



Headline earnings

2,9 x more than previous period

Interim dividend

200% higher than last year

Substantial recovery

in commodity prices

Dwarsrivier

contributes R421 million to profit

RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Commentary

Results
Headline earnings for the six months to 31 December 2016 (the current period) increased by 194,2% to R2,2 billion, compared to the same period in the previous financial year (the previous period, or 2015). This was brought about by considerably higher headline earnings recorded for the current period by both Assmang Proprietary Limited (Assmang), and Dwarsrivier Chrome Mine Proprietary Limited (Dwarsrivier) (refer "Dwarsrivier" below). The contribution to headline earnings for the six months from Assmang was R1 427 million (2015: R614 million) and Dwarsrivier generated R421 million for the current period, after it became a wholly owned subsidiary of the group from 1 July 2016.

The group's major interests consist of its 100% ownership of Dwarsrivier and its 50% interest in Assmang which it controls jointly with African Rainbow Minerals Limited (ARM), in accordance with International Financial Reporting Standards (IFRS), the group accounts for Assmang's results using the equity accounting method.

The markets for the group's commodities have made strong recoveries, and prices for all products closed significantly higher than in the previous period. Demand for crude steel in China was stronger than expected, causing higher levels of imports of iron ore, which resulted in the average index selling price for iron ore fines (62% iron content) delivered in China increasing to US dollars (USD) 65 per metric ton from USD51 per metric ton in the previous period. Average prices for manganese ore were more than double those for the previous period, with the average price for high grade ore increasing by 127% to USD6.00 per dry metric ton unit (dmtu), delivered in China. In addition to the increased steel production referred to above, logistical concerns over the manganese export facilities at Port Elizabeth created pressure on supply over the period, driving prices for all grades higher. Chrome ore prices increased considerably over the current period, caused by inventory shortages in China and significantly increased levels of stainless steel production, with prices for 44% chrome content material exceeding USD400 per ton delivered in China compared to approximately USD165 per ton at the beginning of the current period. The average level of the US dollar/SA rand exchange rate across the current period was nearly 3% weaker, which also improved the group's profitability marginally.

Sales volumes

Iron ore sales volumes were higher than during the previous period, with higher production throughput being met with increased export railgate availability and continued local demand for Beeshoek material. Infrastructural bottlenecks at Port Elizabeth resulted in reduced sales volumes of manganese ore and production of manganese alloys increased significantly, following the completed commissioning of Sakura's two furnaces. Exceptional demand for chrome ore was evident across the period and improved production levels at Dwarsrivier enabled the group to achieve record sales volumes of chrome ore for a six-month period (refer "Dwarsrivier" below). The following table sets out the sales volumes achieved by the group for the current period:

Metric tons ('000)	Half-year ended 31 December 2016 Unaudited R'000	Half-year ended 31 December 2015 Unaudited R'000	Increase/ (decrease) %
Iron ore	8 805	7 920	11
Manganese ore*	1 417	1 471	(4)
Manganese alloys	139	80	174
Chrome ore	733	586	25

* Excluding intra-group sales to Cato Ridge Works.

Dwarsrivier

Mining efficiency in the current period improved by 5,0% compared to the previous period and combined with improved beneficiation plant performance of 3,3%, comparable production volumes increased by 26%, resulting in the cost of production being 4,6% lower on a per ton basis. This enabled the mine to take advantage of the higher chrome ore prices and generate in excess of R500 million in cash, which covered the base purchase price of the mine in the course of the current period. Capital expenditure amounted to R33 million for the current period.

Expansion and capital expenditure

Capital expenditure in Assmang amounted to R1,2 billion (2016: R1,6 billion) for the period. The continued spend in its manganese division on the manganese expansion project consumed R652 million (2015: R936 million). Once complete in 2020, the Black Rock Mines' annual capacity will increase to 4 million tons, from the original base of 3,2 million tons. Assmang's iron ore division spent R367 million, of which approximately one-third was spent on waste-stripping and the remainder on replacement and legislative requirements.

Construction of Sakura Ferroalloys smelting plant in Malaysia, in which Assmang holds a 54,36% interest, was completed within budget, with the second furnace being successfully commissioned in September 2016. Both furnaces have been ramped up to designed power input level and designed annual production capacity of a combined quantity of 180 000 tons of manganese alloy has been achieved.

Outlook

As was the case in the 2016 calendar year, the growth in the world steel market is expected to be muted, due to significant uncertainties remaining in the global economy, with only the United States showing some signs of a sustainable recovery in its steel market. The better than expected level of Chinese steel production, as well as the increase in crude steel prices in recent months is encouraging and in comparison to 2016, crude steel production is expected to remain relatively flat for the 2017 calendar year. However, the seaborne trade of iron ore worldwide has increased and further increases are anticipated in 2017, with additional supply expected from Australia and South America. Prices for iron ore are expected to remain relatively strong in the near term. Production at Dwarsrivier is anticipated to be maintained at current levels for the remainder of the financial year, and the mine looks to take advantage of better underlying market fundamentals for the production and demand of stainless steel. Prices for chrome ore are expected to remain strong for the near term.

Contrary to the expected near-term prices for iron and chrome ores, prices for the other commodities in which the group trades have come under pressure recently, with prices for high-grade manganese ore declining from the high levels of over USD9 per dmtu, to levels of below USD6 per dmtu. In addition to the impacts of the circumstances set out above, the results of the group remain significantly exposed to fluctuations in exchange rates.

Dividends

The results in this announcement include the final dividend relating to the previous financial year of 500 cents (2015: 300 cents) per share, which was declared on 6 September 2016, and paid to shareholders on 3 October 2016. Based on the substantially higher level of earnings for the period, the board has declared an interim dividend of 600 cents (2015: 200 cents) per share, which will be paid to shareholders on 20 March 2017.

Accounting policies and basis of preparation

The financial results for the period under review have been prepared under the supervision of Mr RA Davies, CA(SA) and in accordance with IAS 34 – *Interim Financial Reporting* and comply with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Listings Requirements of the JSE Limited (JSE) and the Companies Act No 71 of 2008, as amended. The accounting policies applied are consistent with those adopted in the financial year ended 30 June 2016.

Business acquisition

The group acquired control of 100% of Dwarsrivier on 1 July 2016. In accordance with IFRS 3 – *Business Combinations*, the fair values of the assets acquired and liabilities assumed in a business combination are required to be determined within one year of the acquisition of control of the entity. The previous business combination disclosure (which was reported as part of the "Events after reporting period" for year ended 30 June 2016) contained provisional values as the initial accounting for the business combination had not been completed. The fair values previously disclosed, were provisional as the "purchase price allocation" has, to date, not yet been concluded. The fair values of the identifiable assets and liabilities of Dwarsrivier at 1 July 2016, together with the fair value of the purchase consideration, are still in the process of being determined and the results for the financial year ending 30 June 2017 will therefore be adjusted to bring into account the finalisation of the initial accounting for the business combination.

The following provisional values (based on values as at 30 June 2016) have been used in determining the bargain purchase gain for the interim period:

	R'000
Property, plant and equipment	1 136 980
Other non-current assets	17 683
Inventories	382 902
Trade and other receivables	188 637
Other current financial assets	12 384
Cash resources	12 787
Long-term provisions	(63 322)
Trade and other payables	(277 918)
Short-term provisions	(119 695)
Net asset value acquired, at provisional fair value	1 290 438
Deferred tax liability raised in respect of the provisional fair value of assets acquired and liabilities assumed	(210 617)
Provisional fair value of interest already held by the group	(494 955)
– purchase price for acquisition of 50% "A" shares issued to ARM	(225 000)
– provisional fair value of equity interest distributed by Assmang	(269 955)
Provisional fair value of purchase consideration	(540 207)
– purchase price, agreed on 1 July 2014 (cash consideration)	(450 000)
– amount refunded to Assmang for operating funds advanced between 1 July 2014 and 30 June 2016, being capital expenditure incurred, net of profits realised in the same period	(55 313)
– interest foregone on purchase consideration placed in escrow on 1 July 2015 and paid to seller on 29 July 2016 in terms of the acquisition agreement	(34 894)
	44 659

Bargain purchase gain (included in Other income)
The bargain purchase gain results largely from the purchase price being agreed upon as at 1 July 2014 and the transaction being concluded on 29 July 2016, when all of the conditions precedent were met.

Directors

As announced on 6 December 2016, the group's Chief Executive Officer (CEO), Mr Chris Cory, who joined the group in 1989 and reached retirement in the current month, will exit the group on 30 June 2017. Mr Charles Walters will join the group as CEO-designate with effect from 1 April 2017, and on 1 July 2017 will be appointed to the board as the group's CEO.

Declaration of interim dividend

Shareholders are advised that on 21 February 2017, the board of directors (the board) approved an Interim dividend of 600 cents (the dividend), of 600 cents per share (gross) for the half year ended 31 December 2016.

In terms of paragraph 11.17 of the Listings Requirements of JSE Limited, shareholders are advised of the following with regard to the declaration:
1. The dividend has been declared from retained earnings
2. The local dividend tax (dividend tax) rate of 15% will apply
3. The net local dividend amount is 510,0 cents per share for shareholders liable to pay the dividend tax
4. The issued ordinary share capital of Assore is 139 607 000 shares, of which 36 447 746 (2015: 36 400 000) shares are accounted for as treasury shares in terms of IFRS and are therefore excluded from earnings per share calculations
5. Assore's income tax reference number is 9045/018/84/4.

The salient dates are as follows:

• Last day for trading to qualify and participate in the interim dividend	Tuesday, 14 March 2017
• Trading "ex dividend" commences	Wednesday, 15 March 2017
• Record date	Friday, 17 March 2017
• Dividend payment date	Monday, 20 March 2017
• Dates (inclusive) between which share certificates may not be dematerialised or rematerialised	Wednesday, 15 March 2017 to Friday, 17 March 2017

On behalf of the board

Desmond Sacco Chairman	CJ Cory Chief Executive Officer	22 February 2017, Johannesburg
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Consolidated income statement

	Half-year ended 31 December 2016 Unaudited R'000	Half-year ended 31 December 2015 Unaudited R'000	Year ended 30 June 2016 Audited R'000
Revenue	3 284 813	1 340 987	2 941 047
Turnover	2 721 760	958 955	2 027 813
Cost of sales	(1 893 337)	(909 244)	(1 918 242)
Gross profit	828 423	49 711	109 571
Fees and commission earned from joint venture	421 616	263 815	673 761
Other income	192 390	125 708	266 391
Impairment of non-financial assets	—	(40 325)	(109 571)
Impairment of financial assets	—	(87 067)	(30 344)
Other expenses	(297 070)	(216 542)	(514 814)
Finance costs	(7 324)	(17 242)	(38 576)
Profit before taxation and joint venture	1 138 035	78 058	400 303
Taxation	(300 823)	(45 489)	(176 376)
Profit after taxation, before joint venture	837 212	32 569	223 927
Share of profit from joint venture, after taxation	1 418 662	575 911	1 281 000
Share of loss from associate, after taxation	(7 011)	(1 896)	(7 286)
Profit for the period	2 248 863	606 584	1 497 641
Attributable to:			
Shareholders of the holding company	2 219 151	613 518	1 539 363
Non-controlling shareholders	29 712	(6 934)	(41 722)
As above	2 248 863	606 584	1 497 641
Earnings as above	2 219 151	613 518	1 539 363
Bargain purchase gain	(44 659)	—	—
Impairment of non-financial assets	—	83 895	268 395
Impairment of financial assets	—	87 067	30 344
Profit on disposal of property, plant and equipment	(2 410)	—	(8 321)
Profit on disposal of subsidiary	—	—	(8 578)
Taxation effect of above items	—	(28 438)	(58 824)
Non-controlling shareholders' portion	—	(17 743)	(18 203)
Headline earnings	2 172 082	738 299	1 744 176
Earnings per share (basic and diluted – cents)	2 151	594	1 491
Headline earnings per share (basic and diluted – cents)	2 105	715	1 690
Dividends per share declared in respect of the profit for the period (cents)	600	200	700
– Interim	600	200	200
– Final	—	—	500
Weighted average number of ordinary shares (million)			
Ordinary shares in issue	139,61	139,61	139,61
Weighted impact of treasury shares held in trust	(36,43)	(36,40)	(36,40)
	103,18	103,21	103,21

Consolidated statement of comprehensive income

	Half-year ended 31 December 2016 Unaudited R'000	Half-year ended 31 December 2015 Unaudited R'000	Year ended 30 June 2016 Audited R'000
Profit for the period (as above)	2 204 204	606 584	1 497 641
Items that may be reclassified into the income statement dependent on the outcome of a future event	23 688	(7 263)	125 367
Gain/(loss) on revaluation to market value of available-for-sale investments after taxation	36 085	(23 114)	(18 270)
Gain/(loss) on revaluation to market value of available-for-sale investments	46 501	(28 412)	(23 544)
Deferred capital gains tax thereon	(10 416)	5 298	5 274
Exchange differences on translation of foreign operations	(12 397)	115 851	139 877
Actuarial gain on pension fund, after taxation	—	—	3 760
Total comprehensive income for the period, net of tax	2 227 892	599 321	1 623 008
Attributable to:			
Shareholders of the holding company	2 204 255	598 488	1 652 559
Non-controlling shareholders	23 637	833	(29 551)
As above	2 227 892	599 321	1 623 008

Consolidated statement of financial position

	At 31 December 2016 Unaudited R'000	At 31 December 2015 Unaudited R'000	At 30 June 2016 Audited R'000
ASSETS			
Non-current assets			
Property, plant and equipment and intangible assets	1 289 991	199 056	178 609
Investments			
– joint venture	15 258 461	14 661 219	15 094 529
– available-for-sale	240 008	118 492	180 084
– associate	117 837	118 860	124 848
– other	27 363	48 160	44 591
Net deferred taxation asset	—	26 594	17 421
Pension fund surplus	68 070	57 474	68 070
Total non-current assets	17 001 730	15 229 855	15 708 152
Current assets			
Inventories	1 103 685	1 135 868	1 037 471
Trade and other receivables	870 672	274 635	418 466
Restricted cash	—	450 000	479 522
Cash resources	4 868 395	2 763 455	3 184 925
Total current assets	6 842 752	4 623 958	5 120 384
TOTAL ASSETS	23 844 482	19 853 813	20 828 536
EQUITY AND LIABILITIES			
Share capital and reserves			
Ordinary shareholders' interest	20 667 093	18 097 823	18 945 480
Non-controlling deficit	(34 904)	(3 634)	(33 871)
Total equity	20 632 189	18 094 189	18 911 609
Non-current liabilities			
Net deferred taxation liabilities	236 364	—	—
Long-term liabilities	—	346 100	—
– interest-bearing	—	346 100	—
– non-interest-bearing	100 324	32 141	28 554
Total non-current liabilities	336 688	378 241	28 554
Current liabilities			
Interest-bearing	811 281	1 073 468	995 774
Non-interest-bearing	2 064 324	307 915	892 599
Total current liabilities	2 875 605	1 381 383	1 888 373
TOTAL EQUITY AND LIABILITIES	23 844 482	19 853 813	20 828 536

Consolidated statement of cash flow

	Half-year ended 31 December 2016 Unaudited R'000	Half-year ended 31 December 2015 Unaudited R'000	Year ended 30 June 2016 Audited R'000
Cash generated from/(utilised in) operations	1 176 477	(271 220)	212 491
Cash generated by investing activities	691 486	500 878	862 431
Cash (utilised)/generated by financing activities	(184 493)	112 602	(311 192)
Increase in cash for the period	1 683 470	342 260	763 730
Cash resources at beginning of period	3 184 925	2 421 195	2 421 195
Cash resources per statement of financial position	4 868 395	2 763 455	3 184 925

Segmental information

	Iron ore R'000	Manganese R'000	Chrome R'000	Sub-total R'000	Dwarsrivier ² R'000	Marketing and shipping R'000	Other mining activities, eliminations and adjustments ^{1, 2} R'000	Consolidated R'000
Half-year ended 31 December 2016 – Unaudited								
Revenues								
Third party	7 819 786	4 512 035	95 247	12 427 068	1 675 677	1 523 039	(12 340 971)	3 284 813
Inter-segment	—	—	—	—	—	58 864	(58 864)	—
Total revenues	7 819 786	4 512 035	95 247	12 427 068	1 675 677	1 581 903	(12 399 835)	3 284 813
Contribution to profit	2 044 193	756 975	(7 602)	2 793 566	420 695	346 766	(1 312 164)	2 248 863
Half-year ended 31 December 2015 – Unaudited²								
Revenues								
Third party	5 322 872	3 020 941	60 833	8 404 646	890 214	1 196 105	(9 149 978)	1 340 987
Contribution to profit	957 069	192 898	3 812	1 153 779	73 969	61 493	(682 658)	606 584
Impairment of financial and non-financial assets	—	(62 740)	—	(62 740)	(70 289)	(40 325)	31 370	(141 984)

Notes:

¹ Other mining activities include the group's pyrophyllite business and its active mining operations. The majority of adjustments to revenues give effect to joint-venture revenues, which are not disclosed as Assmang is equity-accounted.

² Following the completion of the acquisition of Dwarsrivier with effect from 1 July 2016, and the recent suspension of mining at the group's remaining chrome mines, segmental reporting has been amended to give effect to the segments according to which the group is managed by executive management. The following amounts: Revenues, Third party, R890 214 000, Contribution to profit, R73 969 000 and Impairment of non-financial assets, R70 289 000, which are now reported separately under "Dwarsrivier" were previously reported under "Joint-venture mining and beneficiation — Chrome". Other mining activities have been now included with eliminations and adjustments, which were previously as follows: Revenue, Third party, R9 294 860 000 and Contribution to profit, R620 111 000. "Other mining activities" previously included: Revenues, Third party, R144 882 000 and Contribution to profit, R62 546 000.

Assore Limited Company Registration Number: 1950/037394/06 Share code: ASR ISIN: ZAE000146932 ("Assore" or "group") **Executive Directors:** Desmond Sacco (Chairman), CJ Cory (Chief Executive Officer), PE Sacco (Marketing), BH van Aswegen (Operations and Growth) **Independent non-executive Directors:** EM Southey (Deputy Chairman and Lead Independent Director), TN Mgoduso, S Mlahi, WF Urmson **Registered office:** Assore House, 15 Fricker Road, Illovo Boulevard, Johannesburg, 2196 **Transfer office:** Singular Systems Proprietary Limited, 28 Fort Street, Birnam, 2196 **Company secretaries:** African Mining and Trust Company Limited **Sponsor:** The Standard Bank of South Africa Limited

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