

**ASSORE**



**2015**

Integrated annual report

## Scope and boundary

The integrated annual report (IAR) of Assore Limited (Assore or group) covers the period 1 July 2014 to 30 June 2015. The group's financial year ends on 30 June, and unless otherwise indicated or described, the information included in this report refers to the years ended 30 June 2014 and 30 June 2015. The previous IAR covered the period 1 July 2013 to 30 June 2014. Where any restatements have been made to material disclosures in the previous IAR, these are explained within the relevant sections.

The entities reported on include the following:

- Assore Limited (Assore)
- Assmang Proprietary Limited (Assmang), jointly controlled by Assore, 50% and African Rainbow Minerals Limited (ARM) 50%, accounted for on the equity accounting basis, which includes the following operations:
  - Khumani Iron Ore Mine (Khumani);
  - Beeshoek Iron Ore Mine (Beeshoek);
  - Black Rock Manganese Mines (Black Rock);
  - Cato Ridge Works (ferromanganese smelter);
  - Machadodorp Works (ferromanganese smelter);
  - Cato Ridge Alloys Proprietary Limited (CRA) (refined ferromanganese smelter);
  - Sakura Ferroalloys SND BHD, Malaysia (ferromanganese and silico manganese smelters – Sakura Ferroalloys); and
  - Dwarsrivier Chrome Mine (Dwarsrivier), refer page 51, for details of Assore's pending acquisition of the remaining 50% of the mine from ARM.

In addition to determining the strategy and monitoring the overall management of Assmang in terms of the joint-venture agreement with ARM, Assore has the sole marketing and distribution agency for Assmang's products and the emphasis on Assmang in this report relates primarily to this role as a 50% partner (refer "Business model", page 13).

- Ore & Metal operations, which includes the marketing and distribution of Assmang's products, through Ore & Metal Company Limited, with marketing and trading taking place in the United States by Minerals U.S. LLC (Minerals)
- African Mining and Trust Company Limited's (AMT) operations, being the remaining subsidiary companies of Assore, which include:
  - Rustenburg Minerals Development Company Proprietary Limited (Rustenburg Minerals);
  - Zeerust Chrome Mines Limited (Zeerust);
  - Wonderstone Limited (Wonderstone); and
  - Head Office operations (Head Office), comprising the activities of those of AMT and Ore & Metal, where relevant.

The IAR has been prepared on the basis of the group's consolidated financial statements, prepared in accordance with IFRS and relevant facts, issues and risks that are pertinent to the group's operations. Guidelines used in compiling the separate elements of the IAR include:

### Report feedback

Feedback on this Assore report can be made directly to Mr RA Davies at: [rossd Davies@assore.com](mailto:rossd Davies@assore.com).

This report is also available at [www.assore.com](http://www.assore.com)

Report element	Guidelines	Reference
<b>Mineral Resources and Reserves</b>	South African Code for Reporting Mineral Resources and Mineral Reserves (SAMREC Code), and the Australian Institute of Mining and Metallurgy Joint Ore Reserves Committee Code (JORC Code)	Pages 22 and 23, the complete Mineral Resources and Reserves report is located on the group's website under "Annual reports" in the "Investor centre"
<b>Corporate governance and risk management</b>	King Code on Corporate Governance, issued in September 2009 (King III)	Pages 32 to 35 and throughout
<b>Black economic empowerment status report</b>	Mineral and Petroleum Resources Development Act and the Broad-based Socio-economic Empowerment Charter for the South African Mining Industry issued thereunder (the Mining Charter) and Codes of Good Practice, issued by the Department of Trade and Industry (dti)	Pages 36 to 39
<b>Sustainability</b>	Various relevant guidelines, as well as those contained in the global reporting initiative (GRI) G3 indicators	Page 40, throughout and the complete sustainability report, located on the group's website under "Annual reports" in the "Investor centre"
<b>Annual financial statements</b>	International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, South African Companies Act, as amended, and JSE Listings Requirements	Pages 46 to 118



## Profile

Assore is a mining holding company engaged principally in ventures involving base minerals and metals.

The group's principal investment is a 50% interest in Assmang Proprietary Limited (Assmang) which it controls jointly with African Rainbow Minerals Limited (ARM). The group, through its various joint-venture entities and subsidiary companies, is involved in the mining of iron, manganese and chrome ores together with other industrial minerals and the production of manganese alloys. The group is also responsible for marketing all products produced by the Assore and Assmang groups, the bulk of which is exported and the remainder either used in the group's beneficiation processes or sold locally.

The company was incorporated in 1950 and its shares are listed on the JSE Securities Exchange (JSE) under "Assore" in the general mining sector.

26,07% of the company's shares are controlled by two broad-based black economic empowerment community trusts: the Boleng Trust (14,28%), and the Fricker Road Trust (11,79%). The Minerals and Petroleum Resources Development Act required that by 1 May 2014, 26% of mining companies' shares are controlled by historically disadvantaged South Africans.

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## Group at a glance

### Joint-venture entity (Assmang)

#### Iron Ore division

#### Iron ore

(refer page 28)



#### Type of operation

- Mining, crushing, screening and jigging of run-of-mine ore and tertiary recovery of fine iron ore product

#### Description

Iron ore is mined in the Northern Cape province in open-cast operations at the Khumani Iron Ore Mine which is located near Kathu in the Northern Cape and at the Beeshoek Iron Ore Mine which is located outside Postmasburg. The ore produced is sold both on the export market and locally.

#### Attributable profit

2015

**R1 190,7 million**

(2014: R3 178,7 million)

#### Revenue generated

2015

**R6 311,2 million\***

(2014: R9 050,7 million)

#### Manganese division

#### Manganese ore and alloys

(refer page 29)



#### Type of operation

- Mining, crushing, washing and screening of ore
- Smelting of ferromanganese
- Production of refined ferromanganese

#### Description

Various grades of manganese ore are mined at the Nchwaning and Gloria mines, located in the Black Rock area of the Northern Cape province, and manganese alloys are produced at the Cato Ridge Works in KwaZulu-Natal. Cato Ridge Alloys, a joint venture with Japanese partners, produces refined ferromanganese at the Cato Ridge Works. Feed for the Cato Ridge Works is derived mainly from Assmang's manganese mines. The ore and alloy produced are both sold on the export market and locally.

#### Attributable profit

2015

**R47,1 million**

(2014: R342,1 million)

#### Revenue generated

2015

**R3 576,2 million\***

(2014: R4 154,6 million)

#### Chrome division

#### Chrome ore

(refer page 29)



#### Type of operation

- Mining, crushing and concentrating of ore

#### Description

Chrome ore is mined at the Dwarsrivier Mine in the Limpopo province, located near Steelpoort and Lydenburg. The ore produced is sold both on the export market and locally. Refer page 51 for details of Assore's pending acquisition of the remaining 50% of the mine from ARM.

#### Attributable profit

2015

**R91,9 million**

(2014: R63,9 million)

#### Revenue generated

2015

**R899,4 million\***

(2014: R804,9 million)

\* Note that, in terms of International Financial Reporting Standards (IFRS), Assmang is accounted for on the equity accounting basis. Therefore, "Revenue generated", which is stated at 50% of its reported figure, as included in this analysis, does not form part of the group's reported revenue as reported in terms of IFRS.

## Subsidiary companies

### Rustenburg Minerals Development Company

#### Chrome ore

(refer page 30)



#### Type of operation

- Open-cast and underground mining and concentrating of ore

#### Description

Chrome ore is mined near Rustenburg in open-cast operations and production is supplied mainly to the local market. The company has suspended the capital development work on the two underground shafts indefinitely, due to assessments indicating their unsustainability in current and expected market conditions (refer page 62 for financial impact). Limited production of chrome ore is being undertaken from sufficiently developed underground areas.

#### Attributable (loss)/profit

2015

**R(179,7) million<sup>#</sup>**

(2014: R7,9 million)

#### Contribution to group revenue

2015

**R163,9 million**

(2014: R228,9 million)

### Zeerust Chrome Mines

#### Chrome ore

(refer page 30)



#### Type of operation

- Open-cast mine, on care and maintenance

#### Description

Current market conditions have necessitated that the mine be placed on care and maintenance.

#### Attributable (loss)

2015

**R(12,2) million**

(2014: R(26,9) million)

#### Contribution to group revenue

2015

**R76,4 million**

(2014: R25,4 million)

### Wonderstone

#### Wonderstone

(refer page 30)



#### Type of operation

- Mining and beneficiation of Wonderstone, and manufacture and installation of ceramic and filtration products

#### Description

The company mines a type of pyrophyllite which, for trade purposes, is referred to as Wonderstone. The bulk of the material mined is beneficiated to produce high-precision components manufactured to customers' specification and are exported to the United States of America, the United Kingdom and the Far East. The company also produces a range of wear and acid-resistant tiles and ceramic products used mainly for chute liners in the local mining industry and installed on a project basis in certain instances. Wonderstone is also being used in industrial filtration solutions.

#### Attributable (loss)

2015

**R(9,6) million**

(2014: R(1,3) million)

#### Contribution to group revenue

2015

**R99,3 million**

(2014: R79,7 million)

<sup>#</sup> After impairment charge, net of taxation relief, of R180,4 million (attributable to the group) charged against the cost of underground development costs and related assets (refer page 71).

Group at a glance continuedSubsidiary companies continued

Ore & Metal Company	Minerais U.S. LLC	African Mining and Trust Company
<b>Type of operation</b>	<b>Type of operation</b>	<b>Type of operation</b>
► Marketing, sales and shipping of ores and alloys ( <i>refer page 31</i> )	► Marketing of minerals and alloys in USA ( <i>refer page 31</i> )	► Operational management, exploration and technical adviser ( <i>refer page 31</i> )
<b>Description</b>	<b>Description</b>	<b>Description</b>
Ore & Metal Company Limited is responsible for the marketing, sales and shipping of all the group's products, including those produced by the three divisions of Assmang. Strong relationships have been established with customers in Europe, North America, South America, India and the Far East.	Minerais U.S. LLC is responsible for marketing and sales administration of the group's products in the USA, in particular manganese alloys, and trades in various related commodities.	African Mining and Trust Company Limited is technical adviser to Assmang and other group companies and provides operational management services to group mines and plants.
<b>Attributable profit</b>	<b>Attributable profit</b>	<b>Attributable profit</b>
2015 <b>R223,5 million</b> (2014: R320,9 million)	2015 <b>R32,2 million</b> (2014: R20,9 million)	2015 <b>R109,8 million</b> (2014: R193,7 million)
<b>Contribution to group revenue</b>	<b>Contribution to group revenue</b>	<b>Contribution to group revenue</b>
2015 <b>R428,8 million</b> (2014: R569,6 million)	2015 <b>R2 222,1 million</b> (2014: R1 484,1 million)	2015 <b>R318,8 million</b> (2014: R446,7 million)

## Location of operations



Location of Sakura Ferroalloys, Malaysia

## Location of markets





## Group timeline

**1928**

Gloucester Manganese Mines (Postmasburg) Limited established by Guido Sacco

**1930**

Formation of Ore & Metal Company Limited (Ore & Metal)

**1931**

Formation of African Mining and Trust Company Limited (AMT)

**1937**

Various prospecting activities and mining manganese deposit on farm Gloucester and adjoining farms

**1939**

Export of manganese through Durban

**1940**

Obtaining of mining lease at Black Rock where initial manganese mining operation commenced

**1960**

First mining of iron ore by Assmang at Beeshoek, and exported through Durban

**1961**

Agency relationship established with Sumitomo Corporation of Japan

**1973**

Commissioning of the Nchwaning Manganese Ore Mine



**1935**

AMT partnered with Anglo Transvaal Consolidated Investment Company Limited (Anglovaal), now African Rainbow Minerals (ARM), to form The Associated Manganese Mines of South Africa Limited (Assmang)

**1936**

Acquisition of the Wonderstone Mine

**1950**

The listing of Assore on the JSE as The Associated Ore & Metal Corporation Limited

**1957**

Alloy producer, Ferroalloys Limited, incorporated by Assmang

**1959**

First production of ferromanganese at the Cato Ridge Works by Assmang

**1979**

Gloria Manganese Ore Mine commissioned

**1981**

Nchwaning II Mine came into production

**1996**

Cato Ridge Alloys (CRA), a joint venture to produce refined ferromanganese for export at Cato Ridge, between Assmang's Ferroalloys Limited and Japanese partners



**1997**

Beeshoek South Mine expansion commissioned

**1999**

Mining of chrome deposit by Assmang at Dwarsrivier

**2000**

Change of name to Assore Limited and 20-for-1 subdivision of ordinary shares

**2001**

Commissioning of Nchwaning III Manganese Ore Mine

**2005**

First empowerment transaction, whereby 11,76% and 3,26% of Assore's shares in issue at the time were sold to Shanduka Resources and the Boleng Trust respectively (refer "Black economic empowerment status report")

**2006**

Acquisition of minorities in, and delisting of, Assmang and finalisation of 50/50 joint-venture agreement with African Rainbow Minerals Limited (ARM) in relation to Assmang's operations

**2012**

Conclusion of third empowerment transaction, whereby 11,79% of Assore shares were bought back from Shanduka Resources and disposed of to its broad-based empowerment trusts being the Fricker Road Trust and the Assore Employee Trust

**2014**

First distributions made by empowerment trusts (R7,2 million) and to employees by employee trust (R13,2 million) and commencement of construction of offshore ferromanganese smelters in Sarawak province of Malaysia

**2002**

First mining of manganese ore from Nchwaning III

**2004**

Assmang's Khumani Iron Ore Mine established, following issue of new-order mining rights, and increase of production to 10 million sales tonnes per annum

**2009**

Approval of the Khumani Expansion Project to increase design capacity of iron ore output to 14 million tonnes per annum, to be completed in 2012, on time and within budget

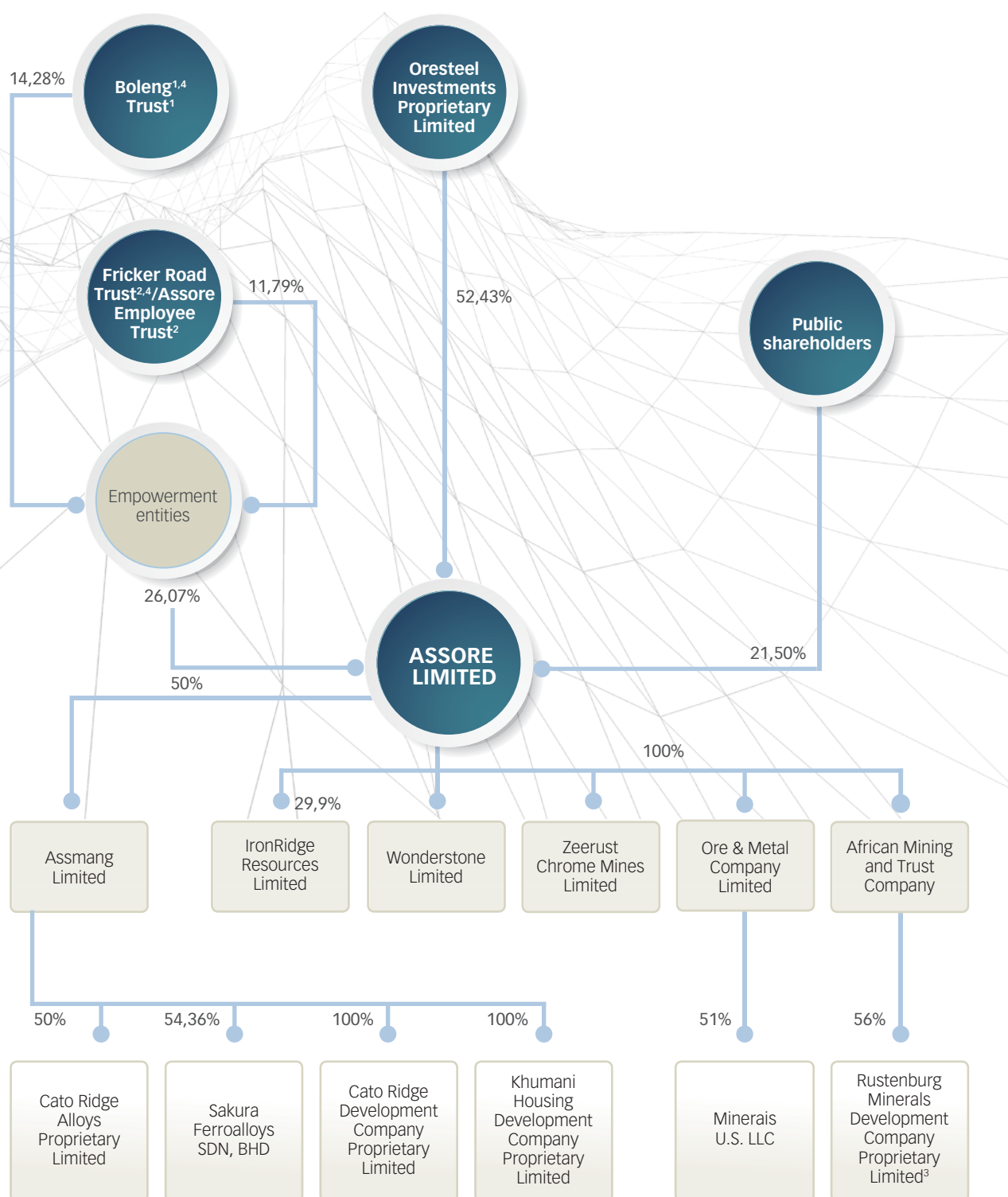
**2010**

5-for-1 subdivision of ordinary shares. Conclusion of second empowerment transaction, whereby a further effective 11,05% of Assore's shares were acquired by the Boleng Trust

**2015**

Purchase of the remaining 50% of Dwarsrivier from ARM, subject to regulatory approval for R450 million and exploration for iron ore deposits in Gabon through investment in IronRidge commences

## Group structure



1 The Boleng Trust is a black economic empowered entity which controls the majority of the voting rights in a special-purpose vehicle that owns 14,28% of Assore's issued ordinary shares (refer note 4 below and "Black economic empowerment status report").

2 The Fricker Road Trust is a black economic empowered entity which controls the majority of the voting rights in a special-purpose vehicle that owns 11,79% of Assore's issued ordinary shares. The Assore Employee Trust controls the remainder of the voting rights (refer note 4 below and "Black economic empowerment status report").

3 A black economic empowerment entity, Mampa Investment Holdings Proprietary Limited, has a 44% equity interest in Rustenburg Minerals Development Company Proprietary Limited (refer "Black economic empowerment status report").






4 More detail on the impact of the requirement of IFRS to consolidate these trusts is included on pages 42, 43 and 108 of this report.

## Assurance



The Assore group subscribes to a combined assurance model, which is intended to identify and control risks inherent in the business of the group by making use of assurance providers, both third party and in-house, in conjunction with Assmang's Risk Management department (referred to as internal management). Assurance is addressed across the areas of Safety, Health, Risk, Environment, Quality (collectively referred to as SHREQ) and corporate governance.

Assurance providers are as follows:

Area	Provider		Standard(s) and comment
 Safety and health	Assore	Assmang	Per provider and the Department of Mineral Resources (DMR). Limited assurance for Assore is provided in the form of bi-annual audits on legal compliance. Assmang has received independent assurance on specified elements of safety and health from Sustainability Services
	Various professional consultants	Internal management and Sustainability Services CC (Sustainability Services)	
 Risk	Sizwe Ntsaluba Gobodo	KPMG	COSO framework
 Environment	Umlhlab Environmental Consulting CC, TUV Rheinland Inspection Services Proprietary Limited (TUV Rheinland) and Gilden Assurance Proprietary Limited (Gilden)	Gilden	ISO 14001 (2004). Limited assurance for Assore is provided in the form of bi-annual audits on legal compliance by various professional consultants and certification by TUV Rheinland. Assmang has received independent assurance on specified elements of safety, health and sustainability indicators from Gilden
 Quality	TUV Rheinland	Internal management	ISO 9001 (2008). Limited assurance for Assore is provided in the form of certification by TUV Rheinland
 Corporate governance	Institute of Directors (IoD)		The Governance Assessment Instrument (GAI) is independently maintained by the IoD and measures the extent of compliance with the King Code on Corporate Governance, based on the relevant information submitted by its subscribers

Assurance pertaining to financial controls and reporting is achieved by conducting extensive internal auditing across the Assore group by Sizwe Ntsaluba Gobodo, which reports to Assore's Audit and Risk Committee on its findings, while in Assmang, KPMG as internal auditor of all its divisions, reports related findings to Assmang's Audit Committee. These Audit and Risk committees, supported by their respective Social and Ethics committees, ensure close working relationships between external audit and internal audit, to ensure that the assurance provided by Ernst & Young Inc., for both Assmang and the Assore group, on their respective financial statements, provides reasonable assurance for the relevant external audit opinions.