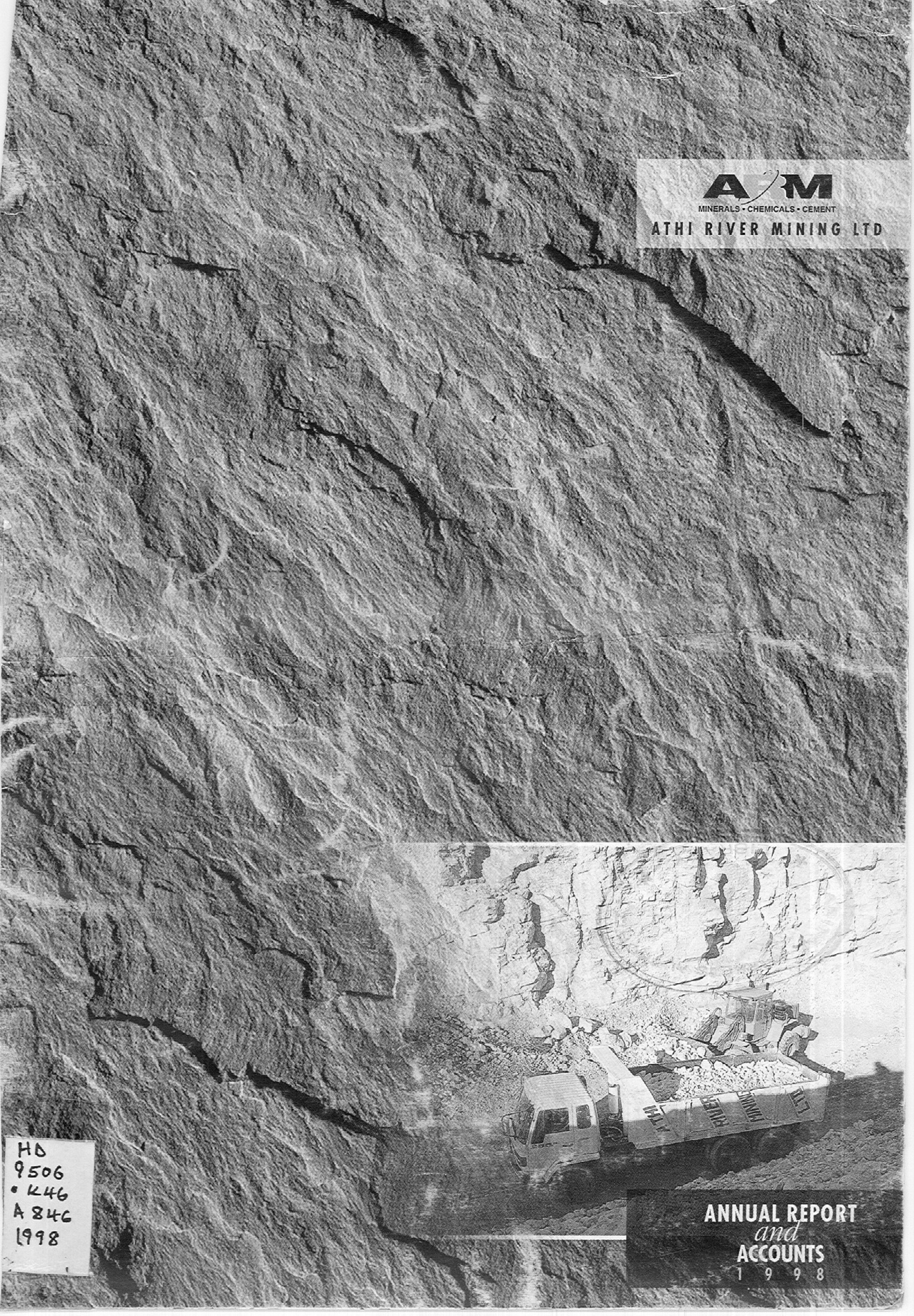


ARM

MINERALS • CHEMICALS • CEMENT

ATHI RIVER MINING LTD

ANNUAL REPORT *and* ACCOUNTS 1998

TABLE OF CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given of the 1999 Annual General Meeting to be held at the Safari Park Hotel, Thika Road, Nairobi on Wednesday 23rd June, 1999 at 11.00 a.m.

AGENDA

1. To read the Notice convening the meeting.
2. To approve the Balance Sheet and Accounts for the year ended 31st December 1998 together with the Reports thereon of the Directors and Auditors.
3. To approve the Directors Remuneration as provided in the accounts to 31st December 1998.
4. To note that no dividend is proposed in respect of the year.
5. To re-elect Directors:

   (a) Mr. Palle J. Rune retires by rotation and being eligible offers himself for re-election.

   (b) Mr. Brian Rogers having being appointed Director on 5th August, 1998 retires from the board under the provision of Article 93 of the Articles of Association of the Company and being eligible offers himself for re-election.
6. To note that Deloitte & Touche continue in office as auditors in accordance with the provision of Sec. 159(2) of the Companies Act and to authorise the Directors to fix their remuneration for the ensuing financial year.

BY ORDER OF THE BOARD

R. R. Vora

SECRETARY

8th April, 1999

Note: A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend in his stead. A proxy need not also be a member.

DIRECTORATE AND ADMINISTRATION

DIRECTORS

Mr B Rogers
Chairman

Mr. H J Paunrana
Vice-Chairman

Mr. P H Paunrana
Managing

Mr S A Tanna
Finance

Mr W Murungi
Mr P J Rune
Acacia Fund Limited

SECRETARY

Mr. R R Vora
Marakwet House, Hurlingham
PO Box 48405, Nairobi.

REGISTERED OFFICE

L R 209/74/7/2, Chiromo Road, Westlands
PO Box 41908, Nairobi.

AUDITORS

Deloitte & Touche
"Kirungii", Ring Road, Westlands, PO Box 40092, Nairobi.

BANKERS

Commercial Bank of Africa Limited
Development Bank of Kenya Limited
Stanbic Bank Kenya Limited

CHAIRMAN'S STATEMENT

In his report to you covering the Company's performance during 1997, my predecessor assessed 1998 prospects, the final results for the year proving to be substantially lower than anticipated. A number of factors have combined to create this situation, which has adversely affected the performance of your company as well as that of the other participants in the sector.

1998 Results

Despite an increase in turnover of almost 15% to KShs. 595.5 million, profit before tax declined by 63% to KShs. 12.8m. Whilst the performance of the Minerals and Chemical Divisions has been as forecast, little growth has been registered in these businesses because of the continuing downturn in the country's economy and the resultant lack of investment and growth in the industries which they supply. The downturn in the economy, and in the building industry in particular, has also adversely affected the Cement Division. This has also been impacted upon by adverse weather conditions, increased distribution costs and depressed prices for the finished product.

Minerals Division

Following the substantial investment made in 1997, which increased grinding capacities particularly for the minerals used in the rubber and paint industries as well as ultra-fine minerals, no further investment has been necessary. Production and sales, however, have largely remained at 1997 levels as the result of the static demand from major customers. Mineral exploration and development of new deposits continued as usual during the year. A new deposit of Magnesite was developed in the Taita Hills, and the product was processed and sold to the tea industry for the first time.

Chemicals Division

Lime consumption in the country has been low during the year, mainly resulting from a lack of demand in the road construction industry. In particular the contractor engaged in the rebuilding of roads in the coastal area once again ceased work during most of the year. Whilst agricultural demand has shown some signs of recovery, demand from the sugar industry has not yet returned to traditional levels. However, export markets for lime remained stable. Sodium Silicate capacity was increased during the year with the commissioning of a modern, energy efficient furnace. Demand however, remained static in both local and export markets.

Cement Division

In line with the industry as a whole, performance was below forecast. In the first quarter the effects of adverse weather conditions resulted in reduced output of the plant at Kaloleni, whilst the cost of distribution escalated due to the severe degradation of the transport infrastructure. Largely due to a lack of demand resulting from the downturn in the building industry, which saw a 7% reduction, ex-factory cement prices declined by 15%, placing even further pressure on margins. This resulted in loss of revenue of about KShs. 55 million for the year.

Capital Expenditure

Following the public share offer a capital expenditure programme of KShs. 250 million was committed as part of our expansion strategy. Of this amount KShs. 140 million was utilised from the proceeds of the Public Share Issue as planned. The balance of Shs. 110 million was expected to be internally generated over an 18-month period. However, as explained, our internal generation of funds was well below expectations. Therefore, in order to complete the capital expansion commitments, we had to resort to further borrowings. Whilst this increases our gearing on the balance sheet, the investment in increased capacities should now generate revenue and help reduce our borrowings, particularly as no new significant capital expenditure is required.

Safety and Environment
We continue to attach significant importance to safety and environmental issues. Whilst the establishment of our plant at Kaloleni brought significant benefits to the inhabitants of the location in terms of employment and the resultant upturn in the local economy, it was necessary for your company to ensure that the environment was safeguarded. Accordingly to improve the measures which were taken originally, we have since introduced new dust collectors and filtering equipment at a total investment of KShs. 40 million.

1999 Prospects
Our prospects for the current year depend to a great extent on improvements in the economy as a whole. To date we have seen a substantial decline in interest rates, and this should spur confidence and economic growth. Cement consumption remains at 1989 levels, but provided that the economy resumes its growth, demand is expected to increase. The threat of cheap imported cement from the Asian region appears to have abated, and a period of price stability is now likely. Given that the company's cement production is now approaching optimum capacity, we believe that we are well placed to benefit from growth in demand.

The Minerals and Chemical Divisions are experiencing increased demand, and prospects for improved returns from this area of our operations are good. In addition, during the year we introduced two new unique products to the local market, which have been extremely well received and promise good returns. These are Rhino Niruplast, an internal smooth plaster, and Rhino Wallmaster, an external textured plaster.

Dividend
Your Directors have considered the payment of a dividend most carefully, and have concluded that it would be more prudent to retain earnings within the company. Whilst it is appreciated that this will disappoint many of our shareholders, it should be understood that the company has reached an important stage in it's development, and must now concentrate all of its resources towards improved financial performance by reinvesting in the company.

Audit Committee
In line with Capital Markets Authority Guidelines issued during the year, the Board has established an Audit Committee comprising three non-executive directors. This committee is responsible for ensuring that the policies of the company, including financial accounting, reporting and business practices conform to the highest standards.

Appreciation
I would like to offer Alan Pickering our best wishes on his retirement as Chairman of the Company and also to thank him and H.J. and P.H. Paunrana for retaining their interest free loan funds in the company. I also thank management and staff at Kaloleni and Athi River for seeing through the completion of our expansion projects.

Brian Rogers
Chairman

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 December 1998.

ACTIVITIES
The principal activities of the company are the mining of industrial minerals, processing of industrial minerals and chemicals and manufacture and sale of cement for industrial and domestic use.

RESULTS	**Shs. '000**
Profit before taxation and exchange gains	11,023
Exchange gains	1,843
Profit before taxation	12,866
Taxation	-
Profit for the year transferred to revenue reserves	**12,866**

DIVIDENDS
The directors do not recommend the payment of a dividend in respect of the year.

DIRECTORS
The directors who held office during the year are shown on page 2. Mr A Pickering resigned as director and chairman on 5 August 1998. Mr B Rogers was appointed a director and chairman on the same date.

AUDITORS
Deloitte & Touche, having expressed their willingness, continue in office in accordance with section 159 (2) of the Companies Act.

BY ORDER OF THE BOARD
Mr. R R Vora
Secretary

Nairobi, 8 April 1999

REPORT OF THE AUDITORS TO THE MEMBERS OF ATHI RIVER MINING LIMITED

We have audited the financial statements on pages 7 to 16 and have obtained all the information and explanations considered necessary for our audit.

The financial statements are the responsibility of the directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation.

In our opinion, proper books of account have been kept by the company and the financial statements, which are in agreement therewith, comply with the Companies Act and give a true and fair view of the company's state of affairs at 31 December 1998 and of its profit and cash flows for the year ended on that date.

DELOITTE & TOUCHE

8th April, 1999

PROFIT AND LOSS ACCOUNT

For the year ended 31st December 1998

	Note	1998 Shs. '000	1997 Shs. '000
TURNOVER		595,532	518,128
OPERATING PROFIT BEFORE EXCHANGE GAINS / (LOSSES)		54,552	95,489
EXCHANGE GAINS / (LOSSES)		1,843	(7,694)
OPERATING PROFIT	2	**56,395**	**87,795**
INTEREST RECIEVABLE	3	-	1,391
INTEREST PAYABLE	3	(43,529)	(54,320)
PROFIT BEFORE TAXATION		**12,866**	**34,866**
TAXATION	4	-	-
PROFIT AFTER TAXATION		**12,866**	**34,866**
PROPOSED DIVIDEND - gross		-	22,500
RETAINED PROFIT FOR THE YEAR	9	**12,866**	**12,366**
EARNINGS PER SHARE	14	**0.17**	**0.57**
DIVIDEND PER SHARE	14	-	0.30

BALANCE SHEET

31st December 1998

	Note	1998 Shs. '000	1997 Shs. '000
FIXED ASSETS	5	899,475	795,110
CURRENT ASSETS			
Stocks	6	158,837	146,908
Debtors		118,598	100,796
Bank and cash balances		1,418	2,571
		278,853	250,275
CURRENT LIABILITIES			
Creditors	7	146,550	118,166
Finance leases repayable within one year	10	11,891	4,961
Loans repayable within one year	11	50,905	54,466
Dividends - proposed		-	22,500
- payable		873	864
Bank overdrafts - secured	11&17	133,044	54,676
Commercial paper	12	36,549	-
		379,812	255,633
NET CURRENT LIABILITIES		(100,959)	(5,358)
		798,516	789,752
Financed by:			
SHARE CAPITAL	8	375,000	375,000
RESERVES	9	349,771	336,905
SHAREHOLDERS' FUNDS		724,771	711,905
FINANCE LEASES	10	4,493	1,918
LOANS	11	69,252	75,929
		798,516	789,752

The financial statements on pages 7 to 16 were approved by the board of directors on 8th April 1999 and were signed on its behalf by:

P.H. PAUNRANA } Directors
S.A. TANNA

CASH FLOW STATEMENT

For the year ended 31st December 1998

	Note	1998 Shs. '000	1997 Shs. '000
NET CASH INFLOW FROM OPERATING ACTIVITIES	13 (a)	**95,274**	**34,679**
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends paid		(10,299)	(27,530)
Interest received		-	1,391
Interest paid		(42,759)	(66,761)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		**(53,058)**	**(92,900)**
INVESTING ACTIVITIES			
Purchase of fixed assets		(143,943)	(103,286)
Proceeds on disposal of fixed assets		749	950
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(143,194)**	**(102,336)**
NET CASH OUTFLOW BEFORE FINANCING		**(100,978)**	**(160,557)**
FINANCING ACTIVITIES			
Hire purchase instalment payments		(13,808)	(45,847)
New hire purchase contracts		23,313	7,192
Proceeds from issue of shares		-	281,750
Share issue costs		-	(35,303)
New loans received		15,277	50,410
Repayment of amounts borrowed		(36,622)	(81,078)
Issue of commercial paper		100,797	-
Amounts paid in respect of maturing commercial paper		(67,500)	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**21,457**	**177,124**
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	13 (b)	**(79,521)**	**16,567**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 1998

1. ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The company prepares its financial statements on the historical cost basis of accounting modified to include the revaluation of certain assets.

TURNOVER

Turnover represents sales to customers during the year net of value added tax.

TAXATION

Current taxation is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred taxation is accounted for to the extent that it is probable that timing differences will reverse in the foreseeable future.

FIXED ASSETS

Fixed assets are stated at cost or valuation less depreciation.

DEPRECIATION

No depreciation is provided on freehold land.

Depreciation is calculated to write off the cost or valuation of the other fixed assets in equal annual instalments over their estimated useful lives. The annual rates in use are:

Leasehold land	Over the remaining period of lease
Buildings	2.5% or over the remaining period of lease of the land whichever is less
Heavy commercial vehicles and quarrying equipment	10%
Plant, machinery and equipment	5% to 7.5%
Motor vehicles	10%
Furniture and fittings	7.5%
Computer hardware	20%

CAPITAL WORK IN PROGRESS

Capital work in progress relates to fixed assets under construction. Cost includes materials, direct labour and any other direct expenses incurred in respect of the project. The amounts are transferred to the appropriate fixed asset categories once the project is completed and commissioned.

STOCKS

Finished goods stocks are stated at the lower of cost and net realisable value. Cost comprises direct production costs, rents, royalties, labour and relevant transport costs.

Raw materials and other stocks are stated at purchase cost while spares stocks are stated at cost or directors' valuation.

LEASED ASSETS

Fixed assets acquired under finance leases are capitalised at the dates of the agreements. The interest element of each instalment is charged to the profit and loss account as and when the instalments fall due.

NOTES TO THE FINANCIAL STATEMENTS */con't*

For the year ended 31st December 1998

ACCOUNTING POLICIES (Con't)

FOREIGN CURRENCIES

Assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the balance sheet date. Transactions during the year are translated at the rates ruling at the dates of the transactions.
Gains and losses on exchange are dealt with in the profit and loss account.

COMMERCIAL PAPER

Commercial paper is short term finance issued at a discount. The discount is recognised over the period of the issue.
The amount shown in the balance sheet at the year end is the discounted value and accrued interest.

2. OPERATING PROFIT

The operating profit is arrived at after charging:

	1998 Shs. '000	1997 Shs. '000
Depreciation	46,074	38,161
Directors' emoluments:		
Fees (note 15)	790	750
Other emoluments (note 15)	9,750	6,500
Auditors' remuneration	850	760
Loss on disposal of fixed assets	438	590

3. INTEREST

	1998 Shs. '000	1997 Shs. '000
Interest receivable - deposit and bank balances	-	1,391
Interest payable:		
Loans	15,066	32,493
Bank overdrafts	20,724	14,198
Finance leases	4,487	7,629
Commercial paper	3,252	-
	43,529	**54,320**

4. TAXATION

There is no tax charge for the year (1997 - nil) as the company has brought forward tax losses.

At 31 December 1998, the company had tax losses amounting to approximately **Shs. 124,000,000 (1997 - Shs. 136,000,000)** available to be offset against future taxable profits.

At 31 December 1998, the potential deferred tax liability on timing differences amounted to approximately **Shs. 63,000,000 (1997 - Shs. 40,000,000)**.

For the year ended 31st December 1998

5. FIXED ASSETS

	Freehold land and buildings Shs. '000	Leasehold land and buildings Shs. '000	Heavy commercial vehicles and quarrying equipment Shs. '000	Equipment, computer hardware plant, machinery, motor vehicles, furniture and fittings Shs. '000	Capital work in progress Shs. '000	Total Shs. '000
COST OR VALUATION						
At 1 January 1998	58,670	166,869	93,666	525,726	50,933	895,864
Additions	3,092	-	41,211	14,482	92,841	151,626
Transfers	5,207	4,368	-	57,453	(67,028)	-
Disposals	-	-	(350)	(1,207)	-	(1,557)
At 31 December 1998	**66,969**	**171,237**	**134,527**	**596,454**	**76,746**	**1,045,933**
COMPRISING						
At cost	10,036	13,845	116,519	466,399	76,746	683,545
At valuation in 1992	-	-	18,008	18,819	-	36,827
At valuation in 1997	56,933	157,392	-	-	-	214,325
Directors' valuation in 1994	-	-	-	111,236	-	111,236
At 31 December 1998	**66,969**	**171,237**	**134,527**	**596,454**	**76,746**	**1,045,933**
DEPRECIATION						
At 1 January 1998	-	3,982	19,954	76,818	-	100,754
Charge for the year	-	4,256	12,015	29,803	-	46,074
Eliminated on disposals	-	-	(158)	(212)	-	(370)
At 31 December 1998	-	**8,238**	**31,811**	**106,409**	**-**	**146,458**
NET BOOK VALUE						
At 31 December 1998	**66,969**	**162,999**	**102,716**	**490,045**	**76,746**	**899,475**
At 31 December 1997	**58,670**	**162,887**	**73,712**	**448,908**	**50,933**	**795,110**

The net book value of equipment, computer hardware, plant, machinery, motor vehicles, furniture and fittings includes **Shs. 21,491,000 (1997 - Shs. 11,343,000)** in respect of assets that were the subject of finance leases.

The capital work in progress relates mainly to the ongoing construction of the lime kiln, coal mill and the electrofilter.

The capital work in progress includes **Shs. 41,070,000** of capitalised revenue items **(1997 - Shs. 34,247,000)**.

NOTES TO THE FINANCIAL STATEMENTS /con't

For the year ended 31st December 1998

	1998 Shs. '000	1997 Shs. '000
6. STOCKS		
Raw materials	74,325	56,784
Work in progress	12,399	15,367
Finished goods	12,650	16,623
Stores and spares	58,959	57,236
Laboratory	504	898
	158,837	**146,908**
7. CREDITORS		
Trade	108,573	89,931
Accrued interest on loans and finance leases	554	3,036
Fixed assets creditors	27,989	20,306
Other creditors and accruals	9,434	4,893
	146,550	**118,166**
8. SHARE CAPITAL		
Authorised:		
76,000,000 ordinary shares of Shs. 5 each	**380,000**	**380,000**
Issued and fully paid:		
75,000,000 ordinary shares of Shs. 5 each	**375,000**	**375,000**

9. RESERVES

	Share premium Shs. '000	Capital Shs. '000	Revenue Shs. '000	Total Shs. '000
At 1 January 1998	**154,947**	**133,486**	**48,472**	**336,905**
Profit for the year	-	-	12,866	12,866
At 31 December 1998	**154,947**	**133,486**	**61,338**	**349,771**

	1998 Shs. '000	1997 Shs. '000
10. FINANCE LEASES		
Secured finance leases expiring:		
Within one year	7,314	2,084
Between one and two years	4,950	4,795
Between two and five years	4,120	-
	16,384	**6,879**
Less: repayable within one year	11,891	4,961
	4,493	**1,918**

NOTES TO THE FINANCIAL STATEMENTS /con't

For the year ended 31st December 1998

	1998 Shs. '000	1997 Shs. '000
11. LOANS		
Secured short term loan from Standard Chartered Bank Kenya Limited; renewable every three months; interest at 4% above LIBOR	24,520	43,470
Secured short term loan from Stanbic Bank Kenya Limited; renewable every twelve months; interest at 6% above LIBOR	15,277	-
Secured loan from Development Bank of Kenya Limited repayable in monthly instalments by February 2002; interest at 23% per annum	44,773	55,769
Interest free loans from directors with no fixed repayment terms	35,587	28,573
Loan from an individual with no fixed repayment terms	-	2,583
	120,157	**130,395**
Less: repayable within one year	50,905	54,466
	69,252	**75,929**

DETAILS OF SECURITIES FOR LOANS AND OVERDRAFTS

The overdraft and loan facilities with Standard Chartered Bank Kenya Limited are secured by a debenture on all assets for Shs. 90,000,000 supported by collateral legal charges over the company's properties at Athi River (LR Nos 337/846, 663,52,57,53 and 669) and at Kaloleni (Title Nos. Mbwaka/Maereni 112 and 581) for Shs. 90,000,000.This security is in the process of discharge against professional undertaking for full repayment of the existing loan facility.

The banking facilities of Shs. 60,570,000 with Commercial Bank of Africa Limited are secured by a pari passu first debenture over the company assets supported by a first legal charge over the company's properties in Athi River (LR Nos 337/846, 663,52,57,53 and 669) and at Kaloleni (Title Nos. Mbwaka/Maereni 112 and 581) stamped to secure Shs. 60,570,000.

The general short term banking, letter of credit and foreign currency facilities with Stanbic Bank Kenya Limited are secured by a fixed and floating debenture over all the company's assets for USD 1,650,000 ranking pari passu with those in favour of Commercial Bank of Africa Limited together with a fixed charge over a vehicle for USD 240,000.

The overdraft and loan facilities with Development Bank of Kenya Limited are secured by an all assets debenture of Shs. 60,000,000 and legal charges over the company's properties in Athi River (LR Nos 337/846,663,52,57,53 and 669) and at Kaloleni (Title Nos. Mbwaka/Maerini 112 and 581) for Shs. 60,000,000. The said securities rank pari passu with the securities granted to Commercial Bank of Africa Limited and Stanbic Bank Kenya Limited.

For the year ended 31st December 1998

12. COMMERCIAL PAPER

	Interest rate per annum %	Maturity date	1998 Shs. '000	1997 Shs. '000
Cygnet Enterprises Ltd	19.12	4 January 1999	1,968	-
Intra Africa Assurance Co Ltd	21.98	6 January 1999	4,726	-
Methodist Church in Kenya	23.53	11 January 1999	2,965	-
Cadbury Kenya Ltd	23.09	15 January 1999	4,810	-
ICDC Investment Co	20.86	25 February 1999	4,740	-
ICDC Investment Co	19.05	10 March 1999	4,763	-
Kenya Charity Sweepstake	18.37	11 March 1999	4,771	-
Kenya Charity Sweepstake	19.92	4 January 1999	6,973	-
			35,716	-
Accrued interest payable			833	-
			36,549	-

The face value of the commercial paper was **Shs. 37,150,000 (1997 - Nil).**

13. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	1998 Shs. '000	1997 Shs. '000
Operating profit	56,395	87,795
Depreciation	46,074	38,161
Loss on disposal of fixed assets	438	590
Increase in stocks	(11,929)	(52,385)
Increase in debtors	(17,802)	(25,848)
Increase/(decrease) in creditors	23,183	(18,794)
Exchange differences on loans	(1,085)	5,160
Net cash inflow from operating activities	**95,274**	**34,679**

(b) Analysis of changes in cash and cash equivalents

	1998 Shs. '000	1997 Shs. '000	Change in the Year Shs. '000
Bank and cash balances	1,418	2,571	(1,153)
Bank overdrafts	133,044	54,676	(78,368)
Decrease in cash and cash equivalents			**(79,521)**

14. EARNINGS PER SHARE/DIVIDEND PER SHARE

Earnings per share has been calculated on the profit after taxation of **Shs. 12,866,000 (1997-Shs. 34,866,000)** divided by the number of shares in issue during the year.

Dividend per share is calculated on the proposed dividends for the year divided by the number of shares in issue at 31 December.

15. DIRECTORS' EMOLUMENTS

	1998 Shs. '000	1997 Shs. '000
Fees	790	750
Other emoluments	9,750	13,800
	10,540	**14,550**
Less: Amounts capitalised	-	(5,500)
Amounts included in issue costs	-	(1,800)
Charged to the profit and loss account	**10,540**	**7,250**
Fees (note 2)	790	750
Other emoluments (note 2)	9,750	6,500
	10,540	**7,250**

16. CAPITAL COMMITMENTS

	1998 Shs. '000	1997 Shs. '000
Authorised and contracted for	11,000	46,000
Authorised but not contracted for	-	**17,000**

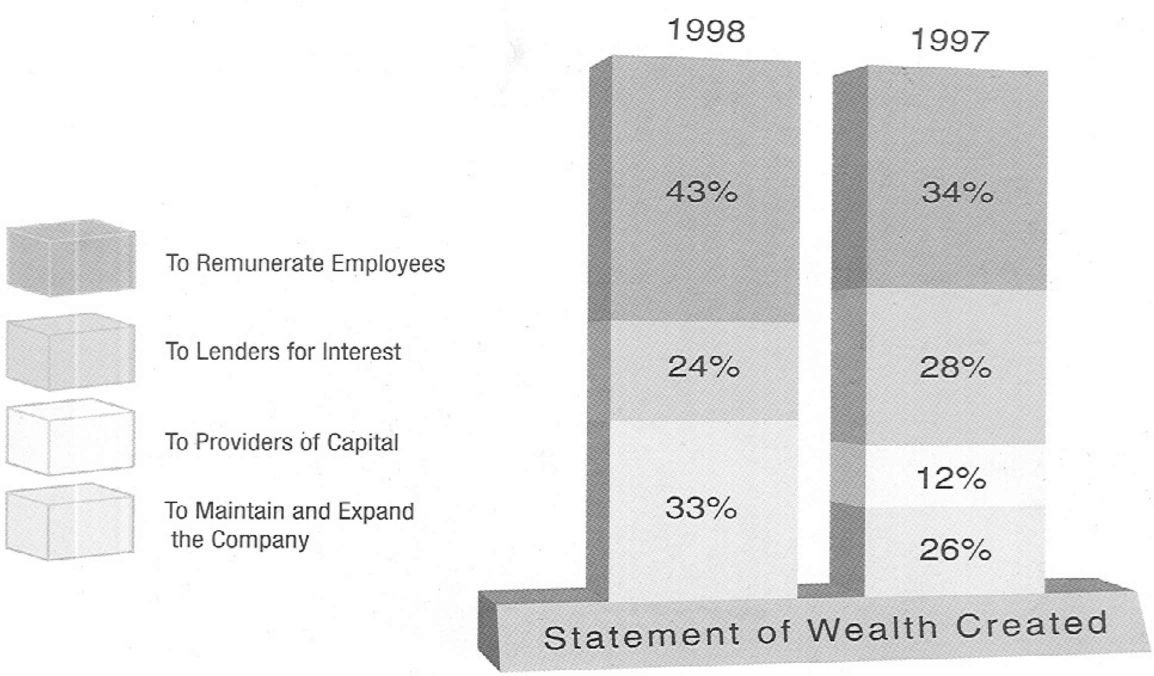
17. POST BALANCE SHEET EVENT

At 31 December 1998, the overdraft facility with Commercial Bank of Africa Limited stood at Shs. 58,036,000. On 8 March 1999, Shs. 20,000,000 of the outstanding overdraft was converted into a term loan.

STATEMENT OF WEALTH CREATED

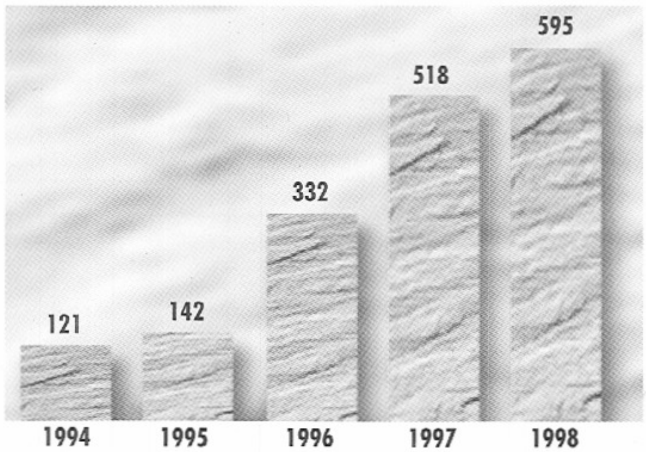
For the year ended 31st December 1998

		1998 Sh'000		1997 Sh'000
Sales		595,532		518,128
Materials and services used		416,347		324,956
		179,185		193,172
To Remunerate Employees				
Salaries and Wages		76,716		65,825
To Lenders for Interest				
Financing Costs		43,529		54,320
To Providers of Capital				
Dividends to shareholders		–		22,500
To Maintain and Expand the Company				
Depreciation	46,074		38,161	
Retained Earnings	12,866		12,366	
		58,940		50,527
		179,185		193,172

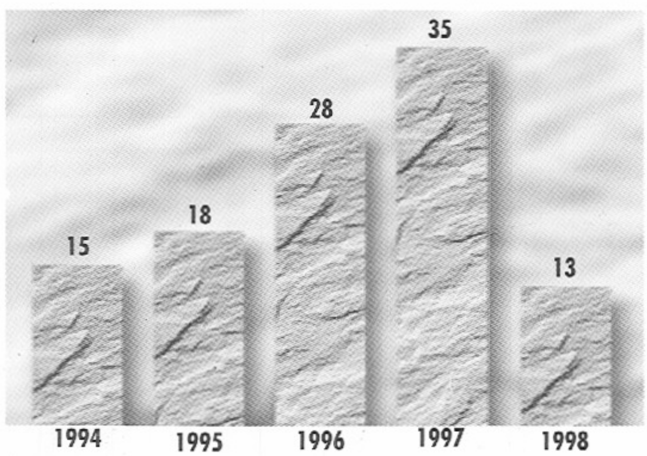


FIVE YEAR FINANCIAL HIGHLIGHTS

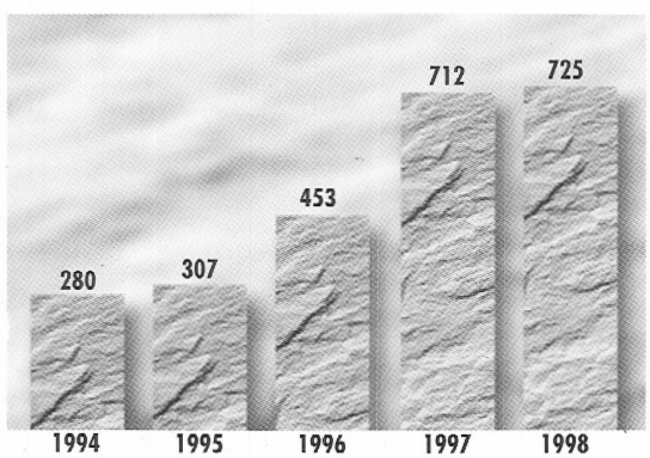
TURNOVER
Kshs Million



PROFIT AFTER TAX
Kshs Million



SHAREHOLDERS FUNDS
Kshs Million



FORM OF PROXY

To: The Secretary, Athi River Mining Limited

P.O. Box 41908, Nairobi

I/We ____

of ____

Being a member/members of the above named company, hereby appoint: ______________________

of ____

or failing him ____

of ____

as my / our proxy to vote for me / us and on my / our behalf at the Annual General Meeting of the company to be held on the 23rd of June 1999 and at any adjournment thereof.

Number of shares held ____

Account Number of Member ____

As Witness my / our hand this ______________ day of ______________ 1999

Signed ______________________

Note:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the company.
2. In case of a member being a corporation, this form must be completed either under its common seal, or under the hand of an officer of duly authorized attorney.
3. To be valid the proxy form must be deposited at the registered office of the company not less than 48 hours before the time fixed for the meeting.
4. If you wish you may appoint the chairman of the meeting as your proxy.