ANGLOVAAL MINING

AVMIN

Anglovaal Mining Limited

(Registration No 1933/004580/06)
Incorporated in the Republic of South Africa
Share code: AIN ISIN code: ZAE000017141
("Avmin" or "the Company")

REPORT FOR THE YEAR ENDED 30 JUNE 2001

GROUP BALANCE SHEET

at 30 June 2001

	2001 Audited Rm	2000 Audited Rm
ASSETS		
Non-current assets		
Tangible assets	**5 987**	3 924
Intangible assets	**9**	(8)
Loans and long-term receivables	**–**	2
Deferred tax assets	**47**	22
Environmental rehabilitation trust funds	**59**	51
Investments	**1 186**	57
	7 288	4 048
Current assets		
Inventories	**722**	586
Trade and other receivables	**664**	640
Taxation	**1**	3
Deposits and cash	**439**	4 160
	1 826	5 389
Total assets	**9 114**	9 437
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary share capital	**6**	5
Preference share capital	**–**	4
Share premium	**56**	51
Non-distributable reserves	**679**	56
Distributable reserves	**3 267**	2 971
Shareholders' interest in capital and reserves	**4 008**	3 087
Minority interest	**1 483**	1 185
Total shareholders' interest	**5 491**	4 272
Non-current liabilities		
Long-term borrowings	**921**	208
Deferred tax liabilities	**360**	289
Long-term provisions	**196**	202
	1 477	699
Current liabilities		
Trade and other payables	**387**	388
Provisions	**116**	105
Taxation	**78**	194
Shareholders for dividends	**–**	1 208
Shareholders for distribution	**–**	1 697
Financial liabilities	**11**	-
Overdrafts and short-term borrowings	**1 554**	874
	2 146	4 466
Total equity and liabilities	**9 114**	9 437

GROUP INCOME STATEMENT

for the year ended 30 June 2001

	2001 Audited Rm	2000 Audited Rm
Revenue	**2 806**	2 934
Cost of sales	**2 083**	2 119
Gross profit	**723**	815
Other operating income	**211**	76
Other operating expenses	**338**	289
Profit from operations	**596**	602
Income from investments	**108**	183
Finance costs	**132**	72
Profit before taxation and exceptional items	**572**	713
Exceptional items	**–**	3 648

GROUP CASH FLOW STATEMENT

for the year ended 30 June 2001

	2001 Audited Rm	2000 Audited Rm
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers	**2 967**	2 878
Cash paid to suppliers and employees	**2 441**	2 246
Cash generated from operations	**526**	632
Interest received	**106**	172
Interest paid	**(132)**	(72)
Dividends received	**2**	11
Dividends paid	**(1 222)**	(41)
Capital distribution	**(1 697)**	–
Taxation paid	**(237)**	(68)
Net cash (outflow)/inflow from operating activities	**(2 654)**	634
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of Hartebeestfontein	**–**	304
Proceeds from sale of joint venture and subsidiary	**6**	17
Additions to fixed assets to maintain operations	**(291)**	(312)
Additions to fixed assets to expand operations	**(1 793)**	(973)
Proceeds on disposal of fixed assets	**2**	43
Proceeds on disposal of investments	**12**	3 617
Decrease in investment loans and receivables	**4**	117
Other investments acquired	**(497)**	(63)
Net cash (outflow)/inflow from investing activities	**(2 557)**	2 750
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in shareholder funding	**–**	9
Funding received from minority shareholders	**182**	14
Long-term borrowings raised	**726**	160
Long-term borrowings repaid	**(4)**	(6)
Increase in short-term borrowings	**599**	163
Decrease in treasury liabilities	**(13)**	–
Net cash inflow from financing activities	**1 490**	340
Net (decrease)/increase in cash and cash equivalents	**(3 721)**	3 724
Cash and cash equivalents at beginning of year	**4 160**	436
Cash and cash equivalents at end of year	**439**	4 160
Cash generated from operations per share (cents)	**485**	591

NOTES TO THE FINANCIAL STATEMENTS

CHANGE IN ACCOUNTING POLICY

During the year the Group changed its accounting policy to account for financial instruments in terms of AC 133: Financial Instruments – Recognition and Measurement. This change affected the revaluation of listed investments other than subsidiaries and the recognition and measurement of financial

HIGHLIGHTS

Comparable year on year headline earnings rose 102% to R281 million

Strong performances from Nkomati and Assmang

Earnings turnaround at Avgold

Significant stake in Iscor acquired

SEGMENTAL INFORMATION

Rm	Precious metals	Copper Cobalt	Nickel	Ferrous metals	Diamonds	Corporate and other	Total
Year to 30 June 2001							
External revenue	218	326	327	1 926	–	9	**2 806**
Contribution to earnings	39	(64)	130	153	–	23	**281**
Contribution to headline earnings	39	(64)	130	153	–	23	**281**
Consolidated total assets	2 688	2 080	206	2 589	–	1 551	**9 114**
Consolidated total liabilities	517	1 704	58	1 400	–	(56)	**3 623**
Capital expenditure	600	834	21	626	–	3	**2 084**
Year to 30 June 2000							
External revenue	290	232	264	1 592	339	217	**2 934**
Contribution to earnings	9	(33)	91	98	347	3 468	**3 980**
Contribution to headline earnings	(3)	(33)	91	98	347	(14)	**486**
Consolidated total assets	2 032	1 000	262	1 878	–	4 265	**9 437**
Consolidated total liabilities	415	606	130	890	–	3 124	**5 165**
Capital expenditure	469	426	15	407	–	6	**1 323**

GROUP STATEMENT OF CHANGES IN EQUITY

Rm	Share capital and premium	Foreign currency translation	Revaluation surplus	Other	Retained profit	Total
Balance at 30 June 2000 as reported	60	6	3	47	2 971	**3 087**
Earnings	–	–	–	–	281	**281**
Revaluation of listed investments	–	–	635	–	–	**635**
Conversion of preference shares	2	–	–	–	–	**2**
Reallocation of reserves	–	–	–	(12)	12	**–**
Other movements	–	–	–	–	3	**3**

Profit before taxation and exceptional items	**572**	713
Exceptional items	**–**	3 648
Profit before taxation	**572**	4 361
Taxation	**167**	324
Profit from ordinary activities	**405**	4 037
Minority interest	**124**	57
Earnings	**281**	3 980
Headline earnings	**281**	486
Earnings per share (cents)	**259**	3 723
Headline earnings per share (cents)	**259**	455
Dividends per share (cents)	**–**	1 123
Capital distribution per share (cents)	**–**	1 577
Number of shares in issue at end of year (thousands)	**110 105**	107 610
Weighted average number of shares in issue (thousands)	**108 379**	106 889

account for financial instruments in terms of AC 133: Financial Instruments – Recognition and Measurement. This change affected the revaluation of listed investments other than subsidiaries and the recognition and measurement of financial instruments at fair value. The change in accounting policy relating to investments resulted in the transfer of the excess of the fair value of investments over the original value being transferred to a revaluation reserve.

This change, which has no effect on earnings, was applied prospectively in accordance with AC 133: Financial Instruments – Recognition and Measurement. Where necessary, opening balances have been adjusted to comply with this change. Comparative figures relating to the change in accounting policy have not been restated. Certain other comparative figures have been regrouped and restated where necessary.

The annual financial statements are prepared on the historical cost basis as adjusted for the revaluation of certain freehold land and buildings, and the fair value revaluation of non-current listed investments and are in accordance with South African Statements of Generally Accepted Accounting Practice.

Conversion of preference shares	2					**2**
Reallocation of reserves	–	–	–	(12)	12	**–**
Other movements	–	–	–	–	3	**3**
Balance at 30 June 2001	62	6	638	35	3 267	**4 008**
Balance at 30 June 1999 restated	1 701	(2)	3	94	199	**1 995**
Foreign currency translation reserve	–	8	–	–	–	**8**
Earnings	–	–	–	–	3 980	**3 980**
Special distribution	(1 697)	–	–	–	(1 208)	**(2 905)**
Share issues net of expenses	9	–	–	–	–	**9**
Share election reserve						
– utilised	47	–	–	(47)	–	**–**
– encashed	–	–	–	(9)	–	**(9)**
Other movements	–	–	–	9	–	**9**
Balance at 30 June 2000	60	6	3	47	2 971	**3 087**

COMMENTARY

INTRODUCTION

During the year under review, considerable effort was directed at ensuring that Avmin is well positioned to achieve maximum value for its shareholders by bringing to fruition various capital growth projects and implementing the current strategy of being a mining company focused on ferrous, precious and base metals.

Attributable borrowings increased from R1 082 million at 30 June 2000 to R2 475 million. The net increased long-term debt of R713 million has been applied to Avgold Limited, R302 million, and Chambishi Metals plc R411 million. Short-term borrowings of R437 million were utilised by Assmang Limited, Chambishi and the Company accounted for R106 million and R137 million, respectively. The interest payable on those borrowings applied to capital expenditure has been capitalised and R60 million (equating to 39 cents on earnings per share) was charged to income.

Headline earnings for the year ended June 2001 totalled R281 million (R486 million) which equates to 259 cents (455 cents) per share. The previous year's headline earnings included a contribution to Avmin of R347 million by way of diamond royalty income from The Saturn Partnership, which was sold to De Beers Consolidated Mines Limited during the latter part of fiscal 2000. Excluding diamond royalty income, headline earnings rose by 102 per cent.

Costs were well contained throughout the Company's operating entities. Sales were higher in all sectors of the business with the exception of precious metals as a result of the inclusion in the prior year results of gold sales of Hartebeestfontein mine prior to its disposal on 16 August 1999. The pleasing bottom line result was achieved in a period of intensive capital investment and capacity building.

Results for the operations are reflected below:

FERROUS METALS

Assmang Limited's (Assmang), 50,3 per cent owned, total headline earnings rose 82 per cent to R231 million (R127 million). The results benefited from the weaker rand, better efficiencies at all operations and well-controlled operating costs. Manganese sales rose to 979 000 tons (926 000 tons) and iron ore sales were 145 000 tons higher at 4,3 million tons. The manganese alloy operations sold 193 000 tons (206 000 tons), inclusive of refined ferro-manganese, and despite weak market conditions chrome alloy sales were slightly higher at 125 000 tons (114 000 tons). Chrome ore production from the newly commissioned Dwarsrivier chrome mine, totalled 254 000 tons, was delivered to Assmang's chrome alloy operation.

Capital expenditure rose to R626 million (R407 million), which was spent on Assmang's major projects that all remained on or ahead of schedule, costs being within budget. The iron ore jig plant at the Beeshoek mine was commissioned, the chrome smelter expansion at Assmang's chrome alloys plant will be commissioned this calendar year, and the new shaft complex at the Nchwaning manganese mine remains on schedule for commissioning in 2003.

PRECIOUS METALS

Major progress was made during the year at **Avgold Limited** (Avgold), 61 per cent owned, with the implementation of a revised Target mine plan, the conclusion of equity and loan financing agreements, clearer definition of the Target North/Paradise potential and the turnaround of ETC. Avgold's headline earnings amounted to R39 million (R32 million – loss). A revitalised ETC achieved earnings of R32 million (R13 million – loss). Consistent mining tonnages and an improved Biox® plant performance produced 2 800kg or 91 400oz (2 300kg or 73 200oz) of gold at a cash cost of R58 700/kg or US$241/oz (R58 100/kg or US$286/oz). The cash operating costs by year-end had reduced to below US$220 an ounce of gold.

The Target mine remains on schedule to reach full production during the first quarter calendar 2002 and within budget. The production from Target during the latter part of this financial year will see the return of significant operating profits for Avgold.

The formation of **Two Rivers Platinum (Proprietary) Limited,** following the acquisition, for R551 million, of platinum group metal (PGM) rights from Assmang during the year, achieved an Avmin objective of entering the PGM market. Impala Platinum Holdings Limited (Implats) is a 45 per cent partner in this venture, with Avmin holding the balance. Implats is the ideal partner for Avmin, given its PGM expertise, processing knowledge and infrastructure. Subject to the Competition Commission approval, an exploratory drilling programme and detailed designs will be undertaken over the succeeding twelve months. A post feasibility study decision could result in a new mine with an annual run-of-mine output of some 1,4 million tons, producing between 160 000 and 170 000 ounces of PGMs a year, over a life of approximately 20 years. It is estimated that the capital cost for the new mine will be between R500 and R700 million.

NICKEL

Earnings from the **Nkomati mine,** 75 per cent owned, of R173 million (R144 million) were very pleasing. Nkomati's total profit before tax rose significantly to R249 million (R207 million). Mining and mill tonnages increased, but a slightly reduced nickel grade led to sales being constant at 4 000 tons. Costs were well controlled and favourable prices were achieved, particularly from the by-product PGMs. The PGM and other by-product benefits to Nkomati enabled the mine to produce nickel, net of by-products, at *minus* US$0,82/lb for the year (*minus* US$0,01/lb).

The Nkomati expansion study will be completed and decisions taken by the two joint venture partners in the coming year. It is expected that this study will recommend the expansion of nickel output to approximately 17 500 tons of refined nickel a year and over 80 000 ounces of PGMs.

COPPER/COBALT

Chambishi Metals Plc's (Chambishi), 90 per cent owned, loss of R64 million (R21 million – loss) reflects an unsatisfactory year from both an operating and a project perspective.

The current cobalt tolling operation suffered from poor availability and quality of both concentrate feed and pyrite from contract suppliers. These problems were resolved by year end, resulting in a return to profitability for the existing operations. Production achieved was 2 700 tons (1 900 tons) of cobalt, of which 500 tons was for Chambishi's own account. Copper production was 10 000 tons (7 700 tons) of which 400 tons was for Chambishi's own account.

The new smelter, built to treat the slag material, was commissioned earlier this year. Initial commissioning was interrupted by a water leak from the copper coolers that resulted in the necessity to rebrick the furnace. Commissioning of the furnace resumed in the first quarter of the new financial year, approximately six months behind schedule, and full production is expected in 2002.

ACQUISITION OF ISCOR SHARES

During the middle of the financial year, Avmin acquired 35 million shares in Iscor Limited for a cash consideration of R494 million. The Company continues to evaluate its best options with respect to this asset, which has shown considerable appreciation.

DIVIDEND

The directors have resolved that in view of the Company's substantial capital expenditure programme and certain bank covenants no final dividend be paid for the year ended 30 June 2001.

THE YEAR AHEAD

The Company is expecting a year of weakness in the economies of Japan, Europe and the United States of America and accordingly the prices for commodities that Avmin produces will either remain under pressure or will not be materially different for the coming year. It is therefore anticipated that this year's results are not expected to show an improvement over those for 2001.

This year Avmin will be undertaking significant development expenditure as the Target mine and the Chambishi smelter and refinery build up to full production. The new platinum acquisition and the Nkomati mine expansion will be evaluated. Also, within the Assmang group, the new chrome alloy smelter and pelletising plant will be fully commissioned and the Nchwaning shaft complex will be further developed.

DIRECTORATE AND MANAGEMENT

During the year, Messrs D N Murray and R Oron were welcomed to the board. Subsequent to the year end Messrs B Frank and N Livnat were appointed non-executive directors. Mr Murray was also appointed as chief operating officer and the subsequent reshaping of the Company impacted on the operational structure, which has now been split into four business units each headed by a senior vice president. The head office functions include a chief financial officer and three vice presidents covering technical services, human resources as well as safety, health and the environment.

For and on behalf of the board

K W Maxwell, *Chairman*

R P Menell, *Deputy chairman and chief executive officer*

Johannesburg

30 August 2001

Directors: K W Maxwell (chairman), R P Menell (deputy chairman and chief executive officer), D N Murray (chief operating officer), B Frank, D E Jowell, N Livnat, Dr T V Maphai, J R McAlpine, B M Menell, Dr M Z Nkosi, R Oron. Group company secretary: R H Phillips

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