BAUBA RESOURCES

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED RESULTS

for the year ended 30 June 2019

VISION, STRATEGY AND HIGHLIGHTS

Bauba Resources Limited (Bauba or the group) is a mining and exploration company listed on the Johannesburg Stock Exchange (JSE) since September 2010. The group is fully compliant with the equity requirements of the Mining Charter.

VISION

We are Bauba, an expanding and diversifying mining company.

OUR STRATEGY

Our strategy is to reward shareholders, employees, communities and countries by discovering, acquiring and mining low-cost, high-return natural resources through efficient and responsible mining practices.

Revenue

R302,122 million

(2018: R234,261 million)

↑ 29,0%

Investment in property, plant and equipment

R62,215 million

(2018: R72,908 million)

↓ 14,7%

12-month

Offtake agreement concluded with an advance of R73,500 million as part-payment received

Basic and headline earnings per share

4,73 cents

(2018: 10,09 cents)

↓ 53,1%

Entered into Foundry Chrome – **Commodity Purchase Contract** with leading foundry chrome trader in February 2019

Community projects completed:

- Water provision project
- Street/high mast lighting
- Morwasi High School renovation

Moeijelijk chrome ore spiral wash plant successfully commissioned in November 2018

COMMENTARY

FINANCIAL AND OPERATIONAL REVIEW

Bauba's performance for the financial year was adversely impacted by administrative delays by the Department of Water and Sanitation (DWS) in processing an amended water use licence application and by the Department of Mineral Resources (DMR) in approving amendments to Moeijelijk's environmental authorisation in terms of section 102 of the Mineral and Petroleum Resources Development Act. This resulted in a loss of two months opencast production and three months of wash plant concentrate sales in the first half of the current period.

The wash plant only commenced full shift production from 1 November 2018 and operated for two-thirds of a month in December 2018 due to the festive season. During November and December 2018, the wash plant was still in the "ramp-up" phase and produced approximately 29 000 tonnes of chrome concentrate.

As a result of these delays, a loss attributable to equity holders of the parent of R9,666 million (loss per share of 2,55 cents) was incurred in the first half of the financial year.

The chrome ore market was weak during the financial period, with chrome ore prices for 44% metallurgical concentrate averaging US$187 CIF per tonne as published by FerroAlloyNet, compared to US$222 CIF per tonne in the prior year.

The above factors, together with a higher volume of lower grade underground development tonnes being processed through our wash plant, negatively impacted our gross profit margin, which decreased from 65,2% in the prior financial period to 37,0%. The lower grades and consequently lower wash plant yields are expected to continue until April 2020, when the proportion of stoping material to development material improves.

Despite the challenges noted, revenue of R211,759 million was realised during the six-month period ended 30 June 2019, aided by the Foundry Chrome – Commodity Purchase Contract entered into in February 2019. In addition, we continued to invest in our underground operations to ensure a sustainable future for Bauba; investing R62,215 million in property, plant and equipment.

OUTLOOK

In line with our vision of being an expanding and diversifying mining company, in June 2019 Bauba reported that the DMR accepted the group's application for a prospecting right in respect of chrome and platinum group metals (PGMs) over the farm Hartebeesfontein 445JQ situated in the Brits area of South Africa's North West Province, and that the prospecting right was expected to be granted imminently.

Furthermore, Bauba reported in July 2019, that it had entered into a Sale of Shares and Claims Agreement with Ms D C Butler to acquire her shares in Nuco Chrome Bophuthatswana Proprietary Limited (Nuco). Bauba is currently finalising our due diligence investigation before a decision is made whether to proceed with this acquisition. Nuco is the holder of various chrome and PGM mineral rights in the Rustenburg area of South Africa's North West Province.

Global market uncertainties, driven by increasing international trade conflicts and the possible Brexit date approaching, will continue to have a negative impact on short-term chrome ore pricing. This, together with higher local supply chain costs, will keep Bauba's chrome ore revenue generated per tonne subdued. Bauba is, however, optimistic that its future profit margins will be cushioned by the continued sales of premium speciality chrome ore concentrates.

CHANGES TO THE BOARD

On 8 February 2019, Ms Thabile Makgala was appointed as an independent non-executive director. Thabile holds a Bachelor of Science in Mining Engineering from the University of the Witwatersrand as well as a Master of Business Administration from the University of Stellenbosch Business School. She has dedicated almost two decades of service to the Mining Industry. Her diverse professional experience includes general management, strategy, business development and business planning.

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2019

	Note	Reviewed 30 June 2019 R'000	Audited 30 June 2018 R'000
Revenue		302 122	234 261
Cost of sales		(190 475)	(81 595)
Gross profit		111 647	152 666
Other income		71	1 169
Operating and administrative expenses		(67 834)	(56 259)
Finance income		3 939	7 281
Finance cost		(74)	–
Profit before tax		47 749	104 857
Income tax expense		(14 718)	(32 947)
Profit for the period		33 031	71 910
Other comprehensive income		–	–
Total comprehensive profit for the period		33 031	71 910
Profit attributable to:			
Equity holders of the parent		17 930	38 248
Non-controlling interest		15 101	33 662
Total comprehensive profit attributable to:			
Equity holders of the parent		17 930	38 248
Non-controlling interest		15 101	33 662
Basic earnings per share (cents)	12	4,73	10,09
Diluted earnings per share (cents)	12	4,71	10,02
Headline earnings per share (cents)	12	4,73	10,09
Diluted headline earnings per share (cents)	12	4,71	10,02

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Note	Reviewed 30 June 2019 R'000	Audited 30 June 2018 R'000
ASSETS			
Non-current assets		285 144	231 965
Intangible assets	5	145 315	149 010
Property, plant and equipment	6	139 829	82 955
Current assets		130 754	90 805
Inventory	7	87 033	17 441
Trade and other receivables		10 899	3 287
Cash and cash equivalents		32 822	70 077
Total assets		415 898	322 770
EQUITY AND LIABILITIES			
Equity		321 019	284 937
Share capital and share premium		512 500	512 500
Reverse asset acquisition reserve		(282 988)	(282 988)
Share-based payment reserve		4 345	1 294
Retained earnings/(loss)		17 138	(792)
Non-controlling interest		70 024	54 923
Non-current liabilities		37 396	23 082
Environmental rehabilitation provision	8	6 650	3 620
Deferred tax		30 746	19 462
Current liabilities		57 483	14 751
Trade and other payables		32 610	10 994
Prepayment	9	13 364	–
Other financial liabilities	10	7 449	461
Current tax payable		4 060	3 296
Total equity and liabilities		415 898	322 770

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 30 June 2019

	Reviewed 30 June 2019 R'000	Audited 30 June 2018 R'000
Cash flow from operating activities		
Operating profit before working capital changes	55 839	107 075
Working capital changes	(48 542)	(21 421)
Tax paid	(2 670)	(11 225)
Distribution/dividend paid	–	(58 730)
Net cash effects from operating activities	4 627	15 699
Cash flow from investing activities		
Acquisition of intangible asset	–	(2 193)
Acquisition of property, plant and equipment	(59 185)	(72 908)
Finance income	3 939	7 281
Net cash effects from investing activities	(55 246)	(67 820)
Cash flow from financing activities		
Proceeds from prepayment	73 500	–
Repayment of prepayment	(60 136)	–
Net cash effects from financing activities	13 364	–
Total cash movement for the period	(37 255)	(52 121)
Cash and cash equivalents the beginning of the period	70 077	122 198
Cash and cash equivalents at the end of the period	32 822	70 077

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

	Share capital and premium R'000	Reverse asset acquisition reserve R'000	Share option reserve R'000	Retained earnings/ (loss) R'000	Non-controlling interest R'000	Total equity R'000
Balance as at 1 July 2017	550 402	(282 988)	477	(39 040)	42 089	270 940
Share-based payment reserve movement	–	–	817	–	–	817
Total comprehensive profit for the period	–	–	–	38 248	33 662	71 910
Distribution/dividend paid	(37 902)	–	–	–	(20 828)	(58 730)
Balance as at 30 June 2018	512 500	(282 988)	1 294	(792)	54 923	284 937
Share-based payment reserve movement	–	–	3 051	–	–	3 051
Total comprehensive profit for the period	–	–	–	17 930	15 101	33 031
Balance as at 30 June 2019	512 500	(282 988)	4 345	17 138	70 024	321 019

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED RESULTS

for the year ended 30 June 2019

1. BASIS OF PREPARATION

These reviewed provisional condensed consolidated results have been prepared under the supervision of Jonathan Knowlden CA(SA), the financial director, in accordance with

- IAS 34: Interim Financial Reporting;
- The framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- The Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;
- The requirements of the Companies Act; and
- The Listings Requirements of the JSE Limited (JSE Listings Requirements).

The same accounting policies, presentation and measurement principles have been followed in the preparation of the provisional condensed consolidated financial results for the year ended 30 June 2019 as were applied in the preparation of the group's annual financial statements for the year ended 30 June 2018, except for the adoption of IFRS 9 and IFRS 15 which did not have a material impact on the results of the group.

2. AUDITOR'S REVIEW CONCLUSION

These provisional condensed consolidated financial results for the year ended 30 June 2019 have been reviewed by BDO South Africa Incorporated, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office.

The auditor's review report does not necessarily report on all of the information contained in the financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

3. BOARD

Ms Thabile Makgala was appointed as an independent non-executive director on 8 February 2019. During the year under review, no other changes were made to the board.

4. CHANGES IN SHARE CAPITAL

There were no changes to the issued share capital during the year under review.

5. INTANGIBLE ASSETS

	Cost R'000	Accumulated amortisation and impairments R'000	Carrying value R'000
30 June 2019			
Platinum mineral rights	30 555	(10 394)	20 161
Chrome mineral rights	156 907	(31 753)	125 154
Total mineral rights	187 462	(42 147)	145 315
30 June 2018			
Platinum mineral rights	30 555	(10 394)	20 161
Chrome mineral rights	156 907	(28 058)	128 849
Total mineral rights	187 462	(38 452)	149 010

	Opening balance R'000	Additions R'000	Amor-tisation R'000	Closing balance R'000
Reconciliation				
30 June 2019				
Platinum mineral rights	20 161	–	–	20 161
Chrome mineral rights	128 849	–	(3 695)	125 154
Total mineral rights	149 010	–	(3 695)	145 315
30 June 2018				
Platinum mineral rights	20 161	–	–	20 161
Chrome mineral rights	138 143	2 193	(11 487)	128 849
Total mineral rights	158 304	2 193	(11 487)	149 010

6. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles R'000	Furniture and office equipment R'000	Mine infra-structure and equipment R'000	Total R'000
30 June 2019				
Cost				
As at 1 July 2018	2 998	339	82 851	86 188
Additions	–	273	61 942	62 215
As at 30 June 2019	2 998	612	144 793	148 403
Accumulated depreciation				
As at 1 July 2018	1 217	131	1 885	3 233
Depreciation	460	138	4 743	5 341
As at 30 June 2019	1 677	269	6 628	8 574
Carrying value as at 30 June 2019	1 321	343	138 165	139 829
30 June 2018				
Cost				
As at 1 July 2017	2 849	191	10 497	13 537
Additions	406	148	72 354	72 908
Disposals	(257)	–	–	(257)
As at 30 June 2018	2 998	339	82 851	86 188
Accumulated depreciation				
As at 1 July 2017	796	56	805	1 657
Depreciation	460	75	1 080	1 615
Disposals	(39)	–	–	(39)
As at 30 June 2018	1 217	131	1 885	3 233
Carrying value as at 30 June 2018	1 781	208	80 966	82 955

During the current financial year, there were additions of R61,942 million (2018: R72,354 million) to the mine infrastructure and equipment. The additions relate mainly to the development of the Moeijelijk underground mine of R35,222 million (2018: R28,743 million), additions to wash plant of R20,761 million (2018: R23,699 million), recognition of a rehabilitation asset of R3,030 million (2018: R nil) and decrease in the capitalisation of the pre-stripping costs in accordance with IFRIC 20 of R1,885 million (2018: R17,624 million increase).

None of the items of property, plant and equipment have been encumbered.

7. INVENTORY

	30 June 2019 R'000	30 June 2018 R'000
Chrome ore	87 033	17 441

Inventory is based on direct and indirect costs incurred in the production of chrome ore. There were 124 810 tonnes of inventory held at the reporting date (2018: 37 200 tonnes).

8. PROVISION FOR REHABILITATION

	30 June 2019 R'000	30 June 2018 R'000
Balance at the beginning of the period	3 620	8 258
– Provision recognised during the period	3 030	–
– Provision reversed during the period	–	(4 638)
Balance at the end of the period	6 650	3 620
Due within one year or less	–	–
Due after more than one year	6 650	3 620

Environmental obligations are based on the group's environmental plans. Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance, considering current mining and rehabilitation plans, contracted mining rates and surveyor's measurements, that have occurred up to the reporting date.

9. PREPAYMENT

	30 June 2019 R'000	30 June 2018 R'000
Opening balance	–	–
Add: Prepayment advanced	73 500	–
Less: Repayment	(60 136)	–
Closing balance	13 364	–

Bauba successfully concluded an offtake agreement for the supply of 240 000 tonnes of chrome ore to be supplied over a 12-month period. In August 2018, Bauba received a prepayment of R73,500 million which represents a part-payment in terms of the offtake agreement. This prepayment is repayable in equal monthly instalments of R6,682 million, with the final payment due at the end of August 2019.

10. OTHER FINANCIAL LIABILITIES

	30 June 2019 R'000	30 June 2018 R'000
Royalties payable	1 747	205
Revenue received in advance	5 421	–
Other	281	256
Balance at the end of the period	7 449	461
Current liabilities		
At amortised cost	7 449	461

11. OPERATING SEGMENTS

	Chrome Projects R'000	Platinum Exploration R'000	Corporate R'000	Intragroup elimination R'000	Total R'000
30 June 2019					
Revenue	302 122	–	14 876	(14 876)	302 122
Profit/(loss) before tax	48 885	–	(1 136)	–	47 749
Income tax expense	(14 718)	–	–	–	(14 718)
Profit/(loss) after tax	34 167	–	(1 136)	–	33 031
Finance income	1 499	–	4 590	(2 150)	3 939
Depreciation and amortisation	(8 956)	–	(80)	–	(9 036)
Total assets	375 905	20 161	43 194	(23 362)	415 898
Total liabilities	(115 477)	–	(2 764)	23 362	(94 879)

11. OPERATING SEGMENTS continued

	Chrome Projects R'000	Platinum Exploration R'000	Corporate R'000	Intragroup elimination R'000	Total R'000
30 June 2018					
Revenue	234 261	–	11 750	(11 750)	234 261
Profit before tax	105 953	–	30 146	(31 242)	104 857
Income tax expense	(32 947)	–	–	–	(32 947)
Profit after tax	73 006	–	30 146	(31 242)	71 910
Finance income	5 433	–	2 452	(604)	7 281
Depreciation and amortisation	(13 048)	–	(54)	–	(13 102)
Acquisition of intangible asset	2 193	–	–	–	2 193
Total assets	283 124	20 161	26 448	(6 963)	322 770
Total liabilities	(43 498)	–	(1 298)	6 963	(37 833)

The segmental analysis is based on the Moeijelijk chrome project, platinum exploration and corporate activities.

12. EARNINGS PER SHARE

	30 June 2019 R'000	30 June 2018 R'000
Headline earnings reconciliation		
Profit attributable to equity holders of the parent	17 930	38 248
Headline earnings	17 930	38 248
Basic earnings per share (cents)	4,73	10,09
Diluted earnings per share (cents)	4,71	10,02
Headline earnings per share (cents)	4,73	10,09
Diluted headline earnings per share (cents)	4,71	10,02
Number of shares in issue at the end of the year ('000)	379 020	379 020
Reconciliation of weighted average number of shares to diluted weighted average number of shares		
Weighted average number of shares ('000)	379 020	379 020
Dilutive effective of share options	1 448	2 560
Diluted weighted average number of shares ('000)	380 468	381 580

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED RESULTS continued

for the year ended 30 June 2019

13. FAIR VALUE AND FINANCIAL INSTRUMENTS

The carrying values of all financial instruments approximate their fair values. All financial instruments are measured at amortised cost.

14. GOING CONCERN

The cashflow forecast prepared by Bauba management, based on current available information, indicates that the group will be able to meet its commitments in the next 12 months as they fall due. The group has sufficient resources to continue as a going concern and has therefore concluded that it is appropriate to prepare the provisional financial statements on a going concern basis.

15. SUBSEQUENT EVENTS

On 19 July 2019, Bauba entered into a Sale of Shares and Claims Agreement with Ms DC Butler to acquire her shares in Nuco Chrome Bophuthatswana Proprietary Limited for an aggregate purchase consideration of R60 million. This represents an acquisition of 74% of the issued share capital of the company.

On 25 July 2019, Bauba deposited R10 million into an escrow account. The acquisition remains subject to other conditions precedent, including approval by Bauba's board subject to the outcome of a due diligence investigation, waiving of pre-emptive rights of minority shareholders of Nuco Chrome Bophuthatswana Proprietary Limited and section 11 approval from the DMR.

Due to the recent nature of the acquisition, the initial accounting for the acquisition has not been finalised as it is impractical to do so within the limited time frame available prior to publication of these provisional condensed consolidated financial results. Management is still in the process of determining all identifiable assets and liabilities, therefore, initial accounting for the business combination is incomplete and will be finalised during the next financial period.

The Directors are not aware of any other significant matter or circumstance arising since the end of the financial year, not otherwise dealt with in this report or the provisional condensed consolidated financial statements, which significantly affect the financial position of the group or the results of its operations to the date of this report.

18 September 2019
Johannesburg

CORPORATE INFORMATION

NATURE OF BUSINESS

Exploration and mining of mineral resources
Registration number
1986/004649/06
Country of incorporation
Republic of South Africa
Share code: BAU
ISIN code: ZAE000145686

DIRECTORS

Non-executive
Mr NPJ van der Hoven
Mr M Luyt*
Mr SM Dolamo*
Mr D Smith*
Dr NM Phosa
King TV Thulare (Alternate)
Ms T Makgala*

** Independent*

Executive
Mr NW van der Hoven
Mr JA Knowlden

COMPANY SECRETARY

Merchantec Proprietary Limited

BANKERS

Nedbank Limited

REGISTERED ADDRESS

Cube Workspace
1 Wedgewood Link
Bryanston, Johannesburg, 2191
Republic of South Africa

Telephone	+27 (0) 11 699 5720
Fax	+27 (0) 11 388 3962
E-mail	info@bauba.co.za
web	www.bauba.co.za

POSTAL ADDRESS

PO Box 1658
Witkoppen, 2068

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

SPONSOR

Merchantec Capital

AUDITOR

BDO South Africa Incorporated

ATTORNEYS

Venter de Villiers
Tabacks Legal Advisors

purple.frog

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