Unaudited condensed consolidated interim financial results

for the six months ended 31 August 2022

HIGHLIGHTS

- Group revenue of **R2,6 billion**
- Headline earnings per share ('HEPS') of **252,2 cents**
- Interim dividend per share of **40,0 cents**
- Operating profit margin **19,7%**
- Net asset value ('NAV') per share of **2 481 cents**
- Return on net operating assets **27,4%**
- Net cash from operating activities of **R784,1 million**
- Strong balance sheet with net cash position

CONSISTENTLY DELIVERING

Afrimat Limited ('Afrimat' or 'the Company' or 'the Group')
(Incorporated in the Republic of South Africa)
(Registration number: 2006/022534/06)
Share code: AFT ISIN code: ZAE000086302

COMMENTARY

Introduction

The Group continues to remain resilient and delivered satisfactory results for the first six months of F2023 supported by its diversification strategy, which enabled the Group to compensate for most of the impact from several factors which include poor market sentiment, inflationary cost pressures impacting profit margins, Eskom electricity supply interruptions and constraints, as well as the rising concerns of a global recession.

Strategic initiatives that contributed positively to the Group's performance were the successful commissioning of Jenkins iron ore mine, the turnaround of Nkomati anthracite mine and the continuation of the Group's continuous improvement of existing operations. On the negative side, Group results were affected by the downturn in iron ore prices, an economic slow-down experienced which impacted the Construction Materials and Industrial Minerals businesses, coupled with a rise in input costs such as diesel, explosives and electricity.

Diversification, cost reductions and efficiency improvement initiatives, remain the cornerstone of the Group's strategy and are used to counter economic impacts which are beyond the control of management.

Financial results

Group revenue increased by 7,2% from R2,4 billion to R2,6 billion. Operating profit decreased by 12,1% from R582,8 million to R512,2 million, resulting in the operating profit margin declining from 24,1% to 19,7%.

Headline earnings per share remained adequate with a decline of 14,5% from 295,1 cents to 252,2 cents.

The balance sheet of the Group remains strong with a net cash balance of R772,7 million. Net cash from operating activities of R784,1 million was generated, as well as R680,0 million from a successful equity raise during the period. At present, the Group is considered to be debt free as the cash balance exceeds the borrowings, with sufficient capital to make meaningful acquisitions, as well as invest in the ramp-up of current projects. All of which support future growth.

Operational review

All operating units are strategically positioned to deliver outstanding service to customers, whilst acting as an efficient hedge against volatile local business conditions. The product range is relatively wide and diversified and is made up of Construction Materials consisting of aggregates and concrete-based products, Industrial Minerals consisting of limestone, dolomite and industrial sand, Bulk Commodities consisting of iron ore and anthracite. The Services segment consists of external logistical and mining services. The Group's latest addition, Future Materials and Metals consisting of phosphate, vermiculite and rare earth elements, has expanded the Group's product offering and national footprint.

The **Bulk Commodities** segment, consisting of the Demaneng and Jenkins iron ore mines, and the Nkomati anthracite mine, contributed 76,8% to the Group's operating profit. The excellent performance was largely due to increased volumes from the Jenkins mine coming into production, the successful turnaround of the Nkomati anthracite mine and cost-saving initiatives.

The Jenkins iron ore mine is fully operational and together with the Demaneng mine produced an increase of 21,9% in iron ore sales volume from 554 721 tonnes to 676 252 tonnes during the current period compared to the previous period. Although the operating profit decreased by 33,6% due to the decline in the iron ore price and a rise in input costs, a healthy operating profit margin of 37,0% was generated from the iron ore mines. Should the iron ore price continue to decline the Group is well positioned to weather the volatility.

During the year, the first blast was undertaken at Driehoekspan, the iron ore asset that will replace the Demaneng mine once it is mined out, which is expected to be in three years' time. Driehoekspan and Doornpan (as part of the Coza acquisition) are to be brought into production to maintain export volumes and have a combined life of mine in excess of 15 years.

Innovative technology solutions were rolled out at Jenkins across the mine fleet, which optimise the efficiency. This has resulted in cost savings which in turn have countered the rise in diesel prices and the fall in iron ore prices.

The Nkomati anthracite mine has turned from initial start-up losses to being profitable from August 2021 and contributed 25,5% to the segment's revenue for the period. It produces a high-quality product sold into the local market, as a replacement for imported anthracite, and is recognised as a consistent, reliable supplier of anthracite.

The long-term sustainable life of mine plan is being enhanced through the opening of two opencast pits and the continued development of the underground operations. The first anthracite is expected to be extracted early in the new calendar year from these developments. These planned new sources will result in the overall average strip ratio reducing when compared to historical stripping ratios.

Additional information on each mine's contribution to the Bulk Commodities segment is available in note 2.

Industrial Minerals businesses across all regions delivered satisfactory results, however the impact of the economic slowdown was felt within this segment resulting in a decrease in operating profit of 25,9% from R49,6 million to R36,8 million.

The **Construction Materials** segment felt the brunt of the slowdown in economic activity, with the Western Cape businesses being impacted the most due to an overall reduction in construction across the province. The KwaZulu-Natal businesses have shown good improvement when compared to the previous period, primarily as a result of an uptick in construction after the riots and floods in KwaZulu-Natal. The operating profit remains relatively flat from the comparative period with a slight decrease of 6,1% from R77,8 million to R73,1 million.

Future Materials and Metals is a segment that has been added to the Group's operational segments in support of its diversification strategy.

Glenover is a new project that diversifies Afrimat's exposure wider than ferrous metals and aligns it to global trends such as the advancement of technology for decarbonisation (through rare earth minerals) and food security (through fertiliser products). Glenover is a greenfields project which has started with first production during the period and is in a ramp-up phase. The project contains three essential businesses: (i) fertiliser for agricultural applications; (ii) vermiculite for various applications from industrial to horticulture; and (iii) rare earth elements, supporting technological advancements such as high strength permanent magnets and battery technology.

As a reminder, Afrimat purchased various stockpiles for R215,1 million and the Vermiculite Mining Right for R34,9 million. Currently sales are generated from high-grade phosphate (fertiliser) material. Current and future sales are targeted at the local market as South Africa remains a net importer of fertiliser. Potential export opportunities to neighbouring countries exist.

The Glenover project has been broken up into a number of phases which will be embarked on only if and when the specific phase has been proven to be technically and financially viable.

Testing and design work is currently underway for the vermiculite and single super phosphate ('SSP') plants with optimisation of the high-grade phosphate process.

Stage 2 of the project i.e., the test work for the nitro-phosphate and rare earth processes is making good progress and should be concluded in due course. Thereafter the detailed designs will be completed which will inform the final capital required.

The Afrimat Board approved a spend of R300,0 million needed to purchase all the shares in Glenover including the surface and mining rights. This is essential to support a longer life of mine and an optimised business case to maximise Glenover's value in addition to the stockpiles already purchased.

Revenue of R17,8 million was generated by this new segment with start-up losses of R3,9 million. The Group is in the process of ramping up this operation, with site establishment already completed.

Looking ahead, project implementation across the next 6 to 12 months is critical. This will include vermiculite processing, optimisation of the high-grade fertiliser project and the implementation of the SSP project. These product lines will add additional volumes.

Business development

New business development remains a key component of the Group's growth strategy. The dedicated business development team continues to successfully identify and pursue opportunities in existing markets, as well as in anticipated new high-growth areas in southern Africa.

Acquisitions

Glenover Phosphate Proprietary Limited ('Glenover')

Glenover is located 90km northwest of Thabazimbi in the Lephalale Municipality in the Limpopo province. Glenover owns a mining right over the property it owns to mine high-grade phosphate, vermiculite, and rare earth elements. Current reserve statements provide for a resource life of more than 20 years.

As per the SENS announcement on 9 December 2021, Afrimat purchased stockpiles and the right to mine vermiculite at the Glenover mine ('Glenover Mine'), as well as the option to acquire 100,0% of the shares in Glenover Phosphate Proprietary Limited ('Glenover') from the current shareholders ('Glenover Shares'), for a total purchase consideration of R550,0 million ('Glenover Acquisition'). The Group exercised this option to acquire the shares in Glenover on 19 October 2022.

This project is broken up into two stages:
Stage 1: Vermiculite, high-grade ('HG') phosphate and single super phosphate ('SSP') production.
Stage 2: Nitro-phosphate and rare earth production.

Gravenhage Manganese Mining Right ('Gravenhage')

As per the SENS announcement on 22 August 2022, Afrimat notified shareholders that not all the conditions precedent were fulfilled in terms of the provisions of the agreement which lapsed on 20 August 2022. A formal dispute was declared between the Company and the Sellers in terms of the agreement, regarding whether the condition precedent relating to the Water Use License has been fulfilled. This dispute has been resolved and the deal has been terminated.

B-BBEE

Existing BEE shareholders and the Afrimat BEE Trust in aggregate hold 32,6% of Afrimat's issued shares, according to Afrimat's latest BEE rating certificate (inclusive of previously recognised interests).

Notwithstanding the fully empowered ownership platform which is in line with the Mining Charter requirements, the Group remains dedicated to enhancing all aspects of B-BBEE on an ongoing basis. Afrimat is committed to a bottom-up approach to transformation and had a successful period in terms of sustained training, skills development and all-round employee upliftment.

Dividend

An interim gross dividend of 40,0 cents per share (August 2021: 40,0 cents) for the period was declared on 26 October 2022. The dividend payable to shareholders who are subject to dividend tax is 32,0 cents per share (August 2021: 32,0 cents per share).

Employees and continued sustainability

During the six month period, good labour relations were maintained with no labour action or significant community action having occurred. The Group is committed to creating and sustaining harmonious relationships in the workplace and addressing issues proactively. Afrimat continues to prioritise staff development, training and education on the human capital agenda.

More than 250 new employees were appointed within Afrimat in the first half of the year, taking the total to over 2 650. With training and development being a critical part of the Group, a total of 2 665 training days for employees were undertaken during the first half of the financial year, supplemented by the issuance of 56 staff bursaries.

Afrimat has 44 mining rights in place and a dedicated team to liaise with the respective governing bodies including the Department of Mineral Resources and Energy, the Department of Water and Sanitation and the Department of Environmental Affairs. Good, healthy relationships with the various authorities have been maintained. All the environmental authorisations applied for, were received within a reasonable time. The diversification strategy embarked on by Afrimat has created a need to liaise and build new relationships with the Department of Agriculture, Land Reform and Rural Development.

Work on the carbon neutrality strategy continues with extensive studies having been undertaken to determine the main detractors. An initial renewable energy project to reduce carbon emissions is underway at Glen Douglas Dolomite.

Prospects

The Group is well positioned to capitalise on strategic initiatives and future opportunities. The Group's future growth will be driven by the successful execution of its proven strategy, recent acquisitions and a wider product offering to the market. Many exciting opportunities are being investigated.

Afrimat continues to focus on sustainable diversification in all four segments. In the new Future Materials and Metals segment, the focus is to ramp up the production of high-grade phosphate and to execute the next stages of the project as seamlessly as possible.

The Bulk Commodities segment has implemented an internal efficiency drive with new solutions technology, which has proved to be successful. These solutions will now be implemented throughout the Group in order to further improve efficiencies and margins.

The Group has Driehoekspan and Doornpan iron ore assets to bring online once Demaneng volumes begin to reduce. This should be within the next three years. To optimise production, the Nkomati anthracite mine is in the process of opening up two opencast mine areas as well as an underground access point. Volumes are expected to ramp up and the processing plant is well maintained and able to take on additional production.

Within the Industrial Minerals and Construction Materials segments, market development, as well as product development, continues to take place in accordance with customers' needs.

Operational efficiency initiatives aimed at expanding volumes, reducing costs and developing the required skill levels across all employees, remain a key focus in all operations.

These financial statements may contain forward-looking statements that have not been reviewed nor reported on by the Company's auditors.

Changes to Board and Board Committees

This year at the annual general meeting ('AGM') of shareholders, further to those changes reported on in the F2022 results publication, the following appointments and resignations were made to the Board and its Committees, effective 4 August 2022:

- Mr HN Pool, who previously served as an independent non-executive director as well as a member of the Audit & Risk Committee, retired by rotation and did not make himself available for re-election;
- Mr JF (Derick) van der Merwe, currently serving as the Chairman of the Audit & Risk Committee, has been appointed as the Lead Independent Director; and
- Mr Johannes (Johan) HP van der Merwe has been appointed to serve on the Remuneration and Nominations Committee.

Additionally, at the board meetings held on 25 October 2022, Mr FM Louw was appointed to serve on the Social, Ethics and Sustainability Committee.

On behalf of the Board

FM Louw
Chairman

AJ van Heerden
Chief Executive Officer

26 October 2022

DIVIDEND DECLARATION

Notice is hereby given that an interim gross dividend, No. 31 of 40,0 cents per share, in respect of the six months ended 31 August 2022, was declared by the Board on Wednesday, 26 October 2022.

There are 159 718 929 shares in issue at the reporting date, of which 8 277 770 are held in treasury. The total dividend payable is R63,9 million (August 2021: R58,5 million).

The Board has confirmed that the solvency and liquidity test as contemplated by the Companies Act, No. 71 of 2008, has been duly considered, applied and satisfied. This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend tax rate is 20,0%. The dividend payable to shareholders who are subject to dividend tax and shareholders who are exempt from dividend tax is 32,0 cents and 40,0 cents per share, respectively. The income tax number of the Company is 9568738158.

Relevant dates of the interim dividend are as follows:

Last day to trade *cum* dividend	Tuesday, 22 November 2022
Commence trading *ex*-dividend	Wednesday, 23 November 2022
Record date	Friday, 25 November 2022
Dividend payable	Monday, 28 November 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 23 November and Friday, 25 November 2022, both dates inclusive.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Change %	Audited year ended 28 February 2022 R'000
Revenue	**2 595 258**	2 421 610	7,2	4 680 078
Cost of sales	**(1 728 672)**	(1 513 961)		(2 966 586)
Gross profit	**866 586**	907 649	(4,5)	1 713 492
Operating expenses	**(404 550)**	(342 740)	18,0	(689 696)
Other income	**12 810**	9 388		12 741
Other net gains	**37 026**	16 175		77 811
Profit on disposal of property, plant and equipment	**4 108**	917		7 904
Impairments (refer note 3)	**(3 776)**	(8 589)		(13 341)
Operating profit	**512 204**	582 800	(12,1)	1 108 911
Finance income	**7 711**	7 810		12 430
Finance costs	**(30 034)**	(34 533)		(55 280)
Share of profit of equity-accounted investments	**–**	166		257
Profit before tax	**489 881**	556 243	(11,9)	1 066 318
Income tax expense	**(133 785)**	(153 061)		(291 150)
Profit for the period	**356 096**	403 182	(11,7)	775 168
Profit attributable to:				
Owners of the parent	**354 196**	402 097		772 714
Non-controlling interests	**1 900**	1 085		2 454
	356 096	403 182		775 168
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Exchange differences on translation of foreign operations	**(9 398)**	(7 275)		(9 387)
Items that will not be reclassified to profit or loss				
Net change in fair value of equity instruments at fair value through other comprehensive income	**(14)**	223		393
Income tax effect relating to these items	**–**	(50)		(85)
Other comprehensive loss for the period, net of tax	**(9 412)**	(7 102)		(9 079)
Total comprehensive income for the period	**346 684**	396 080	(12,5)	766 089
Total comprehensive income attributable to:				
Owners of the parent	**344 784**	394 995		763 635
Non-controlling interests	**1 900**	1 085		2 454
	346 684	396 080		766 089
Earnings per share:				
Earnings per ordinary share (cents) (refer note 6)	**252,4**	292,1	(13,6)	560,7
Diluted earnings per ordinary share (cents) (refer note 6)	**246,9**	282,2	(12,5)	546,6

RECONCILIATION OF HEADLINE EARNINGS

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Change %	Audited year ended 28 February 2022 R'000
Profit attributable to owners of the parent	**354 196**	402 097		772 714
Profit on disposal of property, plant and equipment attributable to owners of the parent	**(4 108)**	(917)		(7 904)
Profit on sale of associate	**–**	–		(2 859)
Gain on bargain purchase (refer note 12.2)	**–**	(3 021)		(25 628)
Impairments (refer note 3)	**3 776**	8 589		13 341
Total income tax effects of adjustments	**93**	(476)		(1 522)
	353 957	406 272	(12,9)	748 142
Headline earnings per ordinary share ('HEPS') (cents)	**252,2**	295,1	(14,5)	542,9
Diluted HEPS (cents)	**246,8**	285,1	(13,4)	529,2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited year ended 28 February 2022 R'000
Assets			
Non-current assets			
Property, plant and equipment (refer note 4)	**2 970 787**	2 594 967	2 696 448
Intangible assets	**262 920**	212 110	213 335
Investment in associate	**–**	659	–
Other financial assets (refer note 8)	**97 860**	84 107	91 986
Deferred tax	**321 336**	307 463	360 839
Total non-current assets	**3 652 903**	3 199 306	3 362 608
Current assets			
Inventories*	**622 756**	340 065	568 266
Other financial assets (refer note 8)	**1 687**	–	1 732
Current tax receivable	**13 630**	8 789	9 665
Trade and other receivables (refer note 10.1)	**573 559**	493 570	793 343
Cash and cash equivalents	**773 668**	636 290	290 633
Total current assets	**1 985 300**	1 478 714	1 663 639
Non-current assets available for sale	**17 950**	16 000	20 050
Total assets	**5 656 153**	4 694 020	5 046 297
Equity and liabilities			
Equity			
Stated capital**	**952 086**	350 749	315 886
Treasury shares	**(121 007)**	(113 411)	(109 030)
Net issued stated capital	**831 079**	237 338	206 856
Other reserves	**(65 628)**	(46 280)	(38 498)
Retained earnings	**2 992 242**	2 503 323	2 829 609
Attributable to equity holders of the parent	**3 757 693**	2 694 381	2 997 967
Non-controlling interests	**10 513**	8 369	9 233
Total equity	**3 768 206**	2 702 750	3 007 200
Liabilities			
Non-current liabilities			
Borrowings (refer note 9)	**143 157**	306 851	149 377
Other liability	**1 455**	–	–
Provisions	**274 711**	246 465	265 252
Deferred tax	**398 697**	311 770	450 044
Total non-current liabilities	**818 020**	865 086	864 673
Current liabilities			
Other financial liabilities***	**129 872**	10 732	7 488
Borrowings (refer note 9)	**135 941**	157 791	494 449
Current tax payable	**54 130**	133 697	6 953
Trade and other payables (refer note 10.2)	**749 032**	774 061	663 729
Bank overdraft	**952**	49 903	1 805
Total current liabilities	**1 069 927**	1 126 184	1 174 424
Total liabilities	**1 887 947**	1 991 270	2 039 097
Total equity and liabilities	**5 656 153**	4 694 020	5 046 297

* *As per the SENS announcement on 9 December 2021, the increase in 'inventories' relates to phosphate stockpiles acquired by the Group, R215,1 million, from Glenover. This was purchased as part of a sale of asset agreement with Glenover separate from the sale of shares, refer note 15 for further disclosures.*

** *The increase in 'stated capital' relates to the launch of an equity raise of R680,0 million, through the issue of new ordinary shares, performed on 28 July 2022.*

*** *A loan agreement was entered into between Glencore Operations South Africa Proprietary Limited ('Glencore') and Nkomati Anthracite Proprietary Limited ('Nkomati'), whereby Glencore advanced R120,0 million to Nkomati. The loan is interest free and repayable in four equal instalments of R30,0 million on 1 May 2023, June 2023, July 2023 and August 2023.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited year ended 28 February 2022 R'000
Cash flows from operating activities			
Cash generated from operations	**922 294**	978 533	1 076 666
Finance income received	**7 267**	7 478	11 726
Dividends received	**–**	98	98
Finance costs paid	**(17 906)**	(23 880)	(40 015)
Tax paid	**(127 586)**	(155 737)	(311 920)
Net cash inflow from operating activities	**784 069**	806 492	736 555
Cash flows from investing activities			
Acquisition of property, plant and equipment (refer note 4)	**(389 606)**	(358 140)	(598 687)
Proceeds on disposal of property, plant and equipment	**16 078**	11 631	26 049
Proceeds on disposal of non-current assets held for sale	**5 000**	–	–
Acquisition of businesses (refer note 12.1 and 12.2)	**(29 100)**	(14 750)	(14 750)
Acquisition of mining rights and surface rights*	**(38 805)**	(3 414)	(5 145)
Purchase of other financial assets	**(9 179)**	(4 270)	(12 582)
Repayment of other financial assets	**4 051**	1 822	3 823
Net cash outflow from investing activities	**(441 561)**	(367 121)	(601 292)
Cash flows from financing activities			
Repurchase of Afrimat shares	**(32 845)**	–	(16 400)
Proceeds from borrowings (refer note 9.2)	**55 188**	298 380	880 998
Repayment of borrowings (refer note 9.2)	**(468 211)**	(423 000)	(918 120)
Capital elements of lease payments (refer note 9.2)	**(5 588)**	(6 928)	(13 750)
Proceeds from other financial liabilities**	**120 000**	–	–
Repayment of other financial liabilities	**(304)**	(343)	(1 355)
Proceeds from equity raise	**680 000**	–	–
Acquisition of additional non-controlling interest	**–**	–	(134)
Dividends paid (refer note 14.2)	**(206 860)**	(158 346)	(214 927)
Net cash inflow/(outflow) from financing activities	**141 380**	(290 237)	(283 688)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	**483 888**	149 134	(148 425)
Cash, cash equivalents and bank overdrafts at the beginning of the period	**288 828**	437 253	437 253
Cash, cash equivalents and bank overdrafts at the end of the period	**772 716**	586 387	288 828

* *The subordinate Vermiculite Mining Right was acquired by the Group, R34,9 million, from Glenover. This was purchased as part of a sale of asset agreement with Glenover separate from the sale of shares, refer note 15 for further disclosures.*

** *A loan agreement was entered into between Glencore Operations South Africa Proprietary Limited ('Glencore') and Nkomati Anthracite Proprietary Limited ('Nkomati'), whereby Glencore advanced R120,0 million to Nkomati. The loan is interest free and repayable in four equal instalments of R30,0 million on 1 May 2023, June 2023, July 2023 and August 2023.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 March 2021	345 894	(115 795)	(62 980)	2 255 536	8 362	2 431 017
Total comprehensive income						
Profit for the period	–	–	–	402 097	1 085	403 182
Other comprehensive income for the period	–	–	(7 102)	–	–	(7 102)
Net change in fair value of equity instruments at fair value through other comprehensive income	–	–	223	–	–	223
Income tax effect	–	–	(50)	–	–	(50)
Exchange differences on translation of foreign operations	–	–	(7 275)	–	–	(7 275)
Total comprehensive (loss) income	–	–	(7 102)	402 097	1 085	396 080
Transactions with owners of the parent						
Contributions and distributions						
Share-based payments	–	–	8 555	–	–	8 555
Deferred tax on share-based payments	–	–	18 205	–	–	18 205
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax	(6 145)	2 384	(2 958)	2 958	–	(3 761)
Issue of stated capital	11 000	–	–	–	–	11 000
Dividends paid (refer note 14.2)	–	–	–	(157 268)	(1 078)	(158 346)
Total contributions and distributions	4 855	2 384	16 700	247 787	7	271 733
Total transactions with the owners of the parent	4 855	2 384	16 700	247 787	7	271 733
Balance at 31 August 2021	350 749	(113 411)	(46 280)	2 503 323	8 369	2 702 750
Balance at 1 March 2021	345 894	(115 795)	(62 980)	2 255 536	8 362	2 431 017
Total comprehensive income						
Profit for the year	–	–	–	772 714	2 454	775 168
Other comprehensive income for the year	–	–	(9 079)	–	–	(9 079)
Net change in fair value of equity instruments at fair value through other comprehensive income	–	–	393	–	–	393
Income tax effect	–	–	(85)	–	–	(85)
Exchange differences on translation of foreign operations	–	–	(9 387)	–	–	(9 387)
Total comprehensive (loss) income	–	–	(9 079)	772 714	2 454	766 089
Transactions with owners of the parent						
Contributions and distributions						
Share-based payments	–	–	29 664	–	–	29 664
Deferred tax on share-based payments	–	–	21 818	–	–	21 818
Purchase of treasury shares	–	(16 400)	–	–	–	(16 400)
Issue of stated capital	11 000	–	–	–	–	11 000
Settlement of employee Share Appreciation Rights exercised, Forfeitable Share Plan vested and reserve transfer, net of tax	(41 008)	23 165	(17 921)	17 921	–	(17 843)
Dividends paid (refer note 14.2)	–	–	–	(213 539)	(1 388)	(214 927)
Total contributions and distributions	(30 008)	6 765	33 561	(195 618)	(1 388)	(186 688)
Changes in ownership interest:						
Additional non-controlling interest acquired due to:						
– Capmat Proprietary Limited	–	–	–	(3 023)	(195)	(3 218)
Total changes in ownership interests	–	–	–	(3 023)	(195)	(3 218)
Total transactions with the owners of the parent	(30 008)	6 765	33 561	(198 641)	(1 583)	(189 906)
Balance at 28 February 2022	315 886	(109 030)	(38 498)	2 829 609	9 233	3 007 200

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(continued)

	Stated capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 March 2022	315 886	(109 030)	(38 498)	2 829 609	9 233	3 007 200
Total comprehensive income						
Profit for the period	–	–	–	354 196	1 900	356 096
Other comprehensive income for the period	–	–	(9 412)	–	–	(9 412)
Net change in fair value of equity instruments at fair value through other comprehensive income	–	–	(14)	–	–	(14)
Income tax effect	–	–	–	–	–	–
Exchange differences on translation of foreign operations	–	–	(9 398)	–	–	(9 398)
Total comprehensive (loss) income	–	–	(9 412)	354 196	1 900	346 684
Transactions with owners of the parent						
Contributions and distributions						
Share-based payments	–	–	15 243	–	–	15 243
Deferred tax on share-based payments	–	–	(18 714)	–	–	(18 714)
Settlement of employee Share Appreciation Rights exercised, Forfeitable Share Plan vested and reserve transfer, net of tax	(43 800)	20 868	(14 247)	14 247	–	(22 932)
Purchase of treasury shares	–	(32 845)	–	–	–	(32 845)
Issue of stated capital	680 000	–	–	–	–	680 000
Dividends paid (refer note 14.2)	–	–	–	(205 810)	(1 050)	(206 860)
Total contributions and distributions	636 200	(11 977)	(27 130)	162 633	850	760 576
Changes in ownership interest:						
Additional non-controlling interest acquired due to:						
– Stony Lime Proprietary Limited (refer note 12.1)	–	–	–	–	430	430
Total changes in ownership interests	–	–	–	–	430	430
Total transactions with the owners of the parent	636 200	(11 977)	(27 130)	162 633	1 280	761 006
Balance at 31 August 2022	952 086	(121 007)	(65 628)	2 992 242	10 513	3 768 206

NOTES

1. Basis of preparation

The unaudited condensed consolidated interim financial results ('financial statements') for the six months ended 31 August 2022 ('the period') are prepared in accordance with the requirements of the JSE Limited ('JSE') Listings Requirements for provisional reports, and the requirements of the Companies Act. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ('IFRS') and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*. The accounting policies applied in the preparation of the financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements for the year ended 28 February 2022.

The financial statements have not been audited or reported on by Afrimat's auditors, PricewaterhouseCoopers Inc., and have been prepared under the supervision of the Chief Financial Officer ('CFO'), PGS de Wit CA(SA).

2. Segment information

The segments of the Group have been identified by business segment. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors. Aggregation of segments has been determined on the basis of product outputs with similar attributes; by considering the nature of products and services, production processes and the type of class of customer for the product and services.

There are four main operational segments based on the market use of products. Future Materials and Metals is the latest addition to the Group's operational segments, which was formed through the acquisition of the stockpiles containing phosphate, vermiculite and rare earth elements; and the Vermiculite Mining Right, and serves a different market to the existing operational segments.

The principal services and products of each of these segments are as follows:

- Construction Materials: Comprises aggregates and concrete-based products;
- Industrial Minerals: Comprises limestone, dolomite and industrial sand;
- Bulk Commodities: Comprises iron ore and anthracite;
- Future Materials and Metals: Comprises phosphate, vermiculite and rare earth elements; and
- Services: Comprises Group shared services including IT services, consulting services and external logistical and mining services.

	Split six months ended 31 August 2022 %	**Unaudited six months ended 31 August 2022 R'000**	Split six months ended 31 August 2021 %	Restated unaudited six months ended 31 August 2021 R'000*	Split year ended 28 February 2022 %	Restated year ended 28 February 2022 R'000*
Revenue						
External revenue						
Construction Materials	**35,3**	**916 613**	36,8	890 992	35,1	1 644 510
Industrial Minerals	**11,3**	**292 630**	13,4	325 619	13,1	611 655
Bulk Commodities	**52,1**	**1 353 087**	49,5	1 197 777	51,5	2 408 710
– *Demaneng Mine*		**564 418**		980 946		1 487 559
– *Nkomati Anthracite Mine*		**344 631**		60 924		364 052
– *Jenkins Mine*		**444 038**		155 907		557 099
Future Materials and Metals	**0,7**	**17 764**	–	1 158	0,1	2 964
Services	**0,6**	**15 164**	0,3	6 064	0,2	12 239
		2 595 258		2 421 610		4 680 078
Inter-segmental revenue						
Construction Materials	**24,6**	**51 880**	82,1	106 331	81,5	197 790
Industrial Minerals	**1,8**	**3 771**	1,0	1 243	1,2	2 768
Bulk Commodities	**–**	**–**	–	–	–	–
Future Materials and Metals	**–**	**–**	0,6	818	0,3	818
Services	**73,6**	**154 861**	16,3	21 122	17,0	41 246
		210 512		129 514		242 622

* *During the period the Group reallocated various businesses within the operational segments in order to report in a manner consistent with the internal reporting provided to the chief operating decision-maker. These reallocations were due to an internal restructure performed during the period.*

2. Segment information (continued)

	Split six months ended 31 August 2022 %	Unaudited six months ended 31 August 2022 R'000	Split six months ended 31 August 2021 %	Restated unaudited six months ended 31 August 2021 R'000*	Split year ended 28 February 2022 %	Restated year ended 28 February 2022 R'000*
Total revenue						
Construction Materials	34,5	968 493	39,1	997 323	37,4	1 842 300
Industrial Minerals	10,6	296 401	12,8	326 862	12,5	614 423
Bulk Commodities	48,2	1 353 087	47,0	1 197 777	48,9	2 408 710
– Demaneng Mine		564 418		980 946		1 487 559
– Nkomati Anthracite Mine		344 631		60 924		364 052
– Jenkins Mine		444 038		155 907		557 099
Future Materials and Metals	0,6	17 764	0,1	1 976	0,1	3 782
Services	6,1	170 025	1,0	27 186	1,1	53 485
		2 805 770		2 551 124		4 922 700
Operating profit						
Construction Materials	14,3	73 089	13,3	77 797	14,6	161 539
Industrial Minerals	7,2	36 806	8,5	49 646	8,5	94 474
Bulk Commodities	76,8	393 234	77,9	453 736	74,0	820 210
– Demaneng Mine		170 440		478 207		604 821
– Nkomati Anthracite Mine		20 567		(107 876)		(49 431)
– Jenkins Mine		202 227		83 405		264 820
Future Materials and Metals	(0,8)	(3 877)	–	198	(0,2)	(2 457)
Services	2,5	12 952	0,3	1 423	3,1	35 145
		512 204		582 800		1 108 911
Operating profit margin on external revenue (%)						
Construction Materials		8,0		8,7		9,8
Industrial Minerals		12,6		15,2		15,4
Bulk Commodities		29,1		37,9		34,1
Future Materials and Metals		(21,8)		17,1		(82,9)
Overall contribution		19,7		24,1		23,7
Other information						
Assets						
Construction Materials		1 324 371		1 215 511		1 192 325
Industrial Minerals		626 522		639 701		612 113
Bulk Commodities		1 827 419		1 554 334		1 926 273
Future Materials and Metals		318 658		4 250		261 042
Services		1 559 183		1 280 224		1 054 544
		5 656 153		4 694 020		5 046 297
Liabilities						
Construction Materials		373 070		528 027		418 825
Industrial Minerals		128 875		92 116		87 464
Bulk Commodities		309 752		348 526		258 315
Future Materials and Metals		5 479		279		2 111
Services		1 070 771		1 022 322		1 272 382
		1 887 947		1 991 270		2 039 097
Capital expenditure						
Construction Materials		62 477		109 803		166 210
Industrial Minerals		53 854		22 934		31 357
Bulk Commodities**		287 293		50 736		524 389
Future Materials and Metals***		75 234		–		9 689
Services		8 706		7 608		50 801
		487 564		191 081		782 446

* *During the period the Group reallocated various businesses within the operational segments in order to report in a manner consistent with the internal reporting provided to the chief operating decision-maker. These reallocations were due to an internal restructure performed during the period.*

** *The increase in capital expenditure relates to the development of the underground mine at Nkomati, refer note 4 for further details.*

*** *Capital expenditure incurred relates to the acquisition of the Vermiculite Mining Right, R34,9 million, as well as the site establishment costs, R38,2 million, refer note 4 for further details.*

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited year ended 28 February 2022 R'000
3. Impairments			
Impairment of property, plant and equipment	**3 776**	8 589	13 341

During the previous reporting year an attack by non-state armed groups occurred in the Palma District, Cabo Delgado Province, Mozambique. As a result, Afrimat immediately withdrew all expats, repatriated them to South Africa and declared force majeure. An impairment of R9,7 million was recognised in respect of property, plant and equipment, which could not be recovered and no longer had economic value. During the current period a further impairment of R3,8 million was recognised.

In the prior year, an impairment loss of R3,6 million was recognised, relating to property, plant and equipment which had no further economic value and has been removed from the register. R3,2 million relates to items written off at Afrimat Marble Hall Proprietary Limited (previously known as Lyttelton Dolomite Proprietary Limited).

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited year ended 28 February 2022 R'000
4. Property, plant and equipment			
Land and buildings	**114 828**	102 615	114 993
Leasehold property	**11 430**	17 480	13 280
Plant and machinery	**1 055 524**	855 327	924 021
Motor vehicles	**501 418**	493 626	507 108
Office and computer equipment	**14 188**	9 410	13 092
Dismantling costs	**13 795**	13 530	13 270
Mining assets	**1 224 749**	1 001 569	997 471
Stripping assets	**9 295**	69 005	84 660
Right-of-use assets	**25 560**	32 405	28 553
	2 970 787	2 594 967	2 696 448

The increase in 'Plant and machinery' relates to site establishment costs and plant upgrades (including solar plant projects) performed at the various businesses; Jenkins iron ore mine R50,4 million, Nkomati R8,3 million, Cape Lime Proprietary Limited R21,2 million, Glen Douglas Dolomite Proprietary Limited R28,6 million and Delf Sand Proprietary Limited R38,2 million.

The increase in 'Mining assets' relates to capital expenditure, R165,1 million, of the opening of two opencast pits and work performed on the opening of the underground mine of Nkomati, R34,9 million, for the acquisition of the Vermiculite Mining Right and R25,0 million for the mining asset purchased through the Agri Lime acquisition (refer note 12.1).

Depreciation	**209 729**	132 347	295 147
Amortisation	**1 127**	1 172	1 676
	210 856	133 519	296 823

	Number of shares		
	31 August 2022	31 August 2021	28 February 2022
5. Movement in number of treasury shares			
Opening balance	**8 200 736**	8 545 257	8 545 257
Utilised for Share Appreciation Rights exercised	**(407 700)**	(84 186)	(421 276)
Utilised for settlement of employee Forfeitable Share Plan shares vested	**(109 700)**	–	(292 500)
Purchased during the period/year	**594 434**	–	369 255
Closing balance	**8 277 770**	8 461 071	8 200 736

The Afrimat BEE Trust (indirectly through Afrimat Empowerment Investments Proprietary Limited) holds, on an unencumbered basis, 6 755 744 shares representing 4,23% of the issued share capital of the Company.

Afrimat Management Services Proprietary Limited ('AMS') holds 1 307 500 shares, as nominee for the absolute benefit of the participants of the Company's Forfeitable Share Plan ('FSP').

The remaining 214 526 shares held in AMS are held for the purposes of the Company's Share Appreciation Rights Scheme ('SAR').

	Unaudited six months ended 31 August 2022	Unaudited six months ended 31 August 2021	Audited year ended 28 February 2022
6. Earnings per share			
Number of shares in issue			
Total shares in issue	**159 718 929**	146 341 193	146 346 264
Treasury shares (refer note 5)	**(8 277 770)**	(8 461 071)	(8 200 736)
Net shares in issue	**151 441 159**	137 880 122	138 145 528
Weighted average number of net shares in issue	**140 358 540**	137 671 711	137 803 118
Diluted weighted average number of shares	**143 438 054**	142 495 866	141 358 819
Profit attributable to ordinary shareholders (R'000)	**354 196**	402 097	772 714
Earnings per ordinary share (cents)	**252,4**	292,1	560,7
Diluted earnings per ordinary share (cents)	**246,9**	282,2	546,6

During the current period, the Company launched an equity raise through the issue of 13 372 665 new ordinary shares at an issue price of R50,85 per share.

	Unaudited six months ended 31 August 2022	Unaudited six months ended 31 August 2021	Audited year ended 28 February 2022
7. Financial position ratios			
7.1 Net asset value ('NAV') per share			
Number of shares in issue			
Total shares in issue	**159 718 929**	146 341 193	146 346 264
Treasury shares (refer note 5)	**(8 277 770)**	(8 461 071)	(8 200 736)
Net shares in issue	**151 441 159**	137 880 122	138 145 528
Shareholders' funds attributable to owners of the parent (R'000)	**3 757 693**	2 694 381	2 997 967
Total NAV per share (cents)	**2 481**	1 954	2 170
7.2 Tangible net asset value ('TNAV') per share			
Shareholders' funds attributable to owners of the parent (R'000)	**3 757 693**	2 694 381	2 997 967
Intangible assets (R'000)	**(262 920)**	(212 110)	(213 335)
	3 494 773	2 482 271	2 784 632
Total TNAV per share (cents)	**2 308**	1 800	2 016
7.3 Net debt:equity			
Total borrowings and other financial liabilities (R'000)	**408 970**	475 374	651 314
Net cash (R'000)	**(772 716)**	(586 387)	(288 828)
Net debt/(cash) (R'000)	**(363 746)**	(111 013)	362 486
Net debt:equity ratio (%)	**(9,7)**	(4,1)	12,1

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited year ended 28 February 2022 R'000
8. Other financial assets			
Financial assets at fair value through other comprehensive income	**3 425**	3 265	3 439
Financial assets at fair value through profit or loss	**75 247**	67 178	70 329
Financial assets at amortised cost	**20 875**	13 664	19 950
	99 547	84 107	93 718
Non-current other financial assets	**97 860**	84 107	91 986
Current other financial assets	**1 687**	–	1 732
	99 547	84 107	93 718

Refer to note 13 for fair value disclosure of other financial assets.

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited year ended 28 February 2022 R'000
9. Borrowings			
9.1 Capital net movement			
Opening balance	**643 826**	513 901	513 901
New borrowings	**107 043**	378 273	1 282 974
Finance cost	**2 028**	2 396	(1 179)
Repayments	**(473 799)**	(429 928)	(1 151 870)
Closing balance	**279 098**	464 642	643 826
Analysis as per statement of financial position			
Borrowings non-current	**143 157**	306 851	149 377
Borrowings current	**135 941**	157 791	494 449
	279 098	464 642	643 826
9.2 Analysis as per Statement of Cash Flow			
Total opening balance borrowings	**643 826**	513 901	513 901
Borrowings raised	**55 188**	298 380	880 998
Borrowings raised – non-cash	**51 855**	82 289	401 976
Medium-term loans	**3 088**	–	220 000
Instalment sale agreements	**43 363**	79 893	173 503
Additions through business combinations (refer note 12.1)	**5 404**	–	–
Lease liabilities	**–**	2 396	8 473
Repayments	**(473 799)**	(429 928)	(931 870)
Instalment sale agreements and medium-term loan	**(468 211)**	(423 000)	(918 120)
Lease liabilities	**(5 588)**	(6 928)	(13 750)
Repayments – non-cash	**2 028**	–	(221 179)
Medium-term loans	**–**	–	(220 000)
Lease liabilities	**2 028**	–	(1 179)
Total closing balance borrowings	**279 098**	464 642	643 826

In the prior year, the Group acquired a R500,0 million revolving credit facility with Standard Bank of South Africa ('SBSA') and ABSA Group Limited ('ABSA'). An amount of R350,0 million was utilised as at 28 February 2022. This amount was repaid during the period. The facility bears interest at the three-month Jibar overnight deposit rate plus 1,7%, payable quarterly in arrears.

The Group has an 18-month US$4,0 million revolving credit facility, of which US$1,7 million (August 2021: US$1,7 million) was drawn, with Standard Bank (Mauritius) Limited. The facility bears interest at Libor plus 2,6% payable quarterly in arrears. The facility is available until 28 February 2023.

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited year ended 28 February 2022 R'000
10.1 Trade and other receivables			
Trade receivables – net	**487 016**	455 873	427 387
Trade receivables at fair value through profit or loss	**35 408**	134 363	142 362
Provision for final price adjustment	**(35 408)**	(134 363)	122 967
Other	**86 543**	37 697	100 627
Total trade and other receivables	**573 559**	493 570	793 343
10.2 Trade and other payables			
Trade payables	**398 597**	267 848	381 612
Provision for final price adjustment	**18 809**	99 591	–
Other*	**331 626**	406 622	282 117
Total trade and other payables	**749 032**	774 061	663 729

* *Included, is an amount of R29,5 million relating to the consideration payable for the Agri Lime acquisition, refer note 12.1 for further details.*

The provision for final price adjustment relates to the customer in Afrimat Iron Ore Proprietary Limited (previously Afrimat Demaneng Proprietary Limited), Kumba International Trading S.A.R.L ('Kumba'). In terms of the agreement, commodity prices used in the invoice issued at revenue recognition date (i.e. the designated point of delivery (FOB)) are based on the average daily prices with reference to the IODEX for the prior month. A final price adjustment is made, three months following revenue recognition based on the average market price of the third-month period.

The amount of revenue recognised is based on the best estimate of the amount expected to be received and therefore a monthly provision for the final price adjustment is recognised, based on the relevant forward looking iron ore prices.

Extract of forward looking variables applicable on 31 August 2022:

	August 2022 Three-month/ spot	July 2022 Two-month/ spot	June 2022 One-month/ spot
Average actual iron ore price invoiced at FOB (US$)	**83**	110	119
Iron ore forward price at FOB (US$)	**86**	89	89
Sales volume (tonnes)	**67 534**	67 622	67 747

Refer note 13 for further details on fair value methodology.

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited year ended 28 February 2022 R'000
11. Authorised capital expenditure			
Contracted after year-end, but not provided for			
Property, plant and equipment	**–**	–	46 961
Not yet contracted for			
Property, plant and equipment	**58 062**	71 857	153 017
Total authorised capital expenditure	**58 062**	71 857	199 978

Authorised capital expenditure is to be funded from surplus cash and bank financing.

12. Business combinations

Acquisition of businesses

12.1 Agri Lime Proprietary Limited ('Agri Lime')

On 12 November 2021, Afrimat entered into an agreement to acquire 100,0% of the shares in Agri Lime Proprietary Limited; 74,0% of the shares in Stony Lime Proprietary Limited and the Kalaka mining right from Kalaka Mining Proprietary Limited (collectively 'Agri Lime') for a purchase consideration of R63,0 million. The opencast mine and plant is located close to the town of Northam in Limpopo.

All conditions precedent were met to acquire 100,0% of the shares in Agri Lime Proprietary Limited and the acquisition became effective from 13 May 2022.

The acquisition of 74,0% of the shares in Stony Lime Proprietary Lime and the Kalaka Mining Right is subject to the fulfilment of the following outstanding conditions precedent ('**Conditions Precedent**'):
– Ministerial consent is obtained, in writing, either unconditionally and free from any onerous terms.

The Group entered into a mining contractor's agreement with Kalaka Mining Proprietary Limited (holder of the mining right), allowing the Group to undertake mining operations under the mining area in respect of which the mining right has been granted, pursuant to the transfer of the mining right (Condition Precedent). Effective management and control of the mining operations (Stony Lime Proprietary Limited) through its appointment as mining contractor in terms of the mining contractors agreement and asset lease agreement was obtained by the Group effectively from 13 May 2022.

Details of the purchase consideration are as follows:

	Total 2023 R'000
Cash paid	33 500
Consideration payable*	29 500
Total purchase consideration	**63 000**

* *Consideration payable is attributed as follows and becomes payable once all conditions precedent have been met:*
– R4,5 million for 74,0% of the shares in Stony Lime Proprietary Limited; and
– R25,0 million for the Kalaka mining right.

Provisional details of the acquisition are as follows:

	Total 2023 R'000
Carrying amount/fair value of net assets acquired – Agri Lime	
Property, plant and equipment	33 767
Trade and other receivables	11 157
Borrowings	(5 404)
Other financial liability	(1 269)
Deferred tax liability	(6 204)
Current tax payable	(250)
Trade and other payables	(19 571)
Cash and cash equivalents	4 400
Net assets – Agri Lime	**16 626**
Less: Non-controlling interests	(430)
Goodwill	46 804
Total purchase consideration	**63 000**
Pro forma revenue assuming the business combination for the full period	62 900
Pro forma loss after tax assuming the business combination for the full period	(6 073)
Revenue included in results	39 962
Profit after tax included in results	3 661
Acquisition cost included in 'operating expenses' for the year	1 000
Analysis as per Statement of Cash Flows:	
Total consideration (fair value)	(63 000)
Consideration payable	29 500
Cash and cash equivalents	4 400
Cash outflow	**(29 100)**

The goodwill acquired in Agri Lime is attributable to the feedlime and agrilime resources, which is expected to expand the Group's current national footprint as well as include diversity with the access to minerals that will expand the product offering within the Industrial Minerals segment.

Non-controlling interest:
The Group had chosen to recognise the non-controlling interest at its proportionate share.

12. Business combinations (continued)

Acquisition of businesses (continued)

12.2 JEF Drill and Blast Proprietary Limited ('JEF')

In the prior year, the Group acquired 100,0% of the issued shares of JEF Drill and Blast Proprietary Limited, which was subsequently renamed to Afrimat Mining Services Proprietary Limited ('Afrimat Mining Services'). The transaction was done by way of a Sale of Shares agreement for a consideration of R1, as well as a cession agreement with the creditors of the company to purchase the remaining balance owing, for an additional consideration of R14,8 million.

The company was placed in business rescue effective 1 February 2021. As part of the business rescue process a business rescue plan ('Plan') was developed to which Afrimat provided the business rescue practitioner ('BRP') with its proposal to rescue the company. The Plan was approved by the requisite creditors and shareholders on 14 June 2021.

On 23 June 2021, all conditions precedent were fulfilled and the agreement became unconditional.

Details of the acquisition are as follows:

	Total 2022 R'000
Carrying amount/fair value of net assets acquired – Afrimat Mining Services	
Non-current assets held for sale	17 550
Deferred tax asset	21 057
Trade and other receivables	1 771
Trade and other payables	(14 750)
Net assets – Afrimat Mining Services	25 628
Total consideration (fair value)	–
Gain on bargain purchase	(25 628)
Total net assets acquired	–
Pro forma revenue assuming the business combination for the full year	34 771
Pro forma loss after tax assuming the business combination for the full year	(8 063)
Revenue included in results	34 771
Loss after tax included in results	(404)
Acquisition cost (including business rescue cost) included in 'operating expenses' for the year	–
Analysis as per Statement of Cash Flows:	
Total consideration (fair value)	–
Trade and other payables	(14 750)
Cash outflow	(14 750)

The gain on bargain purchase realised in Afrimat Mining Services is due to the business being bought out of business rescue and the fact that the entity was loss making at the time the acquisition occurred. The Group identified an opportunity to expand its contracting operations through this acquisition. In the prior year this operation was reflected within the Construction Materials segment, but has subsequently been reallocated to the Services segment, as this business operation relates mainly to services rendered.

A deferred tax asset of R21,0 million was raised on acquisition. Afrimat Mining Services is generating taxable income and therefore has started utilising the assessed loss carried forward. The Group concludes that the deferred tax asset will be recoverable.

12. Business combinations (continued)

Acquisition of assets

12.3 Coza Mining Proprietary Limited ('Coza')

As per the SENS announcement published on 17 August 2020, the Company entered into a Sale of Shares agreement ('Coza Agreement'), in terms of which the Company agreed to purchase 100,0% of the issued ordinary shares of Coza Mining Proprietary Limited ('Coza') ('Assets'), with operations in South Africa, for a purchase consideration of R307,6 million, subject to adjustment ('Coza Transaction').

The Group entered into a mining contractor's agreement with Coza, allowing the Group to undertake mining operations at the mine, pursuant to the grant of the mining right for Jenkins Mine. On 27 June 2021, the mining right was granted for the Jenkins Mine. Effective management and control of the mining operations through its appointment as mining contractor in terms of the mining contractor's agreement was obtained by the Group effectively from 1 July 2021. On 14 September 2021, all conditions precedent were fulfilled and the agreement became unconditional.

The purchase consideration of R307,6 million, including interest to the amount of R7,6 million, has been settled.

	Total 2022 R'000
Carrying amount/fair value of net assets acquired – Coza	
Property, plant and equipment	307 643
Net assets/total consideration (fair value)	307 643
Analysis as per Statement of Cash Flows:	
Total consideration (fair value)	(307 643)
Cash outflow	(307 643)

13. Fair value estimation

Fair value determination

The following table presents the financial assets and liabilities that are measured at fair value:

	Level 1 R'000	Level 2 R'000	Level 3 R'000
At 31 August 2022			
Assets			
At fair value through other comprehensive income			
Equity securities*	**60**	**–**	**–**
Environmental funds**	**–**	**3 365**	**–**
At fair value through profit or loss			
Unit trusts**	**–**	**75 247**	**–**
Total assets	**60**	**78 612**	**–**
Liabilities			
Other liability*#	**(1 455)**	**–**	**–**
Trade payables***	**–**	**(18 809)**	**–**
Total liabilities	**(1 455)**	**(18 809)**	**–**
At 31 August 2021			
Assets			
At fair value through other comprehensive income			
Equity securities*	41	–	–
Environmental funds**	–	3 224	–
At fair value through profit or loss			
Unit trusts**	–	67 178	–
Total assets	41	70 402	–
Liabilities			
Trade payables***	–	(99 591)	–
Call option derivative liability****	–	(2 231)	–
Total liabilities	–	(101 822)	–
At 28 February 2022			
Assets			
At fair value through other comprehensive income			
Equity securities*	74	–	–
Environmental funds**	–	3 365	–
At fair value through profit or loss			
Unit trusts**	–	70 329	–
Trade receivables***	–	265 329	–
Total assets	74	339 023	–

Other liability relates to the cash-settled Forfeitable Share Plan of the Group.

* *The fair value was based on quoted market prices at the end of the reporting period.*

** *The fair value was derived using the adjusted net asset method. The adjusted net asset method determines the fair value of the investment by reference to the fair value of the individual assets and liabilities recognised in the unit trust's/environmental fund's statement of financial position.*

*** *Trade receivables/payables measured at fair value relates to Afrimat Iron Ore Proprietary Limited (previously Afrimat Demaneng Proprietary Limited). The fair value was determined using the three-month forward-looking iron ore price and foreign exchange rate as at the end of the reporting period (refer note 10.1 and 10.2).*

**** *The fair value was derived using the Black-Scholes methodology.*

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited year ended 28 February 2022 R'000
14. Dividends			
14.1 Afrimat Limited dividends paid/declared in respect of the current year profits			
Interim dividend declared/paid	**63 888**	58 537	58 537
Final dividend declared/paid	**–**	–	213 666
	63 888	58 537	272 203
14.2 Dividends cash flow			
Current year interim dividend paid	**–**	–	58 537
Previous year final dividend paid	**213 666**	163 682	163 682
Dividends received on treasury shares	**(7 856)**	(6 414)	(8 680)
	205 810	157 268	213 539
Dividends paid by subsidiaries to non-controlling shareholders	**1 050**	1 078	1 388
	206 860	158 346	214 927

15. Events after reporting date

Glenover

As per the SENS announcement on 9 December 2021, in terms of which Afrimat announced that it had purchased certain assets and rights to mine select deposits at the Glenover mine ('Glenover Mine'), as well as the option to acquire 100,0% of the shares in Glenover Phosphate Proprietary Limited ('Glenover') from the current shareholders ('Glenover Shares'), for a total purchase consideration of R550,0 million ('Glenover Acquisition'). The Group exercised this option to acquire the shares in Glenover on 19 October 2022. Refer to SENS announcement released on 20 October 2022.

The Sale of Shares Agreement is subject to the fulfilment of the following outstanding conditions precedent ('Conditions Precedent'):

(i) Approval in terms of section 11 of the Mineral and Petroleum Resources Development Act No. 28 of 2002; and

(ii) Competition Commission approval.

16. Going concern

Russian invasion

The Russian invasion of Ukraine still has a devastating impact on the global growth. It has filtrated into the South African economy, the Group has experienced a rise in operational costs such as fuel. Based on the current financial and operating performance of the Group and the Group's solvency and liquidity position, the directors believe that the Group will continue as a going concern in the foreseeable future. Management continues to assess and monitor the developments of the war.

17. Contingencies

Guarantees to the value of R63,0 million (August 2021: R66,0 million) were supplied by Standard Bank of South Africa ('SBSA') to various parties, including the Department of Mineral Resources and Energy ('DMRE') and Eskom, respectively during the period under review.

Guarantees to the value of R139,8 million (August 2021: R38,4 million) were supplied by First National Bank ('FNB') to various parties, including the DMRE and Eskom, during the period under review. The increase in the guarantees supplied by FNB relates to the loan agreement entered into between Nkomati and Glencore, whereby Glencore provided Nkomati with R120,0 million loan.

Guarantees to the value of R0,9 million (August 2021: R0,9 million) by ABSA Bank Limited, R256,2 million (August 2021: R212,4 million) by Centriq Insurance Innovation and R2,7 million (August 2021: R2,7 million) by SIG Guarantee Acceptances Proprietary Limited were supplied to various parties, including the DMRE, Eskom and Chevron South Africa Proprietary Limited. The value of Centriq guarantees has increased due to the proportionate increase in quantum calculations affected by National Environmental Management Act ('NEMA') requirements.

A guarantee to the value of R94,8 million was supplied by Guardrisk to the DMRE. This guarantee relates to the environmental rehabilitation costs for Nkomati.

The majority of these guarantees are in respect of environmental rehabilitation and will only be payable in the event of default by the Group.

A contingent liability exists due to the uncertain timing of cash flows with regards to future local economic development ('LED') commitments made to the DMRE in respect of companies with mining rights. These commitments are dependent on the realisation of the future agreed upon LED projects. Future commitments amount to R14,7 million (August 2021: R14,2 million). An accrual has been raised in respect of commitments made up to end of the reporting period.

The Company received notice on 31 March 2017 from the Competition Commissioner that it had referred a complaint to the Competition Tribunal, alleging that the Company, through its wholly owned subsidiary, Clinker Supplies Proprietary Limited ('Clinker'), had engaged in an abuse of dominance by allegedly charging excessive prices. After taking legal advice and considering the complaint, the Company is of the opinion that there is no merit to the complaint and will therefore vigorously defend itself before the Competition Tribunal. The Competition Commission is ordering an administrative penalty equal to 10% of affected turnover for F2016 which equates to R16,3 million. The Company still awaits a final hearing date to be set by the Tribunal.

	Unaudited six months ended 31 August 2022 R'000	Unaudited six months ended 31 August 2021 R'000	Audited year ended 28 February 2022 R'000
18. Related parties			
Loan balance owing by associate	–	8 548	–
Interest received from associate	–	204	94

During the prior year, Ikapa Quarries Proprietary Limited entered into a share buy-back transaction with Afrimat Limited, whereby all the shares held by Afrimat Limited were bought back.

NOTES

Directors
FM Louw*# (Chairman)
AJ van Heerden♦ (CEO)
PGS de Wit♦ (CFO)
C Ramukhubathi♦
MG Odendaal♦
GJ Coffee*#
L Dotwana*
PRE Tsukudu*#
JF van der Merwe*# (Lead Independent Director)
JHP van der Merwe*#
S Tuku*#
* *Non-executive director*
# *Independent*
♦ *Executive director*

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Transfer secretaries
Computershare Investor Services Proprietary Limited
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Rosebank Towers, 15 Biermann Avenue
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Announcement date
27 October 2022