS (PRODUCTION)** | | | | | |
| Venetia ('000 carats recovered) | 43,8[1] | **4 495** | **1 969** | 4 336 | 1 899 |
| **FERROUS METALS (SALES)** | | | | | |
| Black Rock and Gloria | 50,2 | | | | |
| Manganese ('000 tons) | | **1 475** | **740** | 1 501 | 754 |
| Beeshoek | 50,2 | | | | |
| Iron ore ('000 tons) | | **3 981** | **1 998** | 5 124 | 2 572 |
| Feralloys | 50,2 | | | | |
| Ferrochrome ('000 tons) | | **112** | **56** | 151 | 76 |
| Ferromanganese[2] ('000 tons) | | **176** | **88** | 153 | 77 |
| **BASE METALS (PRODUCTION)** | | | | | |
| Nkomati | 75 | | | | |
| Nickel ('000 tons) | | **3,7** | **2,8** | 2,4 | 1,8 |
| Copper ('000 tons) | | **1,4** | **1,1** | 1,0 | 0,8 |
| Chambishi Metals[3] | 90 | | | | |
| Cobalt ('000 tons) | | **1,8** | – | | |
| Copper ('000 tons) | | **8,7** | – | | |
| Sulphuric acid ('000 tons) | | **46** | – | | |
| **GOLD[4] (SALES)** | 60,1 | **637** | **383** | 857 | 515 |

**('000 ounces)**
*All tonnages shown are metric*

*1. Avmin' effective interest in the Venetia mine calculated for 1998 and 1999.*

*2. Includes high-carbon ferromanganese sales only.*

*3. These production figures relate to refining activities from which Chambishi Metals receives a treatment fee. Chambishi Metals was owned by the Company for ten months of the year to 30 June 1999.*

*4. Includes Harties and ETC gold sales and both 1998 and 1999 figures calculated at the 60,1% level. Harties has since been sold.*

# Financial Summary and Statistics

| for the year ended 30 June 1999 | Group 1999 Rm | Group 1999 US$m |
|---|---|---|
| INCOME STATEMENT | | |
| Revenue | **2 489** | **411** |
| Earnings | **522** | **86** |
| Headline earnings | **290** | **48** |
| Earnings per share (cents) | **562** | **93** |
| Headline earnings per share (cents) | **312** | **52** |
| Dividends per share (cents) | **70** | **11** |
| BALANCE SHEET | | |
| Total assets | **4 852** | **805** |
| Total liabilities and provisions | **1 727** | **287** |
| Shareholders' equity | **3 125** | **518** |
| CASH FLOW | | |
| Cash generated from operations | **468** | **77** |
| Cash generated from operations per share (cents) | **504** | **83** |
| Cash and cash equivalents | **436** | **72** |
| JOHANNESBURG STOCK EXCHANGE PERFORMANCE | | |
| Ordinary shares (cents) | | |
| – high | **3 905** | **641** |
| – low | **1 236** | **196** |
| – year-end | **3 900** | **647** |
| Volume of shares traded (thousands) | **46 426** | **46 426** |
| Number of ordinary shares in issue (thousands) | **106 200** | **106 200** |

| FINANCIAL STATISTICS | **Definition** | | |
|---|---|---|---|
| Effective taxation rate (per cent) | 1 | **19** | **19** |
| Interest cover (times) | 2 | **5,6** | **5,6** |
| Dividend cover (times) | 3 | **4,5** | **4,5** |
| Return on capital employed (per cent) | 4 | **16,4** | **16,4** |
| Return on equity (per cent) | 5 | **14,5** | **14,5** |
| Debt:equity ratio | 6 | **0,1** | **0,1** |
| Market capitalisation (R million) | 7 | **4 142** | **687** |

*Exchange rates used: Balance sheet – R6,03 = US$1,00*
*Income statement and cash flow – R6,06 = US$1,00*

**Definitions**

1. **Effective taxation rate (per cent)**
   Taxation charge per income statement less secondary tax on companies divided by profit before taxation.

2. **Interest cover (times)**
   Profit before exceptional items and finance costs divided by finance costs.

3. **Dividend cover (times)**
   Headline earnings per share divided by dividends per share.

4. **Return on capital employed (per cent)**
   Profit before exceptional items and finance costs, and after the pre-tax share of income from associates, divided by capital employed. Capital employed comprises non-current and current assets less trade and other payables.

5. **Return on equity (per cent)**
   Headline earnings divided by ordinary shareholders' interest in net capital and reserves.

6. **Debt:equity ratio**
   Total debt divided by total equity. Total debt comprises long-term borrowings, overdrafts and short-term borrowings less cash and cash equivalents. Total equity comprises total shareholders' interest.

7. **Market capitalisation (R million)**
   Number of ordinary shares in issue multiplied by market value of shares at 30 June.

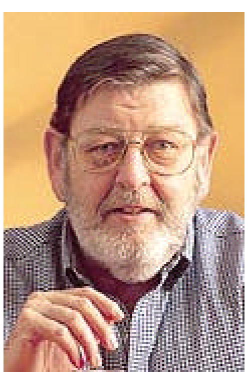
# Directors

**Kennedy Maxwell**
*Chairman*
*BSc Eng (Mech), MA, PMD, 60*

**Appointed to the Board in 1998 and appointed Chairman in 1999.**
A former Executive Director of Johannesburg Consolidated Investments Company Limited, Ken served as President of the Chamber of Mines of South Africa between 1988 and 1990. He is a member of the Council of the University of the Witwatersrand and has worked as a consultant advising on various corporate issues. He currently serves on the Board and the executive of the National Business Initiative.

**Rick Menell**
*Deputy Chairman and CEO*
*MA, MSc, 44*

**Appointed to the Board in 1994 and appointed CEO in 1999.**
Trained as a geologist, Rick has spent time as a merchant banker in New York and worked in Australia as Executive Director: Finance for Delta Gold. He joined the Company in February 1992 as Assistant Financial Manager, Mines. He was later appointed Manager, Finance and Administration (Mines) and then General Manager, Corporate Services. Rick was appointed Managing Director of Avmin Limited in 1996.



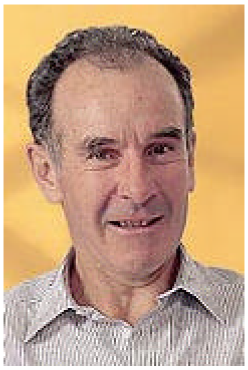
**Don Jowell**
BCom, LLB, 58

**Appointed to the Board in 1999.**
Donn established his own law practice in 1968. He is a non-executive director of Investec Bank Limited and Chairman of its audit committee. He also serves on the boards of a number of listed and unlisted companies with property and commercial interests.

**Dr Vincent Maphai**
BA (Hons), MA, BPhil, 47

**Appointed to the Board in 1998.**
Vincent is the Corporate Affairs Director, South African Breweries. He previously chaired the Political Science Department at the University of the

Western Cape and is also past President of the South African Political Science Association and a council member of the University of South Africa. He is chairperson of the Presidential Review Commission and serves on various boards and community trusts.



**Roy McAlpine**

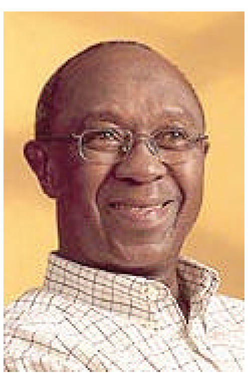
BSc, CA, 58

**Appointed to the Board in 1998.**
Roy emigrated to South Africa from Scotland in 1965 and subsequently spent 29 years with Liberty Life, the last 18 as an executive director. He retired from Liberty Life in 1998 in order to diversify his interests. He is a former chairman of the Association of Unit Trusts of South Africa and currently serves on the boards of a number of listed companies.

**Brian Menell**

BA (Hons), 34

**Appointed to the Board in 1998.**
Currently Chairman and Chief Executive of Professional Diamond Resources (Pty) Limited. He has worked in the diamond mining and trading industries since 1988. He serves on the boards of various other diamond mining, finance and trading companies in South Africa, Belgium and Canada.



**Dr Morley Nkosi**

PhD (Economics), MBA, BS (Economics), 64

**Appointed to the Board in 1998.**
Apart from being an academic, economist and a businessman, Morley is currently Director General of NAFCOC, a partner in Nkosi, Mbeki and Associates and managing associate of Morley Nkosi Associates. He is also an executive chairperson of Impilo Yesizwe Investments (Pty) Ltd and chairperson of the National Institute of Economic Policy. He serves on the boards of various companies, including both Investec Group Limited and Investec Bank Limited.

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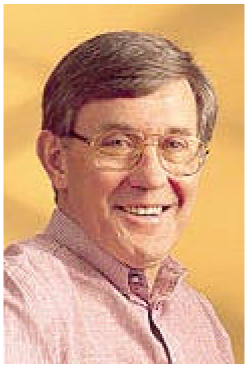
# Management Board

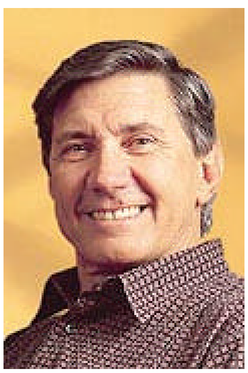


**Dave de Beer**
*Director: Finance*
*CA(SA), 59*

Dave has spent most of his career in various financial capacities and as a merchant banker. He joined the Anglovaal Group in 1991 with responsibility for its financial and insurance interests. He later moved into the mining division and headed the finance, administration, information technology and commercial sectors. Appointed to the management board in 1999.

**Jurie Geldenhuys**
*Director: Gold*
*Pr Eng, BSc Eng (Electrical) (Mining), MBA, 56*

Jurie joined the Anglovaal Group in 1965 at Hartebeestfontein gold mine as a graduate trainee. In 1988, he was appointed General Manager Mines (Operations) and in 1996 was appointed Managing Director: Avgold. Served as the President of the Chamber of Mines of South Africa between 1993 and 1994. Appointed to the management board in 1999.



**Gerry Robbertze**
*Director: Base Metals*
*Pr Eng, ACSM, 56*

Gerry spent his early career on the Zambian Copperbelt and then worked for various mining companies in southern Africa as a mining engineer. He joined the Anglovaal Group in 1987. Appointed to the management board in 1999.

**Jan Steenkamp**
*Director: Ferrous Metals, 45*

Jan started his career with the Anglovaal Group in 1973. Trained as a mining engineer he has worked, and managed, mining operations within the gold, copper, manganese and iron ore sectors. Appointed to the management board in 1999.

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# Executive Committee

**Rick Menell**
*CEO*

**Dave de Beer**
*Director: Finance*

**Graham Emmett**
*General Manager: Human Resources*

**Jurie Geldenhuys**
*Director: Gold*

**Julian Gwillim**
*General Manager: Investor Relations*

**Andy Kawa**
*General Manager: Strategy and Corporate Affairs*

**Jan Mostert**
*General Manager: Exploration and Geological Services*

**Gerry Robbertze**
*Director: Base Metals*

**Jan Steenkamp**
*Director: Ferrous Metals*

**Richard Wills**
*General Manager: Legal Services*

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# Audit Committee

Kennedy Maxwell
Rick Menell
Donn Jowell
Morley Nkosi

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# Remuneration Committee

Kennedy Maxwell
Rick Menell
Roy McAlpine

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Chairman: Kennedy Maxwell

# Chairman' Letter

## "A strong platform has been created"

***The prospects for the base metals interests over the next few years look most encouraging. A much improved and more streamlined organisation with key resources available for the necessary effort.***

Dear Shareholder

The restructuring of our Company during the past year has contributed towards the refocusing of the Company's plans in order to provide superior returns to all shareholders. Anglovaal Holdings Limited, Anglovaal Limited's (Anglovaal) holding company, was unbundled in October 1998 and was followed immediately by Anglovaal unbundling Anglovaal Industries Limited. Avmin Limited was absorbed into Anglovaal, which then altered its name to Anglovaal Mining Limited. It is this Company that is now known colloquially as Avmin.

The major benefits resulting from this restructuring were the consolidation of Anglovaal's 21,9 per cent and Avmin Limited's 65,6 per cent interests in The Saturn Partnership and the availability of Anglovaal's financial resources to assist in funding Avmin's core asset development and exploration programmes. Equally important, and already noticeable, is the significant reduction of the share price discount that the market previously attributed to the Anglovaal Group's mining assets and also the pleasing increase in the tradeability of shares.

**Realignment of control**

In November 1998, the Hersov and the Menell families decided to realign their respective shareholdings in such a way that the Menell interests in Anglovaal Industrial Holdings Limited were exchanged for a like value of the Hersov interests in Anglovaal Mining Limited (Avmin). This means that the Menell family now holds the convertible preference shares in Avmin, that gives them voting control of the Company until mid-2001 when these shares automatically convert to ordinary shares. It also means that a remarkable 66-year partnership between the two families has now come to an end.

With the formation of Avmin, and in the interests of good governance, it was decided to constitute a Board primarily of non-executive directors. Rick Menell, the Company's Chief Executive Officer, is the only executive director on the Board. Non-executive directors serve on both the audit committee and the remuneration committee. A management board that reports to the main Board was created during the year consisting of the CEO and the executives of the finance, gold, ferrous metals and base metals divisions. This management board is mandated to assist in setting the strategic direction of the Company, implementing the strategy and managing day-to-day operations.

The Company decided to reduce its focus to four key areas: diamonds, gold, ferrous metals and base metals. As a consequence of this decision, the coal and industrial mineral interests were sold and negotiations are continuing for the sale of a chrome mining operation. While the contributions from the four key areas are out of sync at present, the intention is to bring about a balance over the next four years. This is discussed in more detail in the CEO's report. Suffice it for me to say that the earnings contribution of R263 million from the diamond interests remained the dominant source of income for the past year. The Board regards it as unsatisfactory to be so reliant on this source of income over which it has no control. We are addressing the issue, inter alia, through strong growth of assets within the three operating divisions. The earnings contribution of R150 million to the Group from the ferrous metals interests (primarily the 50,2 per cent interest in The Associated Manganese Mines of South Africa Limited) was very satisfactory. It was also pleasing, at this early stage, to have earned a contribution of R41 million from the base metals division, mainly Nkomati and Chambishi Metals. Avgold contributed R4 million after enduring a tough year of low prices for gold and various setbacks at its Hartebeestfontein mine.

**An encouraging future**

The prospects for the base metals interests over the next few years look most encouraging and while the ferrous metals business is going through a lean period in respect of market prices, Assmang's future is showing signs of strength – particularly in view of that company's decision to invest over R1 billion in its chrome and manganese businesses during the next four years.

With the sale of Avgold's Hartebeestfontein mine in August this year, Avgold can now look forward to concentrating on developing its high-quality and potentially low-cost gold deposits. Avgold's Target mine has already started producing gold, but will require further finance to bring it to full production in early 2002.

Our Company's effective shareholding in Avgold was reduced to 45,2 per cent over the past year. The Board viewed this as an inadequate holding in one of its core assets and in June 1999, Avmin issued 6 147 908 shares and exchanged these with various international investors and institutions for 67 626 990 ordinary shares in Avgold, thereby increasing the stake to 60,1 per cent.

The past year's internal restructuring, principally the formation of the ferrous and base metals units and the assignment of all technical and project staff to these divisions (with the exception of Group exploration) has resulted in a much improved and more streamlined organisation with key resources available for the necessary effort. This has clarified management's responsibility and greatly improved its focus. We believe that this restructuring and the current core of professional expertise together with key skills at the centre will provide the wherewithal to add value not only to the operations of existing holdings, but also to the development of new ventures. In this way, shareholder value will be optimised.

**Dividend policy**

In order to facilitate the funding of new ventures and mindful of the fluctuations that occur in the minerals resource business during the course of any year, the Board decided to amend the dividend policy of the Company. A single dividend will be declared after the announcement of each year's annual results and will be covered four times by income generated from the Company's core businesses. The remainder of Group earnings will provide funding for the significant development projects that are currently under way.

Shareholders were advised on 27 August 1999 that the Company intends to award capitalisation shares or, should members so elect, a cash dividend of 70 cents per share in respect of last year's earnings. This proposal will only be finalised at the annual general meeting on 4 November 1999 depending on the outcome of resolutions relating to particular amendments to the Company's Articles of Association. These amendments are designed to enable the Company to eliminate the negative distributable reserve that arose due to the exceptional write-off in the income statement of the Company (as opposed to the Group) which in turn resulted in a negative distributable reserve as at 30 June 1999.

**A tribute**

Mr Hersov retired as Chairman of the Company at the end of February 1999 after having served the interests of the overall Anglovaal Group for fifty years. His contribution to the Group and the industry at large was enduring. On behalf of the Board, I would like to thank him and the previous Anglovaal directors that served the Group's interests so diligently.

Bringing about all of the changes in the Company that I have outlined causes anticipation and unease among staff, apart from all the additional work that is entailed in the execution of such changes. It is a tribute to your CEO and his outstanding team that so much has been achieved during the year and I would like on behalf of the Board to express our sincere appreciation for the support and dedication that all staff have offered. I am confident that we have much to look forward to as Avmin builds on the strong platform that was created during the past year.

It is the responsibility of the non-executive directors to ensure good governance of the Company. The calibre of the team of non-executive directors represented on the Board of Avmin gives me great comfort that this cause will continue and thereby support the growth and reputation of our Company in years to come. I am also grateful to the Board members for their wise council and energetic efforts.

Yours sincerely

**Kennedy Maxwell**
*Chairman, Anglovaal Mining Limited*

Deputy Chairman and CEO: Rick Menell

# Chief Executive Officer's Report

## "The creators of value in this organisation will always be its people."

***It is fitting as the twentieth century draws to a close that the newly formed Anglovaal Mining Limited issues its first report to shareholders. Created out of a successful restructuring initiative that was first announced in mid-1998, the new focused and streamlined Avmin is today a company ready to meet the challenges of the twenty first century.***

Avmin's total earnings for the year ended 30 June 1999 amounted to R522 million, relating to earnings per share of 562 cents. As a consequence of the restructuring, the results for the year ended 30 June 1999 are not easily comparable with those of the previous year. A pro forma comparative figure for the year ended 30 June 1998, would be a loss of R242 million. This year's earnings were favourably impacted by a weaker United States dollar/South African rand exchange rate, important contributions from the diamond investment and the ferrous metals division, and the curtailment of some exploration. On a headline basis, which excludes the surplus on the sale of assets and investments, earnings amounted to R290 million, which relates to headline earnings per share of 312 cents.

Successful outcomes were also achieved at all core operations in terms of improving efficiencies and reducing costs. Avgold reduced cash operating costs by five per cent to R49 586/kg; efficiencies were improved at all Assmang's operations resulting in higher earnings despite considerably weaker markets; and the base metals division delivered outstanding performances from the Nkomati mine and Chambishi Metals through process improvements and an overall reduction in costs. This all contributed to the Group's profit from operations totalling R646 million (30 June 1998: R531 million – pro forma).

**A year of change**

As the Chairman has already outlined, this has been a watershed year for the Company. In addition to the completion of the restructuring initiative, the Company rigorously and successfully pursued an objective of disposing of non-core assets and investments that were not in line with the current strategic focus of the overall Group. The investment holding portfolio of various listed shares was disposed of and the coal and industrial minerals businesses were sold, resulting in total receipts from these sales exceeding R600 million.

During the second half of the year, Avmin issued about 15 million new ordinary shares. Of these shares, slightly more than six million were exchanged with various international investors and institutions for Avgold shares, which resulted in an increase in the Avgold holding to 60,1 per cent. Furthermore, about nine million Avmin shares were issued for cash, which raised over R200 million, and the balance (some 48 000 shares) was issued to share incentive scheme members.

In other developments during the year, the Company acquired major new assets in its base and ferrous metals businesses. In September 1998, a significant cobalt and copper operation was acquired on the Zambian Copperbelt and Assmang purchased the high-quality Dwarsrivier chrome deposit. These investments, and the increased percentage holding in Avgold, form part of the Group's strategic intent to focus on larger, better quality opportunities in the three operating sectors: ferrous metals, base metals and gold.

**Exceeding expectations**

The increased focus on core businesses, the improvement in efficiencies and operating costs, as well as the successful objective of eliminating debt at the corporate centre, has exceeded expectations during a year of considerable and rapid change. These initiatives have provided a strong base from which to build the Company to achieve one of its longer-term objectives of becoming less reliant on the large cash flows from the diamond investment, and in so doing develop a more robust and balanced earnings base.

At Avmin, the business is today being looked at in a fundamentally different way. The previous structure did not allow senior management to focus exclusively on mining and mineral-related assets because of the diverse range of interests that were held by Anglovaal. Today a single strategic entity at the centre prevents the unnecessary duplication of skills and provides the Company's portfolio of businesses with cost-effective support services. Relevant key skills, which include financial, legal, commercial, purchasing and transactional skills, are also being developed across the operating divisions in order to promote the acceleration of growth, develop further strong competitive advantages and drive continual improvement of capital efficiency. The flexible structure allows the Company more easily to add or remove assets from its portfolio when favourable opportunities arise. This in turn supports the objective of continually focusing the business and ensuring an optimal structure to deliver superior growth in shareholder value.

The creators of value in this organisation will always be its people. It is therefore an essential part of the transformation of Avmin that its people adapt effectively to change. Various strategies are in place that are aimed at employees developing a clearer understanding of where and how best they add value. Four of the five core strategies within the Company's human resources plan are focused on ensuring that a more adaptable Company is developed. These include: the management of diversity and employee equity; the development of leadership; individual and team performance initiatives; and the attraction and retention of talent. Each one of these are broken down into achievable targets aimed at the availability and development of career opportunities, the sourcing of young and energetic new employees and the implementation of competitive remuneration structures linked closely to performance-based schemes. To support these initiatives, a communication process has been designed to provide the free flow of information throughout the organisation. Through these processes Avmin aims to ensure that employee interests are aligned directly with those of shareholders.

**Corporate citizenship**

Another of the Company's goals is to support and thereby improve the communities in which it operates. This does not refer to what has been labelled cheque-book participation; it goes beyond this towards an insistence that the Company's operations set themselves, and meet, high environmental, safety, health and community involvement standards. Avmin sees no conflict between its business goals and the social and environmental needs. For example, by lowering emissions and reducing waste at the Chambishi Metals operation in Zambia, the Company not only saves money, but also improves the lives of employees and those of the people residing in the surrounding communities and, of course, delivers benefits to clients and investors. Furthermore, at Assmang where the mining operations are located in a remote part of South Africa, the community investment philosophy and approach is designed to align community programmes to a series of human resources development initiatives, which, in turn, align these initiatives with that company's overall business strategy. Simply put: Avmin desires to be a responsible corporate citizen.

**Encouraging signs**

There have been encouraging signs, over the last few months, of improvement in most of the metal markets that the Company serves. Although July and August are typically months in which metal prices start weakening, the exact opposite has occurred. Economic recovery in the Far East may be driving this, as may stockpile build-ups in anticipation of the year 2000's related risks. All in all, the global economy appears to be in a reasonably positive position and the global forces driving this impact on every mining company, irrespective of size or commodity.

This change in commodity markets, the Company's altered structure, new investments and projects that have been brought from the conceptual stage to the development stage, have all added significantly to the value of Avmin over the last six months. A large discount to underlying asset values in the share price has been significantly narrowed and work continues to reduce this even further. The achievements over the past year, notably the commissioning of the South iron ore mine, the ramp-up of production at the refined ferromanganese producer Cato Ridge Alloys, and the Chambishi Metals upgrade to improve efficiencies at the existing refining facility, have strengthened Avmin's current operations.

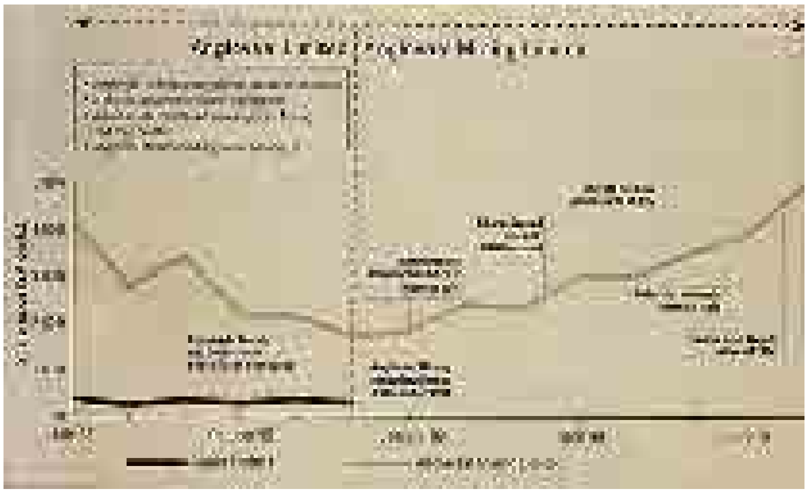
On the new developments, completed feasibility studies and approved project proposals include a new shaft to access manganese reserves at Assmang's Nchwaning mine, and the development of a new chrome mine on the Dwarsrivier property, which is linked to an expansion of Feralloys' ferrochrome plant. Dwarsrivier was purchased by Assmang towards the end of the first half of the year for R163 million. At the same time, Avgold has made good progress on its major projects: the development of the Target mine and the restructuring of its ETC gold mine to incorporate the new biological oxidation (BIOX®) metallurgical treatment facility, which was commissioned shortly after year-end.

Another important part of the Company's growth plan is the US$100 million expansion of the Chambishi Metals operation that will enable this company to start treating the 20 million ton Nkana slag dumps in Zambia. These high-grade cobalt dumps were acquired by Chambishi Metals from Zambia Consolidated Copper Mines Limited (ZCCM) in September 1998 together with the Chambishi cobalt refinery for US$50 million. Avmin holds a 90 per cent interest in Chambishi Metals, while ZCCM has retained the balance.

A concept that drives the growth strategy at Avmin is that of a mining company that must continually refresh its pipeline of internal growth, which ranges from the early exploration stage at the beginning of this pipeline to the end of the line where the focus is on continually improving efficiencies at the more mature operations. It is the Company's objective to ensure that the middle part of the pipeline where the new developments are emerging remains filled with high-quality projects that utilise fully the Company's technical and commercial skills, with every effort being made to ensure successful delivery of the new operations.

**Potential new projects**

The Group's next generation of projects, or the early part of the pipeline, include: a silica manganese smelter and an iron ore rationalisation and expansion programme at Assmang; a chrome pelletising plant and an additional furnace at Feralloys; and the possible expansion at Nkomati, which will allow access to the larger portion of the nickel, cobalt, copper and platinum group metals' orebody. In Zambia, the Konkola North exploration programme for copper has complied with the terms of the agreement with ZCCM and the base metals division is currently assessing the potential.



**Exploration**

As part of the broader restructuring, exploration has become sharply focused at Avmin. Exploration continues to be managed by the corporate centre, while the three divisions conduct only limited exploration surrounding current operations. At Avgold, for example, exploration efforts are directed at the properties to the north of the developing Target mine and the base metals division is continuing exploration programmes around the central African Copperbelt.

Given the number of projects currently under way in all divisions, the overall Group exploration strategy focuses on opportunities that will progress to the development phase within the next five years. This means a shift is currently under way from grass roots exploration to evaluating near or post-discovery opportunities. The search for new mineral ventures is concentrated on:

- Opportunities with the potential to be at the low end of the commodity cost curve and the ability to sustain excellent margins under the currently-predicted commodity price scenarios.
- Regions and countries with good infrastructure and acceptable levels of economic and political stability, while maintaining a watching brief on those areas with attractive mineral potential but insecure social and political environments.
- The identification of talented junior companies with whom alliances can be formed to facilitate entry into highly prospective regions in which Avmin has minimal exposure.

The exploration initiative, which is forecast to spend about R50 million, or nearly US$10 million, in the next financial year, is currently active in the following areas: Namibia (for base and precious metals), South Africa (base, precious and ferrous metals) and Zambia (base metals). Avgold has reviewed its growth strategy to ensure an unequivocal focus on developing the northern Free State area (where Target is located) and is thus winding down all non-South African exploration activities. Avmin may review its exploration strategy to pursue a significant precious metals component, but not at the scale previously undertaken by Avgold.

**Safety, health and environmental commitment reinforced**

Despite all the changes that occurred over the previous year, the safety performance drive and the environmental commitment has not faltered. An improved safety, health and environmental management system has been implemented to ensure that good corporate governance is adhered to and also to reflect a much clearer and more defined intention. As mentioned previously, at Avmin these issues are viewed as an essential part of the overall business plan and are reported on at each Board meeting. The Avmin framework within which all Group operations work, is discussed in more detail in the Review of operations section.

**The year ahead**

Both the external and internal restructuring initiatives have resulted in a greatly improved base from which to deliver superior returns. The focusing of the business into three operational divisions and the disposal of non-strategic and non-core assets have further clarified management responsibilities. An environment in which commodity prices seem to have levelled out and are showing the first signs of recovery, particularly in diamonds, copper, nickel and some of the ferrous metals commodities, should impact positively on future revenues. In addition, while finalising this report, the gold price achieved two-year highs on news that central banks would “cap” gold sales over a five-year period and restrict leasing activity. With supply/demand fundamentals still very positive for gold, market forces could remain in gold's favour. These positive trends, combined with expected improvements in contributions from the diamond and base metal sectors of the business, and the continuing impact of the drive to improve efficiencies and reduce costs, should result in an increase in earnings for the next financial year.

**Sincere gratitude**

I would like to express my sincere gratitude to Kennedy Maxwell and our colleagues on the Board for their unstinting contributions over the past year. Also, my thanks to the management board and all the employees within the Anglovaal Mining Group, which total some 5 000 people, for the dedication and devotion displayed, as well as for ensuring that all the changes we implemented were successfully concluded. An exceptional platform has been created and I am proud of the team's results.

Rick Menell

**Rick Menell**
*Chief Executive Officer*

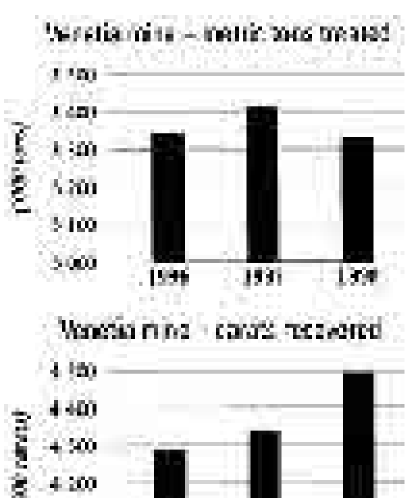

# Review of Operations - Diamonds

**Venetia's production equates to nearly half of all De Beers' South African production. Royalty payments received by Saturn since 1992 have exceeded R1 billion.**

**SATURN INCOME RECEIVED FROM VENETIA**
(R million)

| | **1999** | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| February | **164,3** | 177,8 | 183,5 | 107,9 | 18,8 |
| August | **92,7*** | 136,1 | 307,5 | 231,1 | 58,4 |

* Received after year-end




**Management responsibility**

**Rick Menell**
Chief Executive Officer
*Avmin management board member*

**Dave de Beer**
Director: Finance
*Avmin management board member*

# Overview

***The Company has an important diamond investment through The Saturn Partnership, in which it has an 87,5 per cent interest. This investment gives the Company an effective 43,8 per cent interest in the Northern province-located Venetia diamond mine, operated by De Beers Consolidated Mines Limited (De Beers). Saturn receives half the pre-tax profits from Venetia, which is paid by De Beers twice a year. The difficulties experienced in the international diamond market impacted on the payments received by Saturn during the year. Total royalty payments received by Saturn since 1992 when Venetia first started contributing, have exceeded R1 billion. The Company also has an effective eight per cent interest in the Finsch diamond mine, located in the Northern Cape and also operated by De Beers.***

***This arises by virtue of Finsch Diamonds (Pty) Limited receiving 40 per cent of the profits of the Finsch diamond mine in the form of a royalty.***

**The Saturn Partnership**

During the year under review, Saturn, which receives 50 per cent of the profits of the Venetia diamond mine, contributed R263 million (R276 million – pro forma) to the Company. The first payment was received in August 1998 and amounted to R144 million, while the year's second payment was received in February 1999 and totalled R119 million.

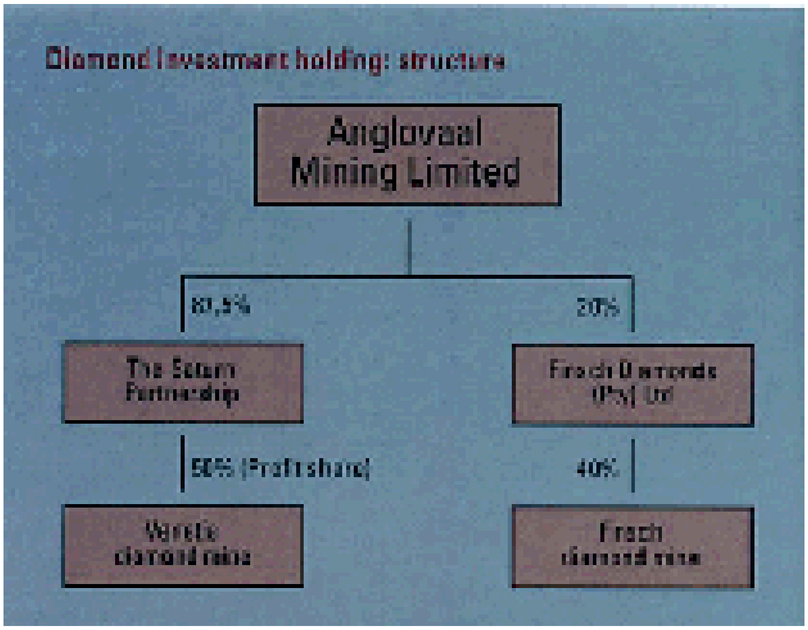
During its financial year ended 31 December 1998, Venetia, an open-cast mine that operates on a 24-hour basis and is De Beers' largest South African producer, treated 3 326 000 tons (3 414 000 tons). This recovered 4 495 489 carats (4 336 190 carats) at an average grade of 135,2 carats (127,0 carats) per 100 metric tons treated. This equates to nearly half of all De Beers' South African diamond production.

A pit redesign initiative at Venetia was completed during the year and has allowed reductions in waste stripping requirements in the short and medium term. Optimisation of mining activity will, in the longer term, also result in the deployment of a smaller earthmoving fleet than had been originally planned. Based on current mining models, Venetia will continue to be mined as an open-cast operation down to the 400 metre level until about 2020. The decision to start planning an underground operation is being reviewed.

Towards the end of June 1999, Avmin drew shareholders' attention to an announcement by De Beers published on 22 June 1999 regarding first-half sales by the Central Selling Organisation. This statement included a cautionary announcement that delays in the delivery of certain diamonds from De Beers' South African mines, following a dispute between De Beers and the South African Government diamond valuator (GDV) over valuation, would have a negative impact on the combined Diamond Account for the first half. As a result of the dispute, De Beers announced that diamonds sold by Venetia would be affected by these delays. De Beers informed the Company that the August royalty payment to Saturn in respect of the six-month royalty period ending on 30 June 1999, would be materially adversely affected. The Company's shareholders were accordingly advised that the earnings for the six-month period ending 31 December 1999 are likely to be affected. On 1 September 1999, it was announced that Saturn had received a total royalty of R93 million (the Company's share: R81 million). It is still expected that the shortfall in the royalty paid in the first half will be recouped in the second half of the year and earnings for the year ending 30 June 2000 may not be affected by this dispute.

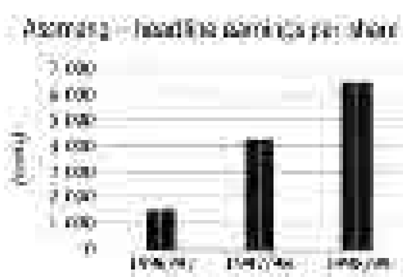
**Finsch Diamonds (Pty) Limited**

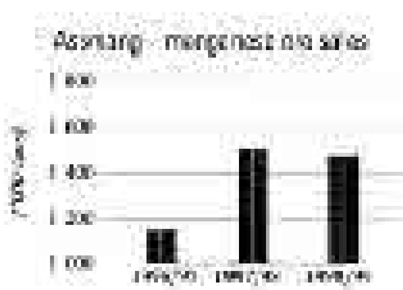
The dividend received by the Company in respect of the Finsch financial year ended 31 December 1998 amounted to R7 million (R11 million – pro forma). During its financial year, Finsch treated 3 969 000 tons (3 739 000 tons), recovering 2 165 060 carats (2 225 779 carats) at an average yield of 54,5 carats (59,5 carats) per 100 metric tons. The Finsch mine has implemented various processes to improve productivity and, following eventual depletion of its current mining blocks, the next planned block (number 4) is scheduled to reach full production in 2008, with an overall life extending beyond the mine's 20-year planning horizon.



# Review of operations – ferrous metals

**Initial work has commenced on the development of a new shaft system at the Nchwaning manganese mine. Assmang's earnings increased substantially for the year ended 30 June 1999.**





**Ferrous metals division: management**

**Jan Steenkamp**
Director: Ferrous metals
*Avmin management board member*

**Byl Bezuidenhout**BR> Manager: Engineering

**Brian Broekman** (Assmang)
General Manager: Feralloys

**Graham Butler**
Manager: Dwarsrivier Project

**Colin Chapple**
Manager: Engineering

**Bruce Funston**
Manager: Finance

**Willem Grobbelaar** (Assmang)
General Mine Manager: Beeshoek and Black Rock

**Johan Pretorius**
Senior Mining Engineer

**John Visser**
Manager: Metallurgy

## Overview

***The Associated Manganese Mines of South Africa Limited (Assmang), of which the Company owns 50,2 per cent, has manganese and iron ore mining operations in the Northern Cape province. Its wholly-owned subsidiary, Feralloys Limited, operates ferromanganese and ferrochrome smelting and refining facilities in the KwaZulu-Natal and Mpumalanga provinces, respectively.***

*The Beeshoek iron ore mine has been extended to include the new South mine*

***As a result of stringent cost control programmes at both the mines and works and the benefit of a weaker South African rand, Assmang's earnings increased substantially for the year ended 30 June 1999. Assmang commissioned an extension to its Beeshoek iron ore mine during the year and also recently announced that it would proceed with various large projects within its chrome and manganese businesses. During the year under review, and following the restructuring that led to the formation of Anglovaal Mining Limited, the Company established an independent and focused management team with responsibility for the ferrous metals interests.***

**Salient statistics** (Assmang group)

| As at 30 June 1999 | **(Rm)** |
|---|---|
| Turnover | **1 601** |
| Operating profit | **383** |
| Profit before taxation | **349** |
| Earnings | **237** |
| Capital expenditure | **317** |

### The Associated Manganese Mines of South Africa Limited

The contribution to the Group during the year from Assmang was exceptionally pleasing, despite the downturn in the international steel industry that was driven largely by economic difficulties in Asian countries in the early part of the year. Assmang group earnings rose 62 per cent to R237 million (R147 million – restated), which relates to attributable earnings per share of 6 669 cents (4 131 cents) per share.

### Large new developments under way

Assmang has embarked on a programme of expansion with large projects within its chrome and manganese businesses. The projects, estimated at a capital cost of nearly R1 billion over a four-year period, to be self-funded by Assmang, include various developments to the existing ferrochrome business and an extension to its Nchwaning manganese mine.

Work has commenced to establish an open-cast chrome mine and beneficiation plant on the Dwarsrivier property in Mpumalanga. Assmang purchased the Dwarsrivier property in September 1998 for R163 million and immediately began a programme of exploration drilling, which culminated in a comprehensive feasibility study. This proved viable for a mine to supply metallurgical grade ores to Assmang's wholly-owned subsidiary, Feralloys Limited. Linked to this is the upgrading of three furnaces that will increase capacity from 150 000 to 175 000 tons a year at Feralloys' ferrochrome facility at Machadodorp in Mpumalanga. It is expected that this will be completed by July 2000. A full feasibility study is also currently being undertaken into the introduction of a pelletising plant for fine ores and the construction of an additional furnace that could increase Feralloys' capacity to 275 000 tons a year by mid-2003. These developments will enable Feralloys to reduce operating costs to competitive levels.

The Dwarsrivier mine's capacity, including the possible establishment of an underground mine at a later stage, is estimated at one million tons per annum of run-of-mine ore. Production start-up of the open-cast operation is scheduled to meet Feralloys' requirements by October 2000. The total capital cost for the furnace upgrades, feasibility studies and the new mine is estimated at R190 million, excluding the pelletising plant and an additional furnace that could cost a further R200 million.

Initial work has also commenced on the development of a new shaft system at the Nchwaning manganese mine. Expenditure of approximately R500 million is being anticipated. The ore reserves at the existing Nchwaning shaft area will be depleted during the next four to six years due to a major fault structure that displaces the manganese deposit. Site establishment commenced during August 1999 and final commissioning is expected during the latter part of 2003. The existing plant at the Nchwaning mine has been upgraded and will process the manganese ore from the new shaft system via a conveyor system that will be located inside a 2,2 kilometre decline facility, one of the largest of its kind in South Africa.

**The year's results**

Turnover for Assmang's operating entities increased to R1,6 billion, which was almost entirely due to the sudden and significant weakening of the United States dollar/South African rand exchange rate in the middle of the first half of the year as sales volumes were generally lower and in line with the reduced demand for steel worldwide. Sales of manganese ore, including sales to Feralloys' Cato Ridge facility, remained almost constant at 1 475 000 tons (1 501 000 tons). However, sales of iron ore reduced significantly to 3 981 000 tons (5 124 000 tons) in line with lower Asian consumption.

The new southern extension of the Beeshoek iron ore mine was commissioned during the year to add to current Beeshoek production. The mine, commissioned at a cost of R118 million, will boost iron ore production to 5,5 million tons a year and is forecast to reduce operating costs substantially. Mining operations have been outsourced – resulting in a total employee complement of twelve people excluding contractors – to allow a greater focus on core operational issues and productivity linked and related projects. Capital expenditure at Assmang during the year under review totalled R291 million (R77 million) and was spent mainly on the acquisition of the Dwarsrivier deposit, equipping the extended South iron ore mining area, underground development at the manganese ore mines and the upgrading and replacement of mining and metallurgical equipment. Expenditure during the next financial year is estimated at R275 million and will be incurred primarily on the development of the Dwarsrivier chrome ore deposit and the additional shaft system at the manganese operation.

Feralloys increased its profit after taxation by 133 per cent to R56


*Initial work has commenced on the development of a new shaft system at the high-grade Nchwaning manganese mine*

million (R24 million). Ferrochrome sales were lower at 112 000 tons (151 000 tons), but high carbon ferromanganese sales increased in line with a higher production level to 176 000 tons (153 000 tons). Lower US dollar prices were received for all Feralloys' products. The ferromanganese division achieved substantial cost reductions during the year and it has also initiated a re-engineering process aimed at further productivity improvements. Sales volumes for both ferrochrome and ferromanganese should show steady increases in the year to come and it is also anticipated that US dollar prices will strengthen.

The refined ferromanganese joint venture – between Feralloys Limited (50 per cent), Mizushima Ferroalloys Company Limited (40 per cent) and Sumitomo Corporation (10 per cent) – operated for its first full year, which has resulted in benefits to the division's overall operating costs. Planned production was exceeded, but market demand is currently in oversupply, resulting in lower than expected US dollar prices received during the year. It is not expected that this will change materially during the next financial year.

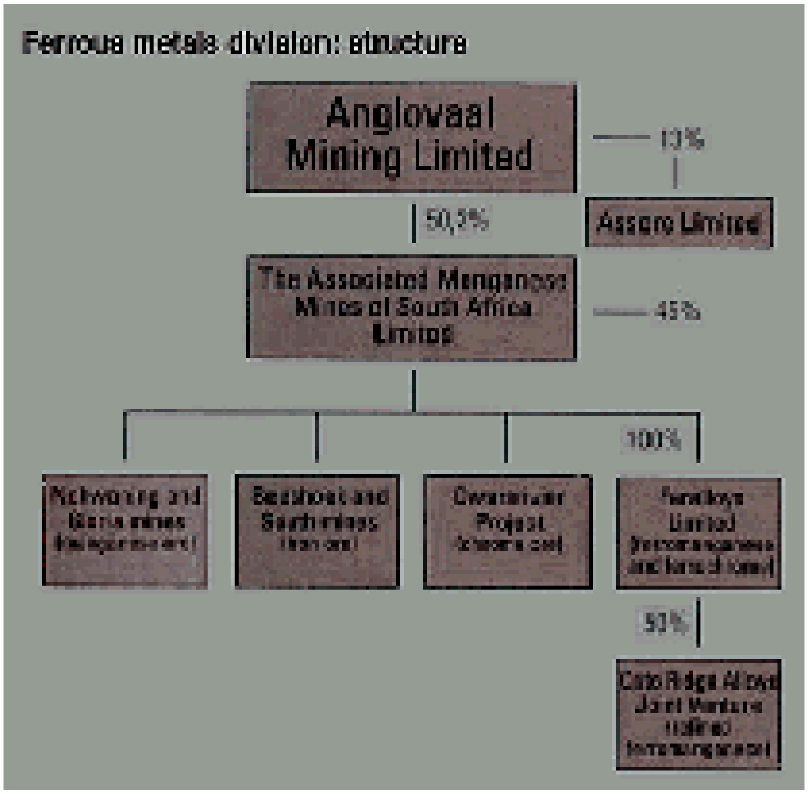
Capital expenditure at Feralloys amounted to R26 million (R82 million) which was mainly spent on replacement items. Capital expenditure during the forthcoming financial year, estimated at R112 million, will be incurred mainly on the furnace upgrades at the chrome division and on replacement items.

**Lavino (Pty) Limited**

Since May 1995, Lavino has been in the Lannex Joint Venture with Samancor Limited, in terms of which the chrome ore mining operations of the Lavino mine – based near Steelpoort in the Northern province – were vested in Lannex. Lavino's 23 per cent share of production from Lannex increased to 74 569 tons (70 012 tons), although sales dropped, primarily as a result of depressed market conditions, and stocks therefore rose to about 76 000 tons. The year's after-tax loss amounted to R1 million (R2 million – profit).

**Horizon Chrome Mines (Pty) Limited**

The Horizon chrome mine, based in the North West province, was on a care and maintenance basis for part of the year, resulting in a loss of R2 million. A portion of the mine's stockpile, about 30 000 tons, was however sold. On 7 July 1999, shareholders' attention was drawn to an announcement published on 30 June 1999 by Southern Witwatersrand Exploration Company Limited (Sowits). Sowits announced that it had entered into an agreement, subject to the fulfilment of certain conditions precedent, to acquire from the Company the entire issued share capital of Orion Mining and Prospecting Company (Pty) Limited for R22 million. Orion is the beneficial owner of Horizon. As at the date of this report, the conditions precedent were in the process of being fulfilled.

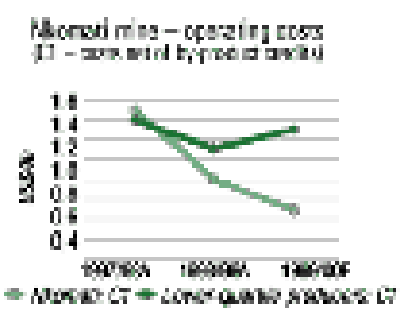

Ferrous metals division: structure
Anglovaal Mining Limited
Assore Limited
The Associated Manganese Mines of South Africa Limited
45%
100%
50%
Cato Ridge Alloys Joint Venture

# Review of operations – base metals

**The Nkomati mine is one of the world's lowest cost producers of nickel. An expansion of the existing refinery and construction of a new smelter are under way to allow Chambishi Metals to treat its 20 million ton, high-grade surface deposit.**

**Salient Statistics**

| As at 30 June 1999 | **(Rm)** |
|---|---|
| Turnover | **303** |
| Operating profit | **76** |
| Profit before taxation | **78** |
| Earnings | **49** |
| Capital expenditure | **397** |

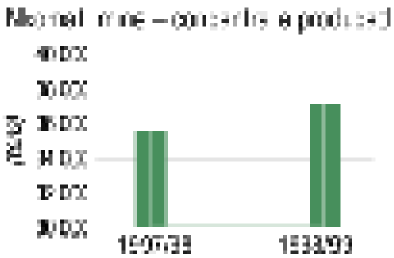



**Base metals division: management**

**Gerry Robbertze**
Director: Base Metals
*Avmin management board member*

**John Austin**
General Manager:

Financial Engineering

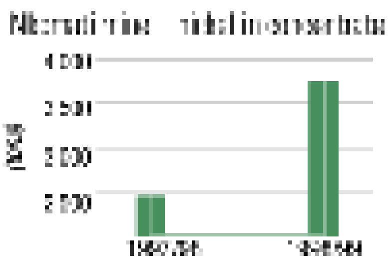


**Peter Cutler**
Financial controller

**Freddie Human**
General Manager: Metallurgy

**Arne Lewis**
Manager: Nkomati

**Ed Munnik**
Chief Operating Officer: Chambishi Metals



**Dr Gerhard Overbeek**
General Manager: Research and Development

**Neville Roberts**
General Manager: Mining and Environment

**Claus Schlegel**
Chief Exploration Geologist: Central African Copperbelt

**Thys Uys**

## Overview

***The purchase by the Company of significant cobalt and copper assets in Zambia, combined with an existing South African-based nickel, copper, cobalt and platinum group metals operation, resulted in the Company forming a base metals division during the year with an independent and focused management team to develop and manage these interests. This division also incorporates the main nucleus of the Company's technical, research and project development employees.***

***The Company owns 75 per cent of the Nkomati mine in the Mpumalanga province, which is one of the world's lowest-cost producers of nickel and currently conducting a feasibility study to assess the viability of a major expansion.***

***Avmin owns 90 per cent of Chambishi Metals plc, a Zambian-based company currently refining cobalt and copper concentrates for other Copperbelt operators. An expansion of the refinery and construction of a new smelter are under way to allow Chambishi Metals***

***to treat the 20 million ton, high-grade cobalt and copper surface deposit that was purchased together with the Chambishi Cobalt and Acid plants in September 1998.***

**Nkomati mine**

The Company's 75 per cent held Nkomati mine, the producer of nickel, cobalt, copper and platinum group metals (PGMs), had an exceptionally good year. Revenue rose to R142 million (R106 million) and operating profit increased substantially to R28 million (R12 million). The mine milled 188 698 tons (125 338 tons) of ore, producing 37 104 tons (35 517 tons) of concentrate with an average nickel grade that was 24 per cent higher than planned, at 10,10 per cent (8,17 per cent). The main metals produced for the year were as follows: 3 747 tons (2 437 tons) of nickel, 1 406 tons (924 tons) of copper and 211 tons (50 tons) of cobalt.

**The year's results**

Total cost of sales amounted to R106 million (R90 million), which was proportionally in line with the mine's milled tonnage increase. The mine remained at the lower-end of the cost quartile of international producers with a benchmark direct cost to produce nickel of US$0,84/lb (US$1,55/lb), net of by-product credits. During the year, the PGM credits remained an important contributor following strong metal prices received. The average nickel price received, US$4 500 a ton (US$5 798 a ton), reflected the downward trend in the international market. Capital expenditure for the year amounted to R13 million (R35 million) and it is expected that about R24 million, to be funded internally, will have been spent by the end of the next financial year on its expansion feasibility study and to allow the mine to increase run-of-mine production to an anticipated 192 000 tons a year.

**Possible expansion**

Avmin's base metal division is continuing with a detailed feasibility study to assess the potential of an expansion of mining operations to include portions of the large, lower-grade, reserve base. The possible expansion study includes an open-pit operation, an additional 150 000 tons a month mill/concentrator, ultra fine grinding of flotation concentrates followed by low pressure oxidation leaching of the milled product. The resulting liquours will pass through the solvent extraction and electro-winning stages for the recovery of copper and nickel cathodes and a cobalt carbonate precipitate. Laboratory and pilot plant testing of the process has been successfully undertaken with technical partners in Australia. The study is expected to be completed by mid-2000.

**Chambishi Metals plc**

During September 1998, the Company formed Chambishi Metals when it purchased the Chambishi Cobalt and Acid plants and the Nkana slag dumps, a high-grade on-surface cobalt and copper resource, from Zambia Consolidated Copper Mines Limited (ZCCM) for US$50 million. The existing cobalt and acid plants continued to refine material for other Copperbelt operators during the ten months of the year that the company owned these assets. The rehabilitation, modernisation and technological upgrading of the plant, which has cost US$7 million, has resulted in improved recoveries and product qualities. As a result of these improvements, an operating profit of

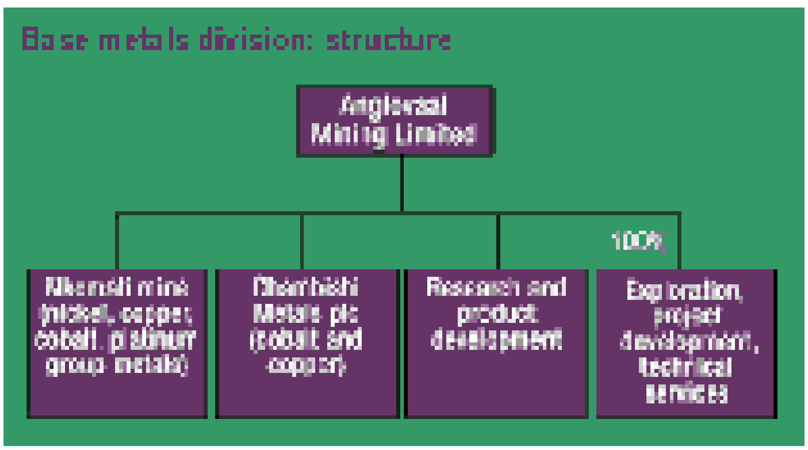
R48 million was reported. The plant refined 1 844 tons of cobalt and 8 658 tons of copper during the year.

**US$100 million expansion proceeding**

Construction work has commenced to expand and further upgrade the plants, at an approximate cost of US$100 million, to allow Chambishi Metals to start treating the Nkana slag dumps. The Company has mandated Rand Merchant Bank to provide a seven-year US$70 million corporate/project finance facility to Chambishi Metals for this project. One of the agreements that the Company signed with the Government of the Republic of Zambia for the purchase of these assets was an expenditure commitment of not less than US$70 million. Final studies completed have determined the cost of the new plant to be US$100 million.

The surface dumps contain a resource of 20 million tons containing 0,76 per cent cobalt and 1,06 per cent copper. The following companies are in the process of developing the new facility:

- Kvaerner Metals, which is the overall project manager together with Avmin's base metals division and is also responsible for the site utilities;
- Dowding, Reynard and Associates, material handling and feed preparation;
- Titaco Projects, furnace and ancillaries; and
- Hatch Africa, leach and hydrometallurgical processes.



Anglovaal Mining Limited Annual Report 1999

Contents | Profile | Major Group interests | Financial summary and statistics
Directors and management | Chairman's letter | CEO's report | Review of operations
Corporate governance | Year 2000 compliance | Annual financial statements
Shareholder information | Shareholders' diary | Notice to members | Administration

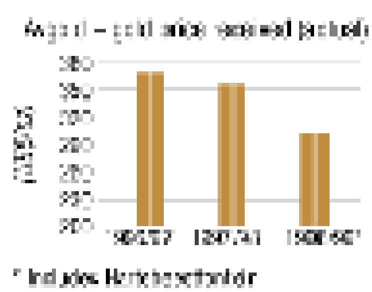
Review of operations

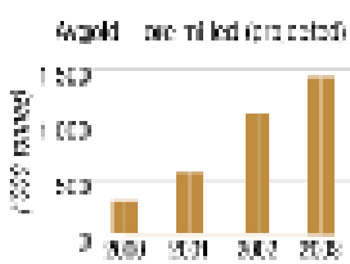
Diamonds | Ferrous metals | Base metals | Gold | Safety, health and environment

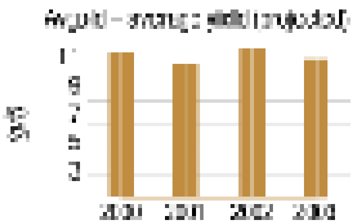
# Review of Operations - Gold

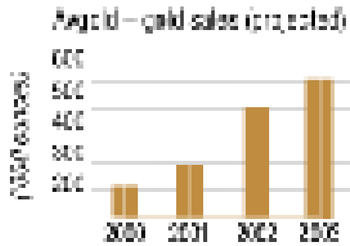
**The sale of Harties has realised R296 million for Avgold. Avgold's overall resource base contains some 58 million ounces of gold and 2,8 million ounces of proved and probable reserves.**

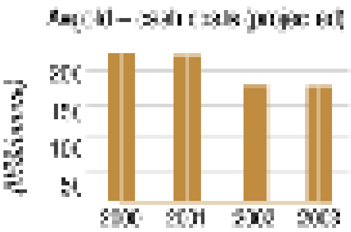
| As at 30 June 1999 | (Rm) |
|---|---|
| Turnover | 1 235 |
| Operating loss | (1) |
| Profit before taxation | 2 |
| Earnings | 9 |
| Capital expenditure | 406 |











**Gold Division: Management**

**AVGOLD LIMITED**

**Jurie Geldenhuys**
Managing Director
*Avmin management board member*

**Doug Campbell**
Financial Director

**Roger Dixon**
Executive General Manager: Projects

**Tim Spindler**
Operations Director

**Mike van Aswegen**
Executive General Manager: Exploration and Business Development

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## Overview

***Avgold Limited, of which the Company owns 60,1 per cent, has moved towards its objective of becoming a low-cost and high-quality gold producer. During the year, Avgold ceased operations at its high-cost Loraine mine and shortly after the end of the year, sold the Hartebeestfontein mine. This mature mine, which contributed 76 per cent of gold sales during the year, operated at margins that were not acceptable. Production will now be from the ETC mining complex, located in the Mpumalanga province and which comprises gold mines in South Africa's Barberton Greenstone Belt, and from the Target mine, located in the Free State province and which is in the production build-up phase. Thus, Avgold's remaining asset portfolio has high growth potential with an overall resource base that contains some 58 million ounces of gold and 2,8 million ounces of proved and probable reserves.*** **Avgold Limited**

Avgold experienced a significant year moving towards its vision of becoming a high-quality and low-cost gold producer: the company turned a loss of R74 million last year into earnings of R9 million; its cash cost objective was achieved; the exciting new Target mine started producing its initial gold; and ETC commissioned its expanded biological oxidation (BIOX®) treatment facility. The most important development, however, occurred shortly after the end of the financial year when an unconditional agreement was signed with Durban Roodepoort Deep, Limited (DRD) for the sale of Avgold's Hartebeestfontein (Harties) mine as a going concern to Buffelsfontein Gold Mines Limited, a wholly-owned subsidiary of DRD.

The Harties divestment has realised R296 million for Avgold: R45 million cash and the balance received following the necessary close-out of the hedge book related to Harties' gold production. Avgold retained certain mining equipment and other assets, mainly refrigeration plants and winding equipment, with an estimated replacement value of R50 million.

Avgold will now be able to focus additional management and operational resources on the Target and ETC mines. Both Target and ETC meet the objectives of the company's overall strategy and any future development and operating decisions, specifically in the Target north, Sun south and Oribi areas, will be based on achieving these criteria.

Avgold also introduced a number of other initiatives during the year to achieve its low-cost strategy. Despite good progress, its non-South African exploration programmes have been curtailed to ensure unequivocal focus on the development of the Target mine. Prior to this decision, prospecting operations on properties already held and the search for quality exploration acquisitions in Africa were being pursued and Avgold is currently discussing various options to realise value for these assets.

The Johannesburg office employee complement has been reduced to a level that will result in savings of approximately R20 million a year and geological staff from Target's surface and underground exploration programmes and Avgold's African exploration ventures will be reduced as these activities wind down.

**Funding**

During the early part of the financial year, Avgold negotiated a funding facility with N M Rothschild and Sons for the future funding of the Target mine. Discussions were, however, terminated following the emerging market crisis of August 1998. Negotiations were then initiated, culminating in the signing of agreements in May 1999 for a four-year syndicated facility of US$100 million and R150 million with a consortium of financial institutions led by Warburg Dillon Read and Chase Manhattan Bank. This syndicate included most of the European banks traditionally linked to mining industry funding and was over-subscribed, which confirmed the Company's confidence in Target.

The subsequent decline in the gold price, however, led Avgold to initiate a complete review of its existing mine plans and to discuss with the facility providers the requirements regarding future hedging programmes. What resulted was a decision that the facility would not be in Avgold's best interest and the agreements were terminated. Shortly before this 41 197 429 new shares were issued for a consideration of 314 cents a share, which netted R127 million after costs and enabled the Target mine to complete its capital programme for the year.

The funding for Target over the next three years will, essentially, include the utilisation of that portion of the hedge book related to Harties' gold production, which has realised R251 million, and using the R45 million cash proceeds from the sale of Harties. Additional funding is being considered in conjunction with Avmin.

**The year's results**

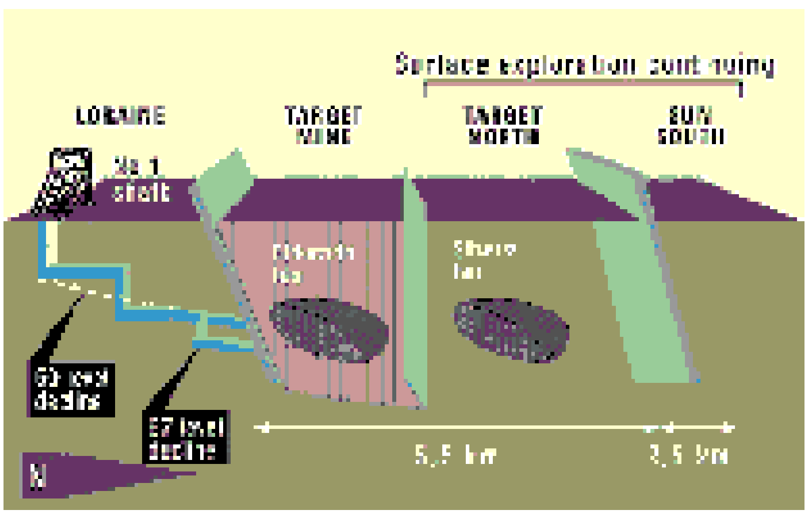
Avgold's total ore milled (including Harties) declined to 6,1 million tonnes (6,8 million tonnes) and the average yield was lower at 3,26 g/t (3,86 g/t). Revenue for the year decreased from R1 642 million to R1 235 million as a result of gold sales reducing from 26 656 kg to 19 810 kg. Total gold sales for the year included 749 kg of gold from the plant clean-up at the Loraine mine, which has now ceased underground operations. Avgold's costs and expenses decreased to R1 236 million and, after adding a tax credit of R6 million to the income, net earnings totalled R9 million.

The average gold price received by Avgold rose to R59 055/kg (R56 649/kg), largely as a result of all gold being delivered against the hedge book during the year. The spot price of gold, which would have been received if Avgold had not hedged, averaged R55 664/kg. The average cash cost improved to R49 586/kg, or US$255/oz, from R52 370/kg, or US$328/oz.

**Review of operations**

The majority of the underground exploration drilling at Target, and the subsequent interpretation and evaluation, has been completed. Proved and probable reserves at Target now total 2,2 million ounces, equivalent to seven years' of production at a planned milling rate of 90 000 tonnes a month. Total resources, that will sustain the mine's 14-year life, amount to 4,7 million ounces.

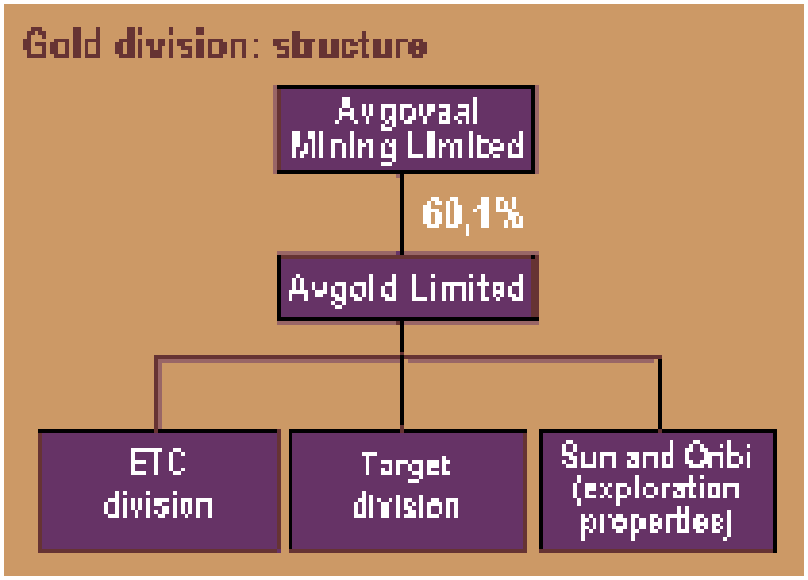
The detailed information from the drilling has also enabled the compilation of a comprehensive development and production plan. The mine remains on schedule to reach full production by January 2002 and expects to average 10 g/t over its life at a production rate of 330 000 ounces of gold a year at a projected average cost during its life of below US$150/oz of gold. The Target mine, which produced 84 kg, or 2 700 oz, of gold during the last year, will begin by exploiting the Eldorado fan in the southern portion of the Target area. Considerable potential exists beyond this fan in the northern part of the Target property as well as in the Sun south area, a contiguous property owned by Avgold. This area has been the focus of a surface exploration drilling programme started in 1997 and where about 19 000 metres of drilling have been completed to date.




A significant result of the drilling has been the emergence of the Dreyerskuil reef as a major resource. Selected intercepts within this reef with grades above 10 g/t and true widths in excess of ten metres suggest that this reef can be exploited by trackless mechanised methods similar to those being used at Target. The emergence of the Dreyerskuil reef in the postulated Siberia fan area is confirmation that gold mineralisation is concentrated in progressively higher stratigraphic levels northwards, as opposed to the Eldorado fan in the south.

Harties' restructuring process, initiated at the end of the previous year, continued into 1999 and had largely been completed by the time the sale agreement with DRD had been signed. This restructuring succeeded in meeting gold production forecasts and the cash cost increase at the mine was contained to 4,5 per cent for the year.

At ETC, the restructuring and rationalisation initiated by the acquisition of Fairview in the previous year, advanced ahead of schedule. The New Consort-based roaster plant and the Agnes mine were closed earlier than planned and concentrates were stockpiled during the last quarter of the financial year while the expansion of a technologically advanced BIOX® metallurgical treatment facility was completed. The stockpile is currently being treated. Development of ETC's Sheba mine to access the deeper ore resources below 35 level using the Fairview infrastructure commenced during the year and is continuing to receive high priority. Various forms of mechanised mining, which have been successful at Sheba, are now also being introduced at the Fairview and New Consort mines. These activities, aided by increased ore reserves made available at the New Consort mine as a result of exploration in the previous year, will position ETC as a low-cost and high-quality gold producer in the medium term.



# Safety, Health and Environmental Review

At Avmin, sustainability expresses the core of the Group’s business philosophy and is seen as an essential part of the overall mining process. Sustainability in the context of this section of the report applies to all safety, health and environmental (SHE) matters for the exploration, development, operation and closure of mining and mineral-related entities in a manner that respects and responds to the social, environmental and economic needs. The needs of present generations, and anticipating those of future generations in the communities and areas where the Group works, are key factors in setting SHE objectives.

Sound SHE policies are thus an essential part of the Avmin Group’s core business and senior executives and line managers are committed to, and held accountable for, SHE issues. The Group’s policies require operations to adhere to exceptional standards of safety and environmental compliance. These policies include:

- the education, training and motivation of employees and the promotion of environmental and safety awareness;
- conducting all activities in an environmentally responsible and safe manner;
- establishing environmental management systems at all operations, which include environmental auditing and monitoring;
- ensuring compliance with regulatory standards by environmental auditing; and
- developing and maintaining positive relationships with employees and all affected neighbours, Government departments and the public.

**Forums**

Sound corporate governance requires that companies adhere to and reflect a clear commitment and intent to manage SHE responsibilities. Avmin endorses this view and has implemented its responsibility in a way that SHE management becomes a line function with overall responsibility for the implementation of the policies at the management board, executive committee and Board level.

A SHE structure has been developed to give effective direction to managing SHE. The structure provides for a centralised base with quarterly reporting by all operations. It is this centralised committee that is empowered to make environmental policy decisions and to co-ordinate environmental management within the Group. New policies are in the process of being implemented at divisional level.

**Guidelines**

Guidelines for SHE are reviewed for each division and incorporated into a SHE policy. The SHE guidelines are based on quantifiable

*The slimes dams at ETC's Sheba mine where reclamation is under way for gold recovery and environmental control*

measures, which include performance indicators, developed to:

provide independent and effective direction for each division within the Group;
make divisions responsible for the implementation of the SHE policy;
encourage divisions to promote the commitment to develop and harness processes of continuous operational performance; and
enable divisions to review and monitor divisional SHE obligations.

Measures are in place to assess whether SHE management responsibilities are being met to ensure a safe and healthy environment throughout all operations. Efforts are concentrated on creating the co-operative environment necessary to achieve the Group's overall objectives.

Achievements for the year were significantly improved in terms of safety and environmental compliance:

1. Assmang's Nchwaning mine was awarded the Group's in-house safety award – the Santa Barbara trophy.
2. All Assmang's operations were again accredited with ISO 9002.
3. Avgold's Hartebeestfontein mine twice achieved one million fatality-free shifts during the year.
4. Avgold's Sheba mine, which forms part of ETC, recorded one million fatality-free surface shifts and its Target mine was awarded the Safety Achievement Flag by SIMRAC.
5. Nkomati, which had an exceptionally safe operating year, was awarded a highly commended certificate from the Environmental Planning Professions Interdisciplinary Committee (EPPIC) – one of South Africa's highest environmental accolades.
6. Since assuming ownership of Chambishi Metals in Zambia, the Company has embarked on a comprehensive safety and environmental process to upgrade the process and systems to ensure that these align with the Group's overall objectives.

**Independent SHE audit**

An independent audit has been conducted to enable the Board to assess whether environmental management responsibilities are being integrated into daily operations and whether objectives are being met. The audit found that there was:

- a high degree of SHE awareness;
- preparation that exceeded the Minerals Act environmental auditing requirement; and
- an overall improvement in environmental management performance.

The current environmental audits conducted by the independent consultant will allow for the development of better standards and guidelines for the Group.

**Corporate citizenship – our role in the community**

Avmin subscribes to the philosophy that to function as a responsible corporate citizen it needs to move beyond its basic business role of wealth creation and invest in projects and initiatives that do not, overtly, contribute to its immediate profitability.

The Group sees corporate responsibilities as encompassing all stakeholders: shareholders, customers, staff and the community as a whole. The responsibility to shareholders is to provide a return on an investment made. To customers the Group owes excellent service and the quality products they require. It is Avmin's responsibility to provide staff with equal opportunities, access to training, development, advancement and market-related rewards. Being a corporate partner to the community as a whole also means addressing deficits and priority needs across the social spectrum.

The mission of the Avmin Community Development Programme is to initiate, support and actively participate in programmes that seek to improve the quality of life of communities in South Africa, with a focus on community upliftment and education. The Group looks to achieve this through partnership with others in business, Government and the non-governmental sector. The main focus of both Avmin's programmes and the community development programmes of its subsidiaries is on people development and education.

The type of development programmes that receive support include:

- initiatives with a direct link to sustainable work or income generation opportunities for those unemployed in both urban and rural areas where the Group operates;
- youth development programmes that target the out of school and out of work, equipping them with the skills, resources and attitudes required to become constructive participants in the respective country's development;
- programmes that combat crime, promote sound provincial and national governance;
- initiatives that develop and recognise artistic talent; and
- activities that promote primary health care through education and home care programmes.

# Corporate Governance

### King Code of Corporate Practice and Conduct

The Board of Avmin is committed to maintaining the standards of integrity, accountability and openness advocated in the King Report on corporate governance. The directors endorse and, for the period under review, have applied the Code of Corporate Practice and Conduct set out in the King Report.

The companies that make up the Group recognise that organisations with high standards of corporate governance are more likely to gain the confidence of investors and other stakeholders.

### The Board of directors

During the period 1 July 1998 to 30 June 1999, the directors met formally on eight occasions. The Anglovaal Mining Limited directorate is, at present, comprised of a non-executive Chairman, five non-executive directors and one executive director. The expertise and diverse skills of the directors are detailed on page 4 of this report to shareholders. Mr Kennedy Maxwell is Chairman and co-ordinates a range of activities that include: ensuring a strict policy is adhered to with regard to decisions reserved for the directors; promoting the overall effectiveness of corporate governance issues; approving annual budgets, as well as financial and strategic plans; maintaining results against budget; examining internal audit reports; reviewing Company control systems (including issues of safety, health and environmental impact); and ensuring that adequate measures are in place to assess major business risks. Mr Rick Menell, the Deputy Chairman and Chief Executive Officer, is responsible for day-to-day operations of the Company and chairs the management board and the Company’s executive committee.

### The management board

The management board is mandated to assist in setting the strategic direction of the Group, implementing strategy and maintaining effective management of the Group on a day-to-day basis. The management board members, profiles of which can be found on pages 4 and 5 of this report, attend all meetings of the directors and form the nucleus of the Company’s executive committee. In turn, the members of the executive committee, which meets weekly, contribute a diverse range of professional skills across the broad spectrum of the Company’s activities.

With the exception of the Chairman, members of the main Board and management board do not have service contracts with the Company. All members have access to the advice of the Company Secretary and are entitled to seek independent professional advice about the affairs of the Company at the Company’s expense.

### Audit and remuneration committees

The directors of the Company appoint both executive and non-executive members to these committees. A list of the participants on these committees can be found on page 5 of this report. Each committee meets at least four times a year and provides the directorate with an effective communication forum, from both external and internal sources, to ensure an adequate flow of information is received through minutes of meetings, plans and reports of the activities of the committees' meetings.

**Audit committee**

The main responsibilities of this committee include the safeguarding of the Company's assets and shareholders' investments, the maintenance of high standards of records and systems of internal control as well as the monitoring of standards of corporate governance. In addition, the audit committee has an objective of ensuring effective policies and practices are adopted in the preparation of public financial information, and conducts reviews of expenditure, business risk and both internal and external audit plans and reports to ensure effectiveness. The external and internal auditors have unrestricted access to the audit committee.

**Internal audit**

Avmin's internal audit department operates with full authority of the directors and management board.

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 Company's business. Through this process, significant emerging business risks are highlighted and the systems of operating and financial control are monitored. All issues are brought to the attention of the audit committee, the directors and members of the management board, and the external auditors. Issues that require corrective actions are discussed by senior management and acted on with urgency.

**Remuneration committee**

The directors ensure appropriate levels of remuneration to senior management of the Company through the remuneration committee. This committee determines broad policy for individual remuneration and benefits to maintain a compensation policy which is both competitive and equitable. This committee comprises the executive director and two non-executive directors, one of which is the Chairman of the Company. The General Manager: Human Resources, who attends all meetings, has direct access to all members of this committee.

**Communication**

Avmin subscribes to a policy of open communication to all stakeholders. Shareholder and investment community communication is given priority. Shareholders and members of the investment community are encouraged to discuss issues and obtain answers to their queries on a one-to-one basis through appropriately placed contact details on all published material. An equally high priority is placed on a process of employee communication, which has been designed to provide employees with a credible source of information on Group strategies and goals as well as on important issues such as equity, corporate citizenship and performance measurement programmes.

Avmin is also currently in a process of distributing, throughout the organisation, its statements of business practice. Appropriately termed The Avmin Way, this process provides employees with a summary of its policies and procedures that are in place to ensure high standards of operating and related philosophies. These policies and procedures cover activities within the sectors of human resources, information technology, health, safety and environment, reputations and business integrity, human rights and accounting and finance. Employees can also access detailed versions and other information on an internal intranet site.

### Diversity and employee participation

One of the aspects of the Company's initiatives in its repositioning strategies involves a process of accelerating the development of individuals within the Group through a process of effective diversity intervention and employee participation. The recognition of the diversity of the Company's employees and harnessing that diversity to improve performance and competitiveness represents a significant challenge. This is seen as a business imperative aided by the introduction of the Employment Equity Act. In terms of a policy outlined within the Company, operations have established equity committees to oversee the change process. In most instances, consultations with labour organisations and employees are at an advanced stage. Reporting on the Equity Plan and progress thereof is through the management board members and consolidated at Group level.

The Board has further approved an implementation programme with clearly defined time-frame objectives.

### Safety, health and environmental practices

The Group subscribes to health, safety and environmental practices that exceed those required through legislation. Safety and health management comprises a three-way approach: the use of appropriate systems; the application of technology; and the involvement of all stakeholders in related matters. The Group's comprehensive approach to its environmental process is based on a programme that advances the broader goals of the social, economic and natural environment and to the integration of environmental management into all its activities. This is regarded as a key performance area for all operations.

### Corporate citizenship

The Company has, for many years, operated various community trusts that administer contributions made by Avmin and its subsidiary companies. The emphasis continues to be on sustainable processes which aim to grow and develop people, rather than create infrastructure. The many supported projects are broadly defined in the areas of health, education and development. The contributions made by the Company exceed cheque-book participation, directed more towards an active involvement in sponsored projects. Senior management and representatives of the community investment unit are also involved on a regular basis with debate and research on development and corporate citizenship policies.

## Risk factors

### Forward looking statements

Certain statements included in this report may constitute "forward looking statements" that involve a number of risks, uncertainties and other factors that may in turn cause results to differ from those made in this report. Such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause the performance or achievements of the Group or the mining industry to be materially different from projected results, performances or achievements expressed or implied by those forward looking statements. The Group is subject to commodity price, exchange rate and interest rate variances and the risks involved in mining operations.

### Mineral rights

The Group has taken cognisance of the White Paper on the Minerals and Mining Policy for South Africa released during 1998 by the South African Government. This demands, and has been receiving, detailed and careful consideration. Avmin endorses the policy's key objective that the

State is, and must be, the custodian of the nation's mineral resources and that these resources are a national asset, and in this sense belong to all the people of South Africa.

The criteria against which the Group will seek to understand and evaluate the transitional arrangements are as follows:

- For the South African people to realise the optimal benefits which can flow from these mineral resources, the system of State regulation must ensure security of tenure.
- It cannot infringe on the property rights of private mineral rights holders.
- It must ensure the stability and continuity of current prospecting and mining operations. The Group is confident that in direct and constructive debate with Government officials, particularly the Department of Minerals and Energy, and other key stakeholders such as the industry's labour movement, a period of growth and prosperity for the South African mining industry will ensue.

**Human resources issues**

There are a number of important initiatives receiving special attention within the Company. These include:

- The reformulating of a Health Care Policy in response to changing legislation requirements and employee needs.
- Strategies which are being put in place following the restructuring of the Company's Health Care Delivery System to supplement efforts to manage the impact of HIV/AIDS on employees and their dependants.
- Efforts to attract and retain skilled and competent employees have been increased following the diminution of key skills within the South African mining industry. Avmin has developed a retention strategy in line with international guidelines and initiatives. Some of these initiatives include:
    - providing clear development opportunities;
    - competitive remuneration; and
    - sourcing young talent from international universities and other tertiary institutions.

# Year 2000 Compliance

***An issue affecting the Group and others is the inability of many computer systems and applications to process the year 2000 (Y2K) and beyond. To address this problem, the Group continued with its comprehensive programme to manage and co-ordinate the overall Y2K effort. A central steering committee continued to administer this function onto which members of senior management were co-opted.***

### State of readiness

All the objectives set in 1998 have been achieved and it is expected that all outstanding remediation efforts will be completed by October 1999. By June 1999, the operating entities within the Group had taken all reasonable steps to minimise the impact of Y2K-related problems. The following have been defined as the four distinct areas of risk for the Group's compliance efforts:

- immediate disaster (serious implication for the lives of and injuries to employees or possible causation of business failure);
- serious operational and financial difficulties (damaging profit or production decline over a few months);
- major operational or financial problem (profit or production problem over a few weeks); and
- minor operational or financial difficulty (no effect on the overall performance of the Group).

This risk matrix was used to identify a course of action for each activity within the four areas. Steering committees, based at the operating units, monitored the situation at operational level. The entire process was also monitored by the central steering committee. Almost all issues, resulting from the action plan, are now Y2K ready. A summary of the activities on which the Group has concentrated to remove possible risks is shown in the table below. The table also indicates the Group's timing to be Y2K ready by October 1999.

### Y2K costs

It is estimated that the Group will spend about R5,0 million for its Y2K compliance initiative. This forecast amount will be incurred over a three-year period that commenced during 1997 and will end during 2000. To date, about R3 million has been spent, which represents about 16 per cent of the total information technology budget.

### Y2K risks

The most likely worst-case scenario for the Group with respect to the Y2K problem is the failure of a supplier, including a power supplier, to be Y2K compliant to such an extent that the supply of needed products and services to any unit within the Group is temporarily interrupted. This could result in the Company or any one of its operating entities not being able to produce one or more of the commodities within the Group's portfolio. The central steering committee is monitoring the preparedness of suppliers to ensure plans are in place for uninterrupted service. In addition, various contingency plans are in place, some of which are indicated below, to counter the possible effects.

**Y2K contingency plans**

Contingency plans have been prepared for those areas that, should problems occur, may cause the operating entities to experience material difficulties. Key areas where in-house tests have been conducted are not included. The problems that may be encountered, even if remote, include the loss of:

- municipal and other electricity supplies;
- telephone and other communication links;
- the Group's wide area network – even though this has been tested, third-party equipment is outside of the Group's control;
- cash inflows and outflows as well as the malfunction of the employee payroll system; and
- the Group's commodity sales distribution network.

The contingency plan initiative will be completed by October 1999, communicated to all employees throughout the Group and monitored on an ongoing basis. No material liabilities of the Group are anticipated after this date.

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Corporate governance | Year 2000 compliance | Annual financial statements
Shareholder information | Shareholders' diary | Notice to members | Administration

# Annual financial statements

Auditors' report | Directors' report | Accounting policies and definitions
Income statement | Balance sheet | Statement of changes in equity
Cash flow statement | Notes to the financial statements | Principal subsidiaries
Report on other investments | US$ reporting

The annual financial statements and Group annual financial statements which appear were approved by the directors on 26 August 1999 and are signed on their behalf by:

**K W Maxwell**
Chairman

**R P Menell**
Chief Executive Officer

# Shareholder Information

As at 30 June 1999.

| | | Number of shareholders | % | Number of shares | % |
|---|---|---|---|---|---|
| **Shareholding analysis** | | | | | |
| **Holdings** | | | | | |
| 1 - | 1 000 | 2 067 | 75.9 | 583 295 | 0.5 |
| 1 001 - | 5 000 | 454 | 16.7 | 1 032 312 | 1.0 |
| 5 001 - | 10 000 | 80 | 2.9 | 603 815 | 0.6 |
| 10 001 - | 50 000 | 77 | 2.8 | 1 782 123 | 1.7 |
| 50 001 - | 100 000 | 17 | 0.6 | 1 134 154 | 1.1 |
| 100 001 - | 1 000 000 | 15 | 0.6 | 3 464 493 | 3.3 |
| Over | 1 000 000 | 12 | 0.5 | 97 599 517 | 91.8 |
| | | 2 722 | 100.0 | 106 199 709 | 100.0 |
| **Analysis of holdings** | | | | | |
| Individuals | | 2 381 | 87.5 | 9 677 475 | 9.1 |
| Insurance companies | | 10 | 0.4 | 4 743 571 | 4.5 |
| Pension funds | | 31 | 1.1 | 1 881 901 | 1.8 |
| Nominee companies | | 106 | 3.9 | 61 375 403 | 57.8 |
| Other corporate bodies | | 194 | 7.1 | 28 521 359 | 26.8 |
| | | 2 722 | 100.0 | 106 199 709 | 100.0 |

# Shareholders 'Diary

**Financial year-end**
30 June

**Annual general meeting**
4 November 1999

**Report and profit statements**
Half-yearly interim report published: February
Results and dividend announcement published: August
Annual financial statements published: September

**Annual Dividend**
Declared: November 1999
Paid: January 2000

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# Notice to members

Notice is hereby given that the sixty-sixth annual general meeting of members of Anglovaal Mining Limited will be held at 56 Main Street, Johannesburg on Thursday, 4 November 1999 at 10:00, for the following purposes:

1. To receive and consider the annual financial statements for the year ended 30 June 1999.
2. To elect directors in accordance with the provisions of the Company's Articles of Association.
3. To consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions:

**Ordinary resolution No 1**

"Resolved that all the authorised but unissued ordinary shares in the capital of the Company be and are hereby placed under the control of the directors of the Company as a general authority to them to allot or issue the same at their discretion in terms of and subject to the provisions of Section 221 of the Companies Act and the Johannesburg Stock Exchange Listing Requirements."

**Ordinary resolution No 2**

"Resolved that, subject to:

i. the passing of ordinary resolution No 1 above; and
ii. not less than 75 per cent of those shareholders of the Company present in person or by proxy and entitled to vote at the meeting at which this resolution is proposed voting in favour of this resolution;

the directors of the Company be and are hereby authorised and empowered, by way of a general authority, to allot and issue for cash, without restriction, all or any of the authorised but unissued ordinary shares in the capital of the Company placed under their control as they in their discretion may deem fit, subject to the provisions of the Johannesburg Stock Exchange Listings Requirements."

The restriction placed by the Johannesburg Stock Exchange on such general authority for allotments and issues for cash are as follows:

- The authority is valid until the next annual general meeting of the Company.
- Any such issue must be of a class of share already in issue and can only be made to public shareholders as defined in the Listings Requirements.
- Issues in the aggregate in any one financial year will not exceed ten per cent of the number of shares of the Company's issued share capital and shall not in aggregate in any three-year period exceed fifteen per cent of the Company's issued share capital.
- A paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within a financial year, five per cent or more of the number of shares in issue prior to the issue.

- In determining the price at which the issue of shares will be made, the maximum discount permitted will be ten per cent of the average closing price of the shares as determined over the 30 days prior to either the date of the paid press announcement or, where no announcement is required and none has been made, the date of issue of such shares.

**Special Resolution No 1**

"Resolved that article 42 of the Articles of Association of the Company ("the Articles") be amended by substituting the current sub-section (f) with:

> *acquire its own shares and acquire shares in any holding company of the Company in accordance with the provisions of the Statutes."*

The reason for Special Resolution No 1 is to amend the Articles in accordance with recent amendments to the Statutes to enable the Company to acquire its own shares and to acquire shares in any holding company of the Company. The effect of Special Resolution No 1 will be that the Company will be entitled to acquire its own shares and to acquire shares in any holding company of the Company.

**Special Resolution No 2**

"Resolved that the Articles be amended by inserting the following article as article 42A:

> *The Company shall be entitled to make payments to its shareholders in accordance with the provisions of the Statutes. Any unclaimed amounts due by the Company as a result of the acquisition of shares by the Company or otherwise may be invested or otherwise made use of by the directors for the benefit of the Company until claimed, provided that amounts unclaimed for a period of 12 years may be forfeited by the directors for the benefit of the Company."*

The reason for Special Resolution No 2 is to enable the Company to make payments to its shareholders in accordance with recent amendments to the Statutes. The effect of Special Resolution No 2 will be that the Company will be authorised to make payments to its shareholders.

**Special Resolution No 3**

"Resolved that the Articles be amended by the insertion of the following article as article 42B:

> *The Company may from time to time, subject to such requirements which may be imposed by the Statutes, by ordinary resolution authorise the directors to reduce, dispose of, distribute or otherwise deal with in any manner whatsoever, the Company's share capital, stated capital, share premium account or any capital redemption reserve fund of the Company."*

The reason for Special Resolution No 3 is to allow the Company to deal with the share capital, stated capital, share premium account or any capital redemption reserve fund of the Company in a manner not otherwise governed by the Statutes. The effect of the amendment is to permit the Company to so deal.

**Special Resolution No 4**

"Resolved that subject to the passing and registration of Special Resolution No 1, the Board of directors of the Company be authorised up to and including the date of the Company's next annual general meeting, to approve the purchase of its own shares by the Company and the purchase of shares by the Company in any holding company of the Company, subject to the provisions of the Statutes and the listing requirements of the Johannesburg Stock Exchange and any other exchange on which the shares of the Company may be listed from time to time. "

The reason for Special Resolution No 4 is to permit the purchase by the Company of its own shares or the shares of any holding company subject to the restrictions of the Statutes and the Johannesburg Stock Exchange. The effect of Special Resolution No 4 will be that the Board of directors will, up to and including the date of the following annual general meeting, be entitled to approve the purchase by the Company of its own shares and the purchase of shares by the Company in any holding company.

**Special Resolution No 5**

"Resolved that the words AND ACQUISITION OF OWN SHARES be ins

# Administration

**Company registration**
Anglovaal Mining Limited
(formerly Anglovaal Limited)
Registration number 05/04580/06

**Company Secretary’s address and registered office**
56 Main Street
Johannesburg, 2001
South Africa

**Postal address**
PO Box 62379
Marshalltown, 2107
South Africa
Telephone (+27 11) 634-9111
Telefax (+27 11) 634-0038

Additional corporate information can be obtained from Julian Gwillim in the public relations and communications department at the postal address or telephone number shown above.

**Alternatively, at the Company’s website:**
http//www.avmin.co.za

**Auditors**
Ernst & Young

**Bankers**
FirstRand Bank Limited

## Change of Address

Members are requested to notify any change of address to:

The Transfer Secretaries
Anglovaal Mining Limited
Mercantile Registrars Limited
PO Box 1053
Johannesburg, 2000
South Africa
or
The London Secretaries
Anglovaal Mining Limited
St James’s Corporate Services Limited
6 St James’s Place

London SW1A 1NP
Telephone (0171) 499-3916
Telefax (0171) 491-1989

## Shareholder Enquiries

**Transfer secretaries**
Mercantile Registrars Limited
11 Diagonal Street
Johannesburg, 2001
South Africa

**Postal address**
PO Box 1053
Johannesburg, 2000
South Africa
Telephone (+27 11) 370-5000
Telefax (+27 11) 370-5271/2

**London secretaries**
Anglovaal Mining Limited
St James's Corporate Services Limited
6 St James's Place
London SW1A 1NP
Telephone (0171) 499-3916
Telefax (0171) 491-1989

**United Kingdom share registrars**
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