Preliminary reviewed results for the year ended 30 June 2017

ASSORE

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Assore Limited
Company registration number: 1950/037394/06
Share code: ASR
ISIN: ZAE000146932
(Assore or group or company)

Highlights

- **Record** headline and attributable earnings
- **Market recovery** for all products
- **Record** sales volumes of **iron and chrome ores**
- **Excellent** contribution from **Dwarsrivier**
- Full year dividend doubles to **R14 per share**

Commentary

Results

Headline earnings for the financial year to 30 June 2017 (2017 or the reporting period) increased by 199% to a record of R5,2 billion, compared to R1,7 billion in the previous financial year (2016). This result was due to increased levels of headline earnings in Assmang Proprietary Limited (Assmang) as well as the exceptionally strong performance of Dwarsrivier Chrome Mine Proprietary Limited (Dwarsrivier), which recorded a net profit of R843 million in its first full year of inclusion in the group's results (refer "Business acquisition" below).

Attributable earnings amounted to R5,0 billion, 226% higher than 2016, which is also a record level for the group. The difference of R188 million between headline and attributable earnings arises mostly on once-off transactions recorded in the group and by Assmang, following the sale of Dwarsrivier by Assmang to the group (refer "Impairment charges" and "Business acquisition" below).

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

The markets into which the group sells its products recovered during 2017 and were generally stronger in comparison to 2016. The growth in the production of crude steel in China, which manufactures more than half of the crude steel produced globally, drove commodity prices higher during the year. Prices for iron ore (62% iron content, "fines" grade, delivered in China) were 37% higher than in 2016, at an average index price of US dollar 70 per ton, while the premium for "lumpy" grade material was US dollar 7,38 per ton, marginally lower than the level for 2016. Increased environmental controls in China and efficiency objectives at Chinese steel mills, however, resulted in a notable increase in this premium towards the end of 2017. The higher levels of crude steel production also resulted in a marked improvement in manganese ore prices, with the average index price for 44% grade manganese content material, delivered in China doubling to US dollar 5,77 per dry metric ton unit (dmtu), from US dollar 2,89 in 2016. Ferromanganese prices also rallied on the back of the increase in ore prices and robust demand in North America and Europe.

Stainless steel showed remarkable growth in the 2016 calendar year, with production growing by 8% when compared to the 2015 calendar year. The resulting demand for chrome ore in China in conjunction with consolidation of supply in South Africa led to a supply deficit for chrome ore. Accordingly, average prices for 44% chrome content material, delivered in China, were much higher than those for 2016, at US dollar 300 per ton (2016: US dollar 150 per ton).

The average SA rand/US dollar exchange rate across 2017 was R13,71, 5% stronger than the level that prevailed during 2016. This had the effect of countering somewhat the higher commodity prices for 2017. The factors above resulted in Assmang's turnover (excluding Dwarsrivier) for 2017 increasing by 39% compared to 2016. Consequently, commissions earned by the group for 2017 were commensurately higher.

Safety improvements were recorded at all of Assmang's operations and those of the group. No mining-related fatalities occurred during the year and Dwarsrivier recorded 4 million fatality-free shifts in August 2017.

Impairment charges

Assmang recorded an impairment charge on its sale of Dwarsrivier to the group, based on the selling price of Dwarsrivier and the carrying values of the assets sold and liabilities transferred, amounting to R746 million, on a pre- and post-tax basis (refer "Business acquisition" below). A review of facilities in Assmang's manganese division gave rise to further write-downs of R139 million on an after-tax basis. The group's 50% share of these adjustments amounted to R443 million.

Sales volumes

Record volumes of iron and chrome ores have once again been achieved, making 2017 the third consecutive year in which record volumes of these products have been sold. Iron ore sales volumes were marginally higher than 2016, while improved production volumes at Dwarsrivier provided the group with the opportunity to take advantage of the strong demand for chrome ore (refer "Dwarsrivier" below). Manganese ore volumes were slightly lower due to planned outages to accommodate the expansion project at the Black Rock mines (refer "Expansion and capital expenditure" below). Following the commissioning of the second furnace at Sakura Ferroalloys SDN BHD, Malaysia (Sakura), sales of ferromanganese increased substantially in comparison to 2016.

The following table sets out the sales volumes achieved by the group for the year:

Metric tons '000	Year ended 30 June 2017	Year ended 30 June 2016	Increase/ (decrease) %
Iron ore	**17 275**	17 008	2
Manganese ore*	**2 974**	3 030	(2)
Manganese alloys	**303**	175	73
Chrome ore	**1 279**	1 147	12

**Excluding sales to Cato Ridge Works.*

Dwarsrivier

A combination of improved mining and beneficiation efficiencies gave rise to a 12% increase in saleable volumes compared to 2016, with the mine achieving monthly production records in March and May of 2017. Production cost per ton reflected an increase of 1% over 2016. After capital expenditure of R141 million, mostly on replacement items, the mine generated in excess of R900 million in cash, giving effect to a payback period of less than a year for the group's investment to acquire full control of Dwarsrivier.

Expansion and capital expenditure

Capital expenditure in Assmang amounted to R2,8 billion for 2017 (2016: R3,0 billion). Expenditure to increase and sustain production at the Black Rock mines in the Manganese division continues and R1,1 billion was spent during 2017 in this regard (2016: R652 million), bringing the project to an approximate level of completion of 82%. The expected year of completion is 2020, whereafter the annual manganese ore production capacity is planned to amount to 4 million tons, from the original base of 3,2 million tons. The Iron Ore division spent R1,2 billion, of which more than half (R670 million) related to replacement and compliance requirements.

Assmang's manganese smelting plant in Malaysia, Sakura Ferroalloys, in which it holds 54,36% interest, has a design capacity of 216 000 tons of ferromanganese per annum. The operation exceeded this level of production by 9% in the last quarter. The group has a 29,9% interest in IronRidge Resources Limited (IronRidge), an AIM-listed minerals exploration company, with a diversified portfolio of gold, lithium, bauxite, titanium and iron ore prospects in regions of Africa and Australia. IronRidge acquired further prospecting rights in Chad and gold and lithium licences in Ivory Coast and Ghana during the past year both directly and through joint ventures.

Outlook

Prospects for economic growth continue to improve in most regions and underlying market fundamentals remain positive. However, the impact of additional supply of iron ore, particularly from Australia and Brazil, is expected to have a detrimental effect on prices which are likely to decline to levels approximating US dollar 50 per ton by the end of the calendar year. Credit tightening in China, together with weaker sentiment may impact demand and price levels negatively in the short term. Following the release of the revised Mining Charter in June 2017, the mining industry in South Africa faces a high level of uncertainty and the impact of the changes are likely to be negative for the country's mining industry. Further to the factors noted above, the results of the group remain significantly exposed to fluctuations in exchange rates.

Dividends

The results in this announcement include the interim dividend of 600 cents (2016: 200 cents) per share which was declared on 21 February 2017 and paid to shareholders on 20 March 2017. In line with the improved results for the year, the board of directors of Assore (the board) has declared a final dividend of 800 cents (2016: 500 cents) per share, making a total dividend in respect of results for the year of 1 400 cents (2016: 700 cents) per share. The final dividend will be paid to shareholders on or about 26 September 2017 and, in accordance with IFRS, is not included in the results contained in this announcement as it was declared after year-end.

Accounting policies and basis of preparation

The directors of Assore take full responsibility for the preparation of this announcement. The financial results for the year 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 Financial Pronouncements as issued by Financial Reporting Standards Council, 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.

Ernst & Young Inc, the group's independent external auditors, have reviewed the condensed consolidated preliminary results included in this announcement and their unmodified review report is available for inspection at the registered office of the company. The review was conducted in terms of ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

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" was not yet concluded at that point in time. On the basis of a valuation performed and independently reviewed effective 1 July 2016 the fair values of the identifiable assets and liabilities of Dwarsrivier at 1 July 2016, together with the fair value of the purchase consideration, were determined and the results for the financial year ending 30 June 2017 were adjusted to bring into account the finalisation of the initial accounting for the business combination and the valuation referred to above.

The following finalised values have been used in determining the bargain purchase gain:

R'000	2017
Property, plant and equipment	691 596
Mining right	712 502
Inventories	455 631
Trade and other receivables	218 704
Cash and cash equivalents	12 787
Long-term provisions	(63 323)
Trade and other payables	(277 918)
Short-term provisions	(119 695)
Deferred tax liability raised in respect of the fair value of assets	(282 383)
Pre-acquisition liability	(55 313)
Fair value of identifiable assets acquired and liabilities assumed	1 292 588
Fair value of interest already held by the group	(560 709)
– purchase price for acquisition of 50% DCM "A" shares issued to ARM	(237 562)
– fair value of equity interest distributed by Assmang	(323 147)
Fair value of purchase consideration	(475 124)
– purchase price, agreed as at 1 July 2014	(450 000)
– 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	(25 124)
Bargain purchase gain	256 755

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.

The following results of Dwarsrivier have been included in the consolidated income statement, for the year to 30 June 2017:

R'000	2017
Revenue	3 380 466
Profit attributable to shareholders	843 199

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 February 2017, stood down on 30 June 2017. Mr Charles Walters, who joined the group as CEO-designate on 1 April 2017, was appointed to the board as the group's CEO on 1 July 2017.

Declaration of final dividend

Shareholders are advised that on 29 August 2017, the board of directors (the board) approved final dividend number 121 (the dividend), of 800 cents per share (gross) for the year ended 30 June 2017.

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 20% will apply
3. The net local dividend amount is 640 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 (2016: 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 final dividend	Tuesday, 19 September 2017
Trading "ex dividend" commences	Wednesday, 20 September 2017
Record date	Friday, 22 September 2017
Dividend payment date	Tuesday, 26 September 2017
Dates (inclusive) between which share certificates may not be dematerialised or rematerialised	Wednesday, 20 September 2017 to Friday, 22 September 2017

On behalf of the board

Desmond Sacco
Chairman

Charles Walters
Chief Executive Officer

30 August 2017
Johannesburg

Financial statements

Consolidated income statement

R'000	Year ended 30 June 2017 Reviewed	Year ended 30 June 2016 Audited
Revenue	**7 223 959**	2 941 047
Turnover	**5 945 266**	2 027 813
Cost of sales	**(4 200 692)**	(1 918 242)
Gross profit	**1 744 574**	109 571
Fees and commission earned from joint venture	**920 055**	673 761
Other income	**372 317**	266 391
Bargain purchase gain	**256 755**	–
Impairment of non-financial assets	**–**	(65 686)
Impairment of financial assets	**–**	(30 344)
Other expenses	**(801 762)**	(514 814)
Finance costs	**(19 662)**	(38 576)
Profit before taxation and joint venture	**2 472 277**	400 303
Taxation	**(583 420)**	(176 376)
Profit after taxation, before joint venture	**1 888 857**	223 927
Share of profit from joint venture, after taxation	**3 266 282**	1 281 000
Share of loss from associate, after taxation	**(16 809)**	(7 286)
Profit for the year	**5 138 330**	1 497 641
Attributable to:		
Shareholders of the holding company	**5 021 171**	1 539 363
Non-controlling shareholders	**117 159**	(41 722)
As above	**5 138 330**	1 497 641
Earnings as above	**5 021 171**	1 539 363
Impairment of non-financial assets in joint venture and subsidiaries	**96 501**	268 395
Impairment arising on the sale of Dwarsrivier in joint venture	**373 014**	–
Impairment of financial assets	**–**	30 344
Bargain purchase gain (Dwarsrivier)	**(256 755)**	–
Loss/(profit) on disposal of property, plant and equipment	**1 670**	(8 321)
Profit on disposal of subsidiary	**–**	(8 578)
Taxation effect of above items	**(26 555)**	(58 824)
Non-controlling shareholders' portion	**–**	(18 203)
Headline earnings	**5 209 046**	1 744 176
Earnings per share (basic and diluted – cents)	**4 867**	1 491
Headline earnings per share (basic and diluted – cents)	**5 049**	1 690
Dividends per share declared in respect of the profit for the year (cents)	**1 400**	700
– Interim	**600**	200
– Final	**800**	500
Weighted average number of ordinary shares (million)		
Ordinary shares in issue	**139,61**	139,61
Weighted impact of treasury shares held in trust	**(36,43)**	(36,40)
	103,18	103,21

Consolidated statement of comprehensive income

R'000	Year ended 30 June 2017 Reviewed	Year ended 30 June 2016 Audited
Profit for the year (as above)	**5 138 330**	1 497 641
Items that may be reclassified into the income statement dependent on the outcome of a future event	**39 098**	125 367
Gain/(loss) on revaluation to market value of available-for-sale investments after taxation	**38 251**	(18 270)
Gain/(loss) on revaluation to market value of available-for-sale investments	**49 292**	(23 544)
Deferred capital gains tax thereon	**(11 041)**	5 274
Exchange differences on translation of foreign operations	**(26 112)**	139 877
Actuarial gain on pension fund, after taxation	**26 959**	3 760
Total comprehensive income for the period, net of tax	**5 177 428**	1 623 008
Add back: Comprehensive income attributable to non-controlling shareholders	**104 364**	29 551
Attributable to shareholders of the holding company	**5 281 792**	1 652 559

Consolidated statement of financial position

R'000	At 30 June 2017 Reviewed	At 30 June 2016 Audited
ASSETS		
Non-current assets		
Property, plant and equipment and intangible assets	1 584 642	178 609
Investments		
– joint venture	15 550 102	15 094 529
– available-for-sale	229 376	180 084
– associate	108 729	124 848
– other	24 098	44 591
Pension fund surplus	93 144	68 070
Deferred taxation	–	17 421
Total non-current assets	17 590 091	15 708 152
Current assets		
Inventories	1 223 032	1 037 471
Trade and other receivables	1 104 332	418 466
Restricted cash	–	479 522
Cash resources	5 626 778	3 184 925
Total current assets	7 954 142	5 120 384
TOTAL ASSETS	25 544 233	20 828 536
EQUITY AND LIABILITIES		
Share capital and reserves		
Ordinary shareholders' interest	22 872 002	18 945 480
Non-controlling deficit	(24 348)	(33 871)
Total equity	22 847 654	18 911 609
Non-current liabilities		
Net deferred taxation liabilities	283 778	–
Long-term liabilities		
– interest-bearing	–	–
– non-interest-bearing	134 920	28 554
Total non-current liabilities	418 698	28 554
Current liabilities		
Interest-bearing	579 719	995 774
Non-interest-bearing	1 698 162	892 599
Total current liabilities	2 277 881	1 888 373
TOTAL EQUITY AND LIABILITIES	25 544 233	20 828 536

Fair values of financial instruments

The group uses the following hierarchy for determining and disclosing the fair value inputs of financial instruments:

Level 1 – quoted prices in an active market that are unadjusted for identical assets or liabilities;
Level 2 – valuation techniques using inputs, which are directly or indirectly observable; and
Level 3 – valuations based on data that is not observable (not applicable to the group).

The values of all other financial instruments recognised, but not subsequently measured at fair value, approximate fair value.

R'000	Year ended 30 June 2017 Reviewed Level 1	Year ended 30 June 2016 Audited Level 1
Assets measured at fair value		
Available-for-sale investments	**229 376**	180 084
Other investments	**24 098**	44 591
	253 474	224 675

Consolidated statement of cash flow

R'000	Year ended 30 June 2017 Reviewed	Year ended 30 June 2016 Audited
Cash generated from operating activities[1]	**734 600**	212 491
Cash retained from investing activities[2]	**2 123 308**	862 431
Other financing activities	**(416 055)**	(311 192)
Increase in cash for the year	**2 441 853**	763 730
Cash resources at beginning of year	**3 184 925**	2 421 195
Cash resources per statement of financial position	**5 626 778**	3 184 925

[1] *Includes dividend paid to shareholders of the holding company of R1 135 277 000 (2016: R515 863 000).*
[2] *Includes dividend received from joint venture of R2 250 000 000 (2016: R875 000 000).*

Consolidated statement of changes in equity

R'000	Year ended 30 June 2017 Reviewed	Year ended 30 June 2016 Audited
Share capital, share premium and other reserves		
Balance at beginning of year	512 032	398 836
Other comprehensive income for the year	51 893	113 196
Net increase/(decrease) in the market value of available-for-sale investments	38 251	(18 270)
Actuarial gains on pension plan after taxation	26 959	3 760
Foreign currency translation reserve arising on consolidation	(13 317)	127 706
Balance at end of year	563 925	512 032
Treasury shares		
Balance at beginning of year	(5 051 583)	(5 051 583)
Acquired during the year	(11 265)	–
Balance at end of year	(5 062 848)	(5 051 583)
Retained earnings		
Balance at beginning of year	23 485 031	22 461 703
Profit for the year attributable to shareholders	5 021 171	1 539 363
Ordinary dividends declared during the year	(1 135 277)	(516 035)
– total dividends declared	(1 535 677)	(698 035)
– dividends on treasury shares held in BEE trusts	400 400	182 000
Balance at end of year	27 370 925	23 485 031
Ordinary shareholders' interest	22 872 002	18 945 480
Non-controlling interests		
Balance at beginning of year	(33 871)	15 765
Share of total comprehensive income/(loss)	9 523	(49 636)
– share of total comprehensive income/(loss)	104 364	(29 551)
– profit/(loss) for the year	117 159	(41 722)
– other comprehensive (loss)/income	(12 795)	12 171
– derecognition of non-controlling interest upon disposal of subsidiary	–	8 232
– dividends paid to non-controlling shareholders	(94 841)	(28 317)
Balance at end of year	(24 348)	(33 871)
Total equity	22 847 654	18 911 609

Segmental information

R'000	Associate mining and beneficiation Iron ore	Manganese	Chrome	Sub-total	Dwars-rivier	Marketing and shipping	Other mining activities, eliminations and adjustments	Consolidated
Year ended 30 June 2017 – reviewed								
Revenues								
Third party	16 398 968	10 238 065	207 764	26 844 797	3 410 363	3 573 061	(26 604 262)	7 223 959
Inter-segment	–	–	–	–	–	6 915	(6 915)	–
Total revenues	16 398 968	10 238 065	207 764	26 844 797	3 410 363	3 579 976	(26 611 177)	7 223 959
Contribution to profit after taxation	4 372 631	2 181 569	(6 746)	6 547 454	843 199	1 071 298	(6 573 094)	1 888 857
Impairment of financial and non-financial assets after taxation	–	(138 976)	(746 007)	(884 983)	–	–	442 492	(442 492)
Consolidated total assets	25 571 400	13 519 306	554 089	39 644 795	1 511 650	23 589 330	(39 201 542)	25 544 233
Consolidated total liabilities	5 930 711	2 754 092	414 120	9 098 923	824 167	1 823 961	(9 050 472)	2 696 579
Year ended 30 June 2016 – audited								
Revenues								
Third party	12 532 603	6 666 055	1 893 709	21 092 367	–	2 650 817	(20 802 137)	2 941 047
Inter-segment	–	–	–	–	–	5 542	(5 542)	–
Total revenues	12 532 603	6 666 055	1 893 709	21 092 367	–	2 656 359	(20 807 679)	2 941 047
Contribution to profit after taxation	2 440 236	103 748	42 962	2 586 946	–	367 384	(2 730 403)	223 927
Impairment of financial and non-financial assets after taxation	–	(405 418)	–	(405 418)	–	(30 344)	137 023	(298 739)
Consolidated total assets	25 982 501	11 044 725	1 576 180	38 603 406	–	1 217 940	(18 992 810)	20 828 536
Consolidated total liabilities	5 853 111	2 153 428	222 742	8 229 280	–	1 859 704	(8 172 057)	1 916 927

Administration

Directors

Executive Desmond Sacco (*Chairman*), CE Walters (*Chief Executive Officer)*, PE Sacco (*Marketing*), BH van Aswegen (*Operations and Growth*)

Non-executive EM Southey* (*Deputy Chairman and Lead Independent Director*), DN Aitken*, TN Mgoduso*, S Mhlarhi*, WF Urmson*

**Independent*

Registered office

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Company secretary

African Mining and Trust Company Limited

Transfer office

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The Standard Bank of South Africa Limited

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