Assore Limited
Registration Number: 1950/037394/06
Share code: ASR
ISIN: ZAE000146932
(Assore or group or company)

RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Highlights

- Outstanding safety performance in the group
- Headline earnings 12% higher
- Interim dividend increased 67% to R10 per share
- Strong commodity prices
- Increased sales volumes for all products

CEO Charles Walters said:
"Improved volumes across our range of products and improved USD prices for all commodities in our basket except chrome ore were enough to overcome a 6% strengthening of the Rand allowing us to post a 12% growth in headline earnings. Given our strong balance sheet and good operational cash generation, we were pleased to be in a position to increase the interim dividend by 67% to R10 per share."

Commentary

Results

Headline earnings for the six months to 31 December 2017 (the current period) increased by 11,8% to R2,4 billion, compared to the same period in the previous financial year (the previous period, or 2016). This increase comprises higher headline earnings in Assmang Proprietary Limited (Assmang), which were 21,7% higher than 2016 and lower headline earnings from the rest of the group’s operations, which were 9,3% lower than 2016, at R701,8 million.

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 remained firm with world economic growth for the 2017 calendar year (CY2017) estimated at 3,6%, while China's economy increased by 6,9% over the same period. These growth rates supported increased crude and stainless steel demand, with crude steel production for CY2017 5,3% higher than the previous year, at 1,691 million metric tonnes. Global production of stainless steel for CY2017 was 5,6% above the previous year, with the increase in China recorded at 5,8%.

These conditions led to prices that were generally slightly higher for the group's products, which are reflected in the table below:

Average price, US dollar, delivered in China	Half-year ended 31 December 2017	Half-year ended 31 December 2016	% Increase/ (decrease)
Iron ore (62% iron content, "fines" grade per metric tonne)	68	65	5
Manganese ore (44% grade manganese content per dry metric tonne unit)	6,30	6,02	5
Chrome ore (44% chrome content material per metric tonne)	195	224	(13)

Even though demand for chrome ore remained healthy, prices over the current period were lower than 2016.

This was mainly due to an abnormally high price spike exceeding US dollars (USD) 400 per metric tonne that occurred in 2016 as a result of extremely low chrome ore inventories as well as higher levels of stainless steel production in China. These inventories normalised to a level of 2,3 million tonnes for the current period, which brought about lower prices.

Environmental regulations imposed in China have resulted in strong demand for high grade iron ores, including "lumpy" iron ore. The premium for "lumpy" material, was higher by nearly USD5 per metric tonne in the current period, compared to 2016. Over 50% of Assmang's iron ore is sold into the market as "lumpy" grade material.

Demand for manganese ore remained strong driven by weaker than expected Chinese domestic production of manganese ore, increased production of crude steel and significantly higher Chinese electrolytic manganese metal (EMM) production. This resulted in an undersupplied market, thus providing support for strong but stable prices for both the high-grade (44% manganese content) and the lower-grade (37% manganese content) indices.

The alloy market remained tight as growth in supply was not sufficient to offset the increases in demand. These conditions, together with robust manganese ore prices, strong steel consumption and high steel prices resulted in alloy prices across the grades being maintained at the higher levels as seen at the start of the 2017 calendar year.

The average level of the SA rand/US dollar exchange rate was 6% stronger across the current period, which offset the impacts of the improved US dollar selling prices and sales volumes to a limited extent.

Safety

The group continues to maintain and achieve exceptional safety records. In 2017, Assmang's operations received three safety awards at the annual Mine Safe conference, as arranged by the mining industry, Department of Mineral Resources (the DMR) and organised labour. Black Rock Manganese Mine was awarded first place for best safety performance in underground mines, while Beeshoek Iron Ore Mine (Beeshoek) achieved first place for best safety performance for base metal mines and second place for the best year-on-year safety improvement. Beeshoek was also the recipient of the best safety performance award from the DMR for achieving 16 000 fatality-free production shifts. On 16 January 2018, Black Rock Manganese Mine achieved 6 million fatality-free shifts.

Sales volumes

Increased sales volumes of iron ore were realised, in both the export and local markets. Sales volumes of manganese ore were well above the levels of the previous period, due to a combination of factors. The logistical issues at Port Elizabeth, which restricted sales volumes in the previous period, were mostly resolved by July 2017. In the current period, railage availability was also higher as a result of increased export capacity via Saldanha Port. This additional availability was met by increased production from Nchwaning II shaft at Assmang's Black Rock manganese mines.

Production at Sakura Ferroalloys SDN BHD, Malaysia (Sakura), has reached and exceeded capacity, resulting in higher sales volumes of manganese alloys. Continued strong 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 tonnes '000	Half-year ended 31 December 2017	Half-year ended 31 December 2016	% increase
Iron ore	9 130	8 805	4
Manganese ore*	1 556	1 417	10
Manganese alloys	162	139	17
Chrome ore	794	733	8

* Excluding intra-group sales to Cato Ridge Works.

Dwarsrivier

Mining and beneficiation efficiency improved by 3,1% and 0,7% respectively compared to 2016. These efficiency improvements, together with labour productivity improvements resulted in an overall increase in production volumes of 7,2%. Inflationary increases were effectively countered by improved efficiencies and cost of production was marginally higher (0,1%) on a per-tonne basis. A new monthly production record was achieved in July 2017. Cash flow (before capital expenditure) was R990 million following record half-year sales volumes.

Expansion and capital expenditure

Capital expenditure in Assmang was consistent with that of the previous period, at R1,2 billion. Approximately half of this amount was spent in Assmang's Iron Ore division, with R522 million spent on waste-stripping. A further R285 million (2016: R652 million) was spent in its Manganese division on the manganese expansion project, which stood at 83,6% completion at December 2017. The project is expected to be completed in 2020, at which stage an overall manganese capacity of 4 million tonnes will be available from the Black Rock mines. Dwarsrivier spent R130 million, mostly on sustainability and compliance items. Exploration and related activities continue in IronRidge Resources Limited (AIM-listed), in which the group currently holds 29,5%.

Outlook

World economic growth for the 2018 calendar year is forecast to be stronger than CY2017, at 3,7%. It is also expected that improved economic growth levels will be realised in all major areas in the world, and not merely in the East, as has been the case in recent years. As a result, strong demand for the group's products is anticipated in the short term and prices are expected to remain within relatively stable ranges. It is also expected that Chinese environmental policies should continue to support demand for the group's high-quality products.

For iron and manganese ores, the relatively higher current price levels may attract additional supply into these markets and depending on economic growth levels, may put pressure on price levels in the medium term.

Dividends

The results in this announcement include the final dividend relating to the previous financial year of 800 cents (2016: 500 cents) per share, which was declared on 29 August 2017, and paid to shareholders on 26 September 2017. Based on the level of earnings for the period, the board has declared an interim dividend of 1 000 cents (2017: 600 cents) per share, which will be paid to shareholders on 19 March 2018.

Accounting policies and basis of preparation

The directors of Assore take full responsibility for the preparation of this announcement. 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 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 2017.

Directors

Shareholders are advised that following his appointment as Chief Financial Officer to Assore in February 2017, Mr Ross Davies has been appointed as a director, effective 20 February 2018. Ross qualified as a chartered accountant in 1994 and joined the group as Group Accountant in 2008.

Declaration of interim dividend

Shareholders are advised that on 20 February 2018, the board of directors (the board) approved Interim dividend number 122 (the dividend), of 1 000 cents per share (gross) for the half-year ended 31 December 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 800 cents per share for shareholders liable to pay the dividends tax;
4. the issued ordinary share capital of Assore is 139 607 000 shares, of which 36 455 970 (2016: 36 447 746) shares are accounted for as treasury shares in terms of IFRS and are therefore excluded from earnings per share calculations; and
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, 13 March 2018
- Trading "ex dividend" commences	Wednesday, 14 March 2018
- Record date	Friday, 16 March 2018
- Dividend payment date	Monday, 19 March 2018
- Dates (inclusive) between which share certificates may not be to dematerialised or rematerialised	Wednesday, 14 March 2018 Friday, 16 March 2018

On behalf of the board

Desmond Sacco CE Walters

Chairman Chief Executive Officer

Johannesburg

21 February 2018

Consolidated income statement

R'000	Half-year ended 31 December 2017 Unaudited	Half-year ended 31 December 2016 Unaudited	Year ended 30 June 2017 Audited
Revenue	3 841 588	3 284 813	7 223 959
Turnover	3 138 720	2 721 760	5 945 266
Cost of sales	(2 416 102)	(1 893 337)	(4 200 692)
Gross profit	722 618	828 423	1 744 574
Fees and commission earned from joint venture	458 174	421 616	920 055
Other income	291 731	192 390	372 317
Bargain purchase gain	-	-	256 755
Impairment of non-financial assets	(21 564)	-	-
Other expenses	(336 003)	(297 070)	(801 762)
Unrealised foreign exchange loss	(81 998)	-	-
Finance costs	(8 912)	(7 324)	(19 662)
Profit before taxation and joint venture	1 024 046	1 138 035	2 472 277
Taxation	(262 764)	(300 823)	(583 420)
Profit after taxation, before joint venture	761 282	837 212	1 888 857
Share of profit from joint venture, after taxation	1 728 868	1 418 662	3 266 282
Share of loss from associates, after taxation	(8 404)	(7 011)	(16 809)
Profit for the period	2 481 746	2 248 863	5 138 330
Attributable to:			
Shareholders of the holding company	2 454 375	2 219 151	5 021 171
Non-controlling shareholders	27 371	29 712	117 159

As above	2 481 746	2 248 863	5 138 330
Earnings as above	2 454 375	2 219 151	5 021 171
Impairment of non-financial assets	21 564	-	-
Profit on disposal of available-for-sale investments	(42 565)	-	-
Profit on disposal of property, plant and equipment	(5 619)	(2 410)	1 670
Impairment arising on the sale of Dwarsrivier in joint venture	-	-	373 014
Bargain purchase gain (Dwarsrivier)	-	(44 659)	(256 755)
Impairment of non-financial assets in joint venture entity	-	-	96 501
Taxation effect of above items	1 258	-	(26 555)
Headline earnings	2 429 013	2 172 082	5 209 046
Earnings per share (basic and diluted - cents)	2 379	2 151	4 865
Headline earnings per share (basic and diluted - cents)	2 355	2 105	5 047
Dividends per share declared in respect of the profit for the period (cents)	1 000	600	1 400
- Interim	1 000	600	600
- Final			800
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	(36,45)	(36,43)	(36,40)
	103,16	103,18	103,21

Consolidated statement of comprehensive income

R'000	Half-year ended 31 December 2017 Unaudited	Half-year ended 31 December 2016 Unaudited	Year ended 30 June 2017 Audited
Profit for the period (as above)	2 481 746	2 248 863	5 138 330
Items that may be reclassified into the income statement dependent on the outcome of a future event	22 086	23 688	(183 604)
Gain on revaluation to market value of available-for-sale investments after taxation	30 186	36 085	38 251
Gain on revaluation to market value of available-for-sale investments	38 900	46 501	49 292
Deferred capital gains tax thereon	(8 714)	(10 416)	(11 041)
Exchange differences on translation of foreign operations	(8 100)	(12 397)	(248 814)
Actuarial gain on pension fund, after taxation	-	-	26 959
Total comprehensive income for the period, net of tax	2 503 832	2 272 551	4 954 726
(Less)/add back: Comprehensive (income)/loss attributable to non-controlling shareholders	(40 166)	25 743	(104 364)
Attributable to shareholders of the holding company	2 463 666	2 298 294	4 850 362

Consolidated statement of financial position

R'000	At 31 December 2017 Unaudited	At 31 December 2016 Unaudited	At 30 June 2017 Audited
ASSETS			
Non-current assets			

Property, plant and equipment and intangible assets	1 662 604	1 289 991	1 584 642
Investments			
- joint venture	16 278 970	15 258 461	15 327 400
- available-for-sale	223 876	240 008	229 376
- associates	172 297	117 837	108 729
- other	21 559	27 363	24 098
Pension fund surplus	93 144	68 070	93 144
Total non-current assets	18 452 450	17 001 730	17 367 389
Current assets			
Inventories	1 049 715	1 103 685	1 223 032
Trade and other receivables	625 364	870 672	1 104 332
Cash resources	7 115 272	4 868 395	5 626 778
Total current assets	8 790 351	6 842 752	7 954 142
TOTAL ASSETS	27 242 801	23 844 482	25 321 531
EQUITY AND LIABILITIES			
Share capital and reserves			
Ordinary shareholders' interest	24 524 354	20 667 093	22 649 300
Non-controlling deficit	(1 877)	(34 904)	(24 348)
Total equity	24 522 477	20 632 189	22 624 952
Non-current liabilities			
Net deferred taxation liabilities	264 871	236 364	283 778
Long-term liabilities			
- non-interest-bearing	135 925	100 324	134 920
Total non-current liabilities	400 796	336 688	418 698
Current liabilities			
Interest-bearing	513 874	811 281	579 719
Non-interest-bearing	1 805 654	2 064 324	1 698 162
Total current liabilities	2 319 528	2 875 605	2 277 881
TOTAL EQUITY AND LIABILITIES	27 242 801	23 844 482	25 321 531

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. The following assets, all measured at level 1, were required to be recorded at fair value as follows:

	Half-year ended 31 December 2017 Unaudited Level 1	Half-year ended 31 December 2016 Unaudited Level 1	Year ended 30 June 2017 Audited Level 1
R'000			
Assets measured at fair value			
Available-for-sale listed investments	223 876	240 008	229 376
Available-for-sale unlisted investments	21 559	27 363	24 098
	245 435	267 371	253 474

Consolidated statement of cash flow

R'000	Half-year ended 31 December 2017 Unaudited	Half-year ended 31 December 2016 Unaudited	Year ended 30 June 2017 Audited
Cash generated from operations	595 079	1 176 477	734 600
Cash generated by investing activities	958 900	691 486	2 123 308
Cash utilised by financing activities	(65 485)	(184 493)	(416 055)
Increase in cash for the period	1 488 494	1 683 470	2 441 853
Cash resources at beginning of period	5 626 778	3 184 925	3 184 925
Cash resources per statement of financial position	7 115 272	4 868 395	5 626 778

Consolidated statement of changes in equity

R'000	Half-year ended 31 December 2017 Unaudited	Half-year ended 31 December 2016 Unaudited	Year ended 30 June 2017 Audited
Share capital, share premium and other reserves			
Balance at beginning of period	563 925	512 032	512 032
Other comprehensive income for the period	26 055	29 762	51 893
Net increase in the market value of available-for-sale investments	30 186	36 085	38 251
Foreign currency translation reserve arising on consolidation	(4 131)	(6 323)	(13 317)
Actuarial gains on pension plan after taxation	-	-	26 959
Balance at end of period	589 980	541 794	563 925
Treasury shares			
Balance at beginning of period	(5 062 848)	(5 051 583)	(5 051 583)
Acquired during the period	(2 662)	(11 265)	(11 265)
Balance at end of period	(5 065 510)	(5 062 848)	(5 062 848)
Retained earnings			
Balance at beginning of period	27 370 925	23 485 031	23 485 031
Profit for the period attributable to shareholders	2 454 375	2 219 151	5 021 171
Ordinary dividends declared during the period	(825 416)	(516 035)	(1 135 277)
- total dividends declared	(1 116 856)	(698 035)	(1 535 677)
- dividends on treasury shares held in BEE trusts	291 440	182 000	400 400
Balance at end of period	28 999 884	25 188 147	27 370 925
Ordinary shareholders' interest	24 524 354	20 667 093	22 872 002
Non-controlling interests			
Balance at beginning of period	(24 348)	(33 871)	(33 871)
Share of total comprehensive loss	22 471	(1 033)	9 523
- share of total comprehensive income/(loss)	23 402	23 637	104 364
- profit for the period	27 371	29 712	117 159
- other comprehensive income	(3 969)	(6 075)	(12 795)
- dividends paid to non-controlling shareholders	(931)	(24 670)	(94 841)

Balance at end of period	(1 877)	(34 904)	(24 348)
Total equity	24 522 477	20 632 189	22 847 654

Segmental information

	Joint venture mining and beneficiation							
R'000	Iron ore	Manganese	Chrome	Sub-total	Dwars-rivier	Marketing and shipping	Other mining activities, eliminations and adjustments1	Consolidated
Half-year ended 31 December 2017 - Unaudited								
Revenues								
Third party	7 900 942	5 962 454	82 860	13 946 256	1 981 955	1 862 603	(13 949 226)	3 841 588
Inter-segment	-	-	-	-	-	69 182	(69 182)	-
Total revenues	7 900 942	5 962 454	82 860	13 946 256	1 981 955	1 931 785	(14 018 408)	3 841 588
Contribution to profit	1 745 668	1 743 077	(18 536)	3 470 209	440 045	375 774	(1 804 283)	2 481 746
Impairment of financial and non-financial assets	-	-		-	-	-	(21 564)	(21 564)
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)	-
	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

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

Corporate information

Directors
Executive Desmond Sacco (Chairman)
CE Walters (Chief Executive Officer)
RA Davies (Finance)
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

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Company Secretary
African Mining and Trust Company Limited

Transfer office
Singular Systems Proprietary Limited
28 Fort Street
Birnam, 2196

Sponsor
The Standard Bank of South Africa Limited

Shareholders are advised that these results for the half-year ended 31 December 2017, as well as a presentation covering these results are available on the group’s website, www.assore.com.