Final results for the year ended 30 June 2014

ASSORE

- Record headline earnings for the year
- Final dividend increased to R5,50 per share
- Lower iron ore prices during the second half
- Revenues continued to benefit from weaker Rand

Consolidated income statement

R'000	Year ended 30 June 2014 Reviewed	Year ended 30 June 2013 Audited – restated	Year ended 30 June 2013 Audited – reported
Revenue	**2 894 596**	1 964 409	14 175 175
Turnover	**1 768 561**	999 280	13 500 864
Cost of sales	**(1 649 450)**	(934 228)	(7 803 491)
Gross profit	**119 111**	65 052	5 697 373
Profit on disposal of available-for-sale investments	**—**	27 850	27 850
Fees and commissions earned from joint venture	**926 060**	868 364	434 182
Other income	**200 384**	85 954	811 844
Other expenses	**(486 350)**	(447 530)	(2 014 974)
Finance costs	**(61 152)**	(91 237)	(116 786)
Profit before taxation and joint venture	**698 053**	508 453	4 839 489
Taxation	**(240 486)**	(171 227)	(1 411 121)
Profit after taxation, before joint venture	**457 567**	337 226	3 428 368
Share of profit from joint venture, after taxation	**3 572 155**	3 092 476	—
Profit for the year	**4 029 722**	3 429 702	3 428 368
Attributable to:			
Shareholders of the holding company	**4 005 123**	3 426 978	3 425 644
Non-controlling shareholders	**24 599**	2 724	2 724
As above	**4 029 722**	3 429 702	3 428 368
Earnings as above	**4 005 123**	3 426 978	3 425 644
Profit on disposal of available-for-sale investment, before taxation	**—**	(27 851)	(27 851)
Impairment of financial assets, before taxation	**26 327**	—	—
Impairment of non-financial assets, before taxation	**276 922**	155 919	155 919
Loss on disposal of fixed assets, before taxation	**542**	23 521	23 521
Taxation effect of above items	**(79 024)**	(44 744)	(44 744)
Headline earnings	**4 229 890**	3 533 823	3 532 489
Earnings per share (basic and diluted – cents)	**3 881**	3 320	3 319
Headline earnings per share (basic and diluted – cents)	**4 098**	3 424	3 423
Dividends per share declared in respect of the profit for the year (cents)	**1 000**	600	600
– interim	**450**	250	250
– final	**550**	350	350
Weighted average number of ordinary shares (million) used for purposes of determining earnings per share			
Ordinary shares in issue	**139,61**	139,61	139,61
Impact of shares owned by BEE trusts, but treated as treasury shares in terms of IFRS	**(36,40)**	(36,40)	(36,40)
	103,21	103,21	103,21

Consolidated statement of comprehensive income

R'000	Year ended 30 June 2014 Reviewed	Year ended 30 June 2013 Audited – restated	Year ended 30 June 2013 Audited – reported
Profit for the year (as above)	**4 029 722**	3 429 702	3 428 368
Items that may be reclassified into the income statement dependent on the outcome of a future event:	**57 407**	(29 915)	(29 915)
Reclassification of fair value gain on disposal of available-for-sale investments after taxation	**—**	(22 657)	(22 657)
Gain/(loss) on revaluation to market value of available-for-sale investments after taxation	**52 434**	(19 465)	(19 465)
Gain/(loss) on revaluation to market value of available-for-sale investments at year end	**59 452**	(23 928)	(23 928)
Deferred capital gains taxation thereon	**(7 018)**	4 463	4 463
Exchange differences on translation of foreign operations	**4 973**	12 207	12 207
Actuarial gains on pension fund after taxation	**36 776**	18 185	
Total comprehensive income for the year, net of tax	**4 123 905**	3 417 972	3 398 453
Attributable to:			
Shareholders of the holding company	**4 096 869**	3 409 266	3 389 747
Non-controlling interests	**27 036**	8 706	8 706
As above	**4 123 905**	3 417 972	3 398 453

Consolidated statement of cash flow

R'000	Year ended 30 June 2014 Reviewed	Year ended 30 June 2013 Audited – restated	Year ended 30 June 2013 Audited – reported
Cash (utilised)/generated by operations	**(725 162)**	(230 061)	3 855 985
Cash generated/(utilised) from investing activities	**1 638 776**	1 475 073	(2 159 046)
Proceeds on disposal of available-for-sale investments	**—**	—	36 975
Acquisition of available-for-sale investments	**(161 926)**	—	—
Long-term liabilities repaid	**(500 000)**	(750 000)	(750 000)
Other financing activities	**189 164**	157 405	157 405
Increase in cash for the year	**440 852**	652 417	1 141 319
Cash resources at beginning of the year	**1 703 746**	1 051 329	3 324 437
Cash resources per statement of financial position	**2 144 598**	1 703 746	4 465 756

COMMENTARY

Results

Headline earnings for the financial year to 30 June 2014 increased by 19,7% to R4,2 billion, compared to R3,5 billion in the previous financial year. This increase is due mainly to the higher level of headline earnings of Assmang Proprietary Limited ("Assmang") for the year, which increased by 16,6% to R7,5 billion compared to the previous financial year, and increased commissions earned on higher turnovers by Assmang.

Assore holds a 50% interest in Assmang, which it controls jointly with African Rainbow Minerals Limited in terms of a longstanding shareholder agreement. Accordingly, Assmang is accounted for on the equity accounting basis (previously proportionately consolidated) and Assore has disclosed its share of Assmang's profit after taxation in its income statement as "Share of profit from joint venture, after taxation" (refer "Accounting policies, basis of preparation and review by auditors" below).

Prices for iron ore in US dollars declined substantially during the second half of the financial year as the market moved into oversupply due mainly to additional volumes of ore being exported from Australia. The average index price for iron ore (62% iron content for fine grade, delivered in China) for the second half of the year was 16,5% lower than during the first half. Premiums for lumpy grades of iron ore were extremely volatile during the year, ranging from US dollars 19 per tonne, to below US dollars 3 per tonne. In the first half of the financial year, manganese ore prices remained reasonably strong despite record levels of seaborne trade. However, in the second half of the year, there was oversupply in the market, caused primarily by the new South African producers, and prices came under severe pressure. Prices for manganese alloys were generally lower across the year. Chrome ore prices also fluctuated during the financial year, with average US dollar prices being 5% lower than in the previous year. In the early part of the year, the Eskom "buyback" arrangements were concluded with ferrochrome producers, resulting in producers curtailing production, freeing up additional chrome ore for the export market and depressing prices. In the second half, the prolonged platinum strike deprived the market of "UG2" grade chrome concentrate, resulting in recovery of prices for chrome ore. The reduced US dollar selling prices for the Group's products were offset by a weaker rand/US dollar, which, across the year, was 17% weaker than the previous year. These factors contributed to Assmang's turnover increasing by 12% compared to the previous year, leading to increased commissions earned by the Group on Assmang's sales. Depressed market conditions and increased cost factors resulted in Assmang assuming an impairment charge of R519 million before taxation in its operations at Machadodorp, which reduced the Group's headline earnings by R187 million.

Sales volumes

Sales volumes of iron ore were lower for the year, due to restricted plant availability, unreliable water supply and reduced railage capacity. Lower domestic demand for manganese ore resulted in decreased sales of higher grade ore in the domestic market, while enforced mine stoppages and available export capacity resulted in lower sales volumes of chrome ores.

The table below sets out Assmang's sales volumes for the current period:

Metric tonnes '000	Year ended 30 June 2014	2013	Increase/(decrease) %
Iron ore	**15 640**	16 070	(3)
Manganese ore*	**2 708**	2 856	(5)
Manganese alloys	**279**	260	7
Chrome ore	**988**	1 054	(6)
Charge chrome	**32**	77	(58)

*Excluding intra-group sales to alloy plants

Capital expenditure

Capital expenditure by Assmang amounted to R3,6 billion (2013: R4,1 billion) for the year. Major project capital expenditure was undertaken at the Khumani Iron Ore Mine on various optimisation projects amounting to R673 million. At the Beeshoek Iron Ore Mine, R480 million was spent on acquiring the new mining fleet required for mining the Village Pit, which is on schedule to commence waste-stripping in October 2014. R840 million was spent in Assmang's Manganese Division on the expansion of the Black Rock Mines, the total cost of which is estimated at R6,7 billion, leading to an increase of the total output capacity in the long term to a sustainable level of at least 4 million tonnes per annum. The bulk of the remainder of the capital was spent on replacement items.

Assmang's joint venture ferromanganese project in Malaysia, in which it holds a 54,36% interest, is progressing according to schedule and the first of two furnaces is expected to be commissioned in October 2015. The furnaces are designed to produce 110 000 tonnes of high carbon ferromanganese and 70 000 tonnes of silico manganese alloys annually. The total project value is set at US dollars 328 million and Assmang will meet its commitment to the project from existing cash resources.

Outlook

World steel production remained strong throughout the year, with growth occurring not only in China but in the rest of Asia, North America and in Europe. A series of stimulus measures by the Chinese Central Government has been successful and further investment in rail, social housing and urban infrastructure is underway. Despite some concerns regarding instability in the Chinese financial system and property market, it is expected that the Chinese and world steel production will continue to grow.

While demand for the Group's products remained strong, supply for both iron and manganese ores has overtaken this increased demand. The index price of iron ore in June 2014 was 31% lower than the average price for the 2013 calendar year and trade in this lower range is expected to continue for the foreseeable future. It is encouraging that the higher cost producers both in China and other areas have reduced production levels and although port stocks in China are high, steel mills are generally running on low stocks. The premium for lumpy grades has returned to a higher level which is expected to be maintained.

The oversupply in the manganese ore market is primarily due to the ramping up of production levels by the new South African producers in the Kalahari. Current price levels, particularly for the medium grade ores produced by these mines, appear to have bottomed and the higher grade ore prices which were dragged down by this excess supply of medium grade ore have begun to recover. It is further apparent that export volumes of higher cost/lower quality ores from other countries are being reduced and it is anticipated that prices may well recover further, particularly as China and India are both importing near record quantities.

The dynamics of the chrome ore market were disrupted by the extended strike in the South African platinum mines, which limited the availability of UG2 concentrate, resulting in a temporary increase in the price for chrome ore. The resumption of this supply is expected to reach the market later in the year, until which point it is expected that chrome ore prices should remain stable before starting to decline.

In addition to the impacts of the above market dynamics, the results of the Group remain significantly exposed to fluctuations in exchange rates.

Dividends

The results in this announcement include the interim dividend of 450 cents (2013: 250 cents) per share which was declared on 11 February 2014 and paid to shareholders on 10 March 2014. In line with the results for the year, the directors of Assore have declared a final dividend of 550 cents (2013: 350 cents) per share, making a total dividend in respect of profit for the year of 1 000 cents (2013: 600 cents) per share. The final dividend will be paid to shareholders on or about 29 September 2014 and, in accordance with IFRS, is not included in the results contained in this announcement as it was declared after year end.

Accounting policies, basis of preparation and review by auditors

The financial results for the year under review have been prepared under the supervision of Mr CJ Cory, CA(SA) in accordance with IAS 34 – Interim Financial Reporting and comply with International Financial Reporting Standards ("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. Ernst & Young Inc., the Group¹s auditors, have reviewed and issued an unmodified report on the condensed financial results included in this announcement in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A copy of their report is available for inspection at the registered office of the Company.

The financial results have been prepared in accordance with accounting policies which are consistent with those applied in the previous financial year, except for the following statements and amendments which were adopted during the year:

- IFRS 11 – Joint Arrangements, which has necessitated the Group to change the basis on which Assmang is accounted for from the proportionate consolidation method to the equity accounting method. There was no impact on the profit or headline earnings as a result of the adoption of this standard; however, there was a significant effect on the presentation and disclosures made in the consolidated annual financial statements. The results for the year ended 30 June 2013 as previously reported have been included in order to illustrate the impact of the adoption of this standard;
- IFRS 12 – Disclosure of Interests in Other Entities, has not had an impact on the results of the Group but has resulted in additional disclosures;
- IFRS 13 – Fair Value Measurement, has not had an impact on the results of the Group but has resulted in additional disclosures; and
- Amendments to IAS 19 – Employee Benefits, which did not have a material impact on the results of the Group, but has resulted in the recognition of a pension fund surplus, an increase in other comprehensive income and additional disclosures in the consolidated annual financial statements.

In addition to the adoption of the above standards and amendments, the Group has adopted several new IFRSs and amendments to IFRSs which have not had any significant impact on the results or disclosures of the Group for the year under review.

Declaration of final dividend

Shareholders are advised that on 2 September 2014, the Board of directors ("the Board") has declared final gross Dividend Number 115 ("the Dividend"), of 550 (2013: 350) cents per share (gross) for the year ended 30 June 2014.

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 is 15%;
3. the Company does not have any Secondary Tax on Companies Tax ("STC") credits available to reduce the impact of Dividend Tax;
4. the net local dividend amount is 467,5 cents per share for shareholders liable to pay Dividends Tax;
5. the issued ordinary share capital of Assore is 139 607 000 shares, of which 36 400 000 shares are accounted for as treasury shares in terms of IFRS and are therefore excluded from earnings per share calculations; and
6. Assore's Income Tax reference number is 9045/018/84/4.

The salient dates are as follows:

Last day for trading to qualify for and participate in the final dividend	Thursday, 18 September 2014
Trading "ex dividend" commences	Friday, 19 September 2014
Record date	Friday, 26 September 2014
Dividend payment date	Monday, 29 September 2014
Dates (inclusive) between which share certificates may not be dematerialised or rematerialised	Friday, 19 September 2014 to Friday, 26 September 2014.

On behalf of the Board

Desmond Sacco
Chairman

CJ Cory
Chief Executive Officer

Johannesburg
3 September 2014

Consolidated statement of financial position

R'000	At 30 June 2014 Reviewed	At 30 June 2013 Audited – restated	At 30 June 2013 Audited – reported
ASSETS			
Non-current assets			
Property, plant and equipment and intangible assets	**552 191**	510 577	10 455 788
Investments			
– in joint venture	**14 768 170**	12 946 015	—
– in available-for-sale	**377 988**	178 430	220 393
– other	**46 613**	41 963	194 725
Pension fund surplus	**56 973**	12 315	—
Total non-current assets	**15 801 935**	13 689 300	10 870 906
Current assets			
Inventories	**627 190**	426 292	2 552 483
Trade and other receivables	**383 923**	250 711	2 359 602
Cash resources	**2 144 598**	1 703 746	4 465 756
Total current assets	**3 155 711**	2 380 749	9 377 841
TOTAL ASSETS	**18 957 646**	16 070 049	20 248 747
EQUITY AND LIABILITIES			
Share capital and reserves			
Ordinary shareholders' interest	**17 302 592**	14 031 378	14 022 511
Non-controlling interests	**150 271**	128 910	128 910
Total equity	**17 452 863**	14 160 288	14 151 421
Non-current liabilities			
Net deferred taxation liabilities	**63 426**	43 622	2 486 917
Long-term liabilities			
– interest-bearing	**346 100**	846 100	846 100
– non-interest-bearing	**27 134**	24 682	421 287
Total non-current liabilities	**436 660**	914 404	3 754 304
Current liabilities			
Interest-bearing	**538 588**	349 424	349 424
Non-interest-bearing	**529 535**	645 933	1 993 598
Total current liabilities	**1 068 123**	995 357	2 343 022
TOTAL EQUITY AND LIABILITIES	**18 957 646**	16 070 049	20 248 747

Consolidated statement of changes in equity

R'000	Year ended 30 June 2014 Reviewed	Year ended 30 June 2013 Audited – restated	Year ended 30 June 2013 Audited – reported
Share capital, share premium and other reserves			
Balance at beginning of year	**326 837**	344 548	344 548
Other comprehensive income/(loss) for the year	**91 746**	(17 711)	(35 896)
Surplus on disposal of available-for-sale investments recognised in profit for the year	**—**	(22 657)	(22 657)
Net increase/(decrease) in the market value of available-for-sale investments	**52 434**	(19 465)	(19 465)
Actuarial gains after taxation arising in pension fund	**36 776**	18 185	
Foreign currency translation reserve arising on consolidation	**2 536**	6 226	6 226
Balance at end of year	**418 583**	326 837	308 652
Treasury shares			
Balance at beginning and end of year	**(5 051 583)**	(5 051 583)	(5 051 583)
Retained earnings			
Balance at beginning of year	**18 756 125**	15 907 437	15 907 437
Change in accounting policy		(10 651)	
Balance at beginning of year – restated	**18 756 125**	15 896 786	15 907 437
Profit for the year attributable to shareholders	**4 005 123**	3 426 978	3 425 644
Ordinary dividends declared during the year	**(825 656)**	(567 640)	(567 640)
– total dividends declared	**(1 116 856)**	(767 840)	(767 840)
– dividends on treasury shares held in BEE trusts	**291 200**	200 200	200 200
Balance at end of year	**21 935 592**	18 756 124	18 765 442
Ordinary shareholders' interest	**17 302 592**	14 031 378	14 022 511
Non-controlling interests			
Balance at beginning of year	**128 910**	126 858	126 858
Share of total comprehensive income	**21 361**	2 052	2 052
– profit for the year	**24 599**	2 724	2 724
– other comprehensive income	**2 437**	5 982	5 982
– dividends paid to non-controlling shareholders	**(5 675)**	(6 654)	(6 654)
Balance at end of year	**150 271**	128 910	128 910
Total equity	**17 452 863**	14 160 288	14 151 421

Segmental information

R'000	Joint venture mining and beneficiation: Iron ore	Manganese	Chrome	Sub-total	Marketing and shipping	Other mining and beneficiation	Adjustments#	Consolidated
Year ended 30 June 2014 – reviewed								
Revenues								
Third party	**18 101 329**	**8 309 121**	**1 609 868**	**28 020 318**	**2 541 872**	**352 724**	**(28 020 318)**	**2 894 596**
Inter-segmental	**—**	**—**	**—**	**—**	**6 479**	**—**	**(6 479)**	**—**
Total revenues	**18 101 329**	**8 309 121**	**1 609 868**	**28 020 318**	**2 548 351**	**352 724**	**(28 026 797)**	**2 894 596**
Profit/(loss) arising	**6 357 416**	**684 025**	**127 817**	**7 169 258**	**504 298**	**(46 731)**	**(7 169 258)**	**457 567**
Year ended 30 June 2013 – audited – restated								
Revenues								
Third party	15 962 985	7 450 238	1 876 674	25 289 897	1 508 351	456 058	(25 289 897)	1 964 409
Inter-segmental	—	—	—	—	5 098	—	(5 098)	—
Total revenues	15 962 985	7 450 238	1 876 674	25 289 897	1 513 449	456 058	(25 294 995)	1 964 409
Profit/(loss) arising	5 517 176	827 117	(134 391)	6 209 902	369 761	(32 535)	(6 209 902)	337 226

#Adjustments required to give effect to the requirement of IFRS to equity account the Group's investment in Assmang.

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 2014 – reviewed: Level 1	Level 2	Total
Assets measured at fair value			
Available-for-sale investments	**377 988**	**—**	**377 988**
Other investments*	**46 613**	**—**	**46 613**
	424 601	**—**	**424 601**

R'000	Year ended 30 June 2013 – audited – restated: Level 1	Level 2	Total
Assets measured at fair value			
Available-for-sale investments	178 430	—	178 430
Other investments*	41 963	—	41 963
Forward exchange contracts#	—	10 921	10 921
	220 393	10 921	231 314

*During the year, Other investments were transferred from Level 2 to Level 1, since these are traded in what has been reassessed as an active market.
#Forward exchange contracts, which are included in trade and other receivables, are measured based on bankers' quoted exchange rates.

Assore Limited

www.assore.com

Company registration number: 1950/037394/06 Share code: ASR ISIN: ZAE000146932 ("Assore" or "Group" or "Company")
Directors: ***Executive*** Desmond Sacco *(Chairman)*, CJ Cory *(Chief Executive Officer)*, AD Stalker *(Marketing)*, BH van Aswegen *(Technical and Operations)* ***Non-executive*** EM Southey* *(Deputy Chairman and Lead Independent Director)*, RJ Carpenter, S Mhlarhi*, WF Urmson* ***Alternate*** PE Sacco **Independent* **Registered office** Assore House, 15 Fricker Road, Illovo Boulevard, Johannesburg, 2196 **Company secretary** African Mining and Trust Company Limited **Transfer office** Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 **Sponsor** The Standard Bank of South Africa Limited

BASTION GRAPHICS