



- **Headline earnings decline by 25,4%**
- **Oversupplied commodity markets**
- **Strong cash position**
- **Interim dividend declared of R2,00 per share**
- **DMR consent obtained for acquisition of Dwarsrivier**

## RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### Consolidated income statement

	Half-year ended 31 December 2015 Unaudited R'000	Half-year ended 31 December 2014 Unaudited R'000	Year ended 30 June 2015 Audited R'000
<b>Revenue</b>	<b>1 340 987</b>	1 677 172	3 357 297
Turnover	958 955	1 295 758	2 526 096
Cost of sales	(909 244)	(1 216 392)	(2 376 827)
Gross profit	49 711	79 366	149 269
Fees and commission earned from joint venture	263 815	278 218	643 442
Other income	125 708	104 399	205 672
Impairment of non-financial assets	(40 325)	—	(365 073)
Impairment of financial assets	(87 067)	(63 308)	(114 258)
Other expenses	(216 542)	(236 030)	(408 869)
Finance costs	(17 242)	(14 531)	(33 391)
Profit before taxation and joint venture	78 058	148 114	76 792
Taxation	(45 489)	(46 367)	(102 293)
Profit/(loss) after taxation, before joint venture	32 569	101 747	(25 501)
Share of profit from joint venture, after taxation	575 911	845 379	1 317 138
Share of loss from associate, after taxation	(1 896)	—	(1 197)
<b>Profit for the period</b>	<b>606 584</b>	947 126	1 290 440
Attributable to:			
Shareholders of the holding company – group and associate	613 518	935 434	1 403 371
Non-controlling shareholders	(6 934)	11 692	(112 931)
As above	606 584	947 126	1 290 440
<b>Headline earnings</b>			
Earnings as above	613 518	935 434	1 403 371
Impairment of non-financial assets	83 895	—	771 261
Impairment of available-for-sale financial assets	87 067	63 308	114 258
Loss on disposal of property, plant and equipment	—	4 367	10 009
Taxation effect of above items	(28 438)	(13 039)	(180 831)
Non-controlling shareholders' portion	(17 743)	—	(141 717)
<b>738 299</b>	990 070	1 976 351	
Earnings per share (basic and diluted – cents)	594	906	1 360
Headline earnings per share (basic and diluted – cents)	715	959	1 915
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	(36,40)	(36,40)	(36,40)
<b>103,21</b>	103,21	103,21	
Dividends per share declared in respect of the profit for the period (cents)	200	300	600
– interim	200	300	300
– final			300

### Consolidated statement of comprehensive income

	Half-year ended 31 December 2015 Unaudited R'000	Half-year ended 31 December 2014 Unaudited R'000	Year ended 30 June 2015 Audited R'000
<b>Profit for the period (as above)</b>	<b>606 584</b>	947 126	1 290 440
Items that may be reclassified into the income statement dependent on the outcome of a future event	(7 263)	(9 130)	(11 428)
Loss on revaluation to market value of available-for-sale investments after taxation	(23 114)	(27 282)	(24 209)
Loss on revaluation to market value of available-for-sale investments	(28 412)	(33 545)	(29 758)
Deferred capital gains tax thereon	5 298	6 263	5 549
Exchange differences on translation of foreign operations	15 851	18 152	15 506
Actuarial loss on pension fund after taxation	—	—	(2 725)
<b>Total comprehensive income for the period, net of tax</b>	<b>599 321</b>	937 996	1 279 012
Attributable to:			
Shareholders of the holding company	598 488	917 409	1 384 130
Non-controlling shareholders	833	20 587	(105 118)
As above	599 321	937 996	1 279 012

### Consolidated statement of financial position

	At 31 December 2015 Unaudited R'000	At 31 December 2014 Unaudited R'000	At 30 June 2015 Audited R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment and intangible assets	199 056	591 348	256 504
Investments			
– joint venture	14 661 219	14 863 549	14 585 308
– available-for-sale	118 492	287 454	233 972
– associate	118 860	—	120 756
– other	48 160	43 372	47 808
Deferred taxation	26 594	—	4 964
Pension fund surplus	57 474	56 973	57 474
Total non-current assets	15 229 855	15 842 696	15 306 786
<b>Current assets</b>			
Inventories	1 135 868	770 028	924 762
Trade and other receivables	274 635	420 819	410 325
Restricted cash	450 000	—	450 000
Cash resources	2 763 455	2 137 134	2 421 195
Total current assets	4 623 958	3 327 981	4 206 282
<b>TOTAL ASSETS</b>	<b>19 853 813</b>	19 170 677	19 513 068
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Ordinary shareholders' interests	18 097 823	17 652 363	17 808 956
Non-controlling (deficit)/interest	(3 634)	161 278	15 765
Total equity	18 094 189	17 813 641	17 824 721
<b>Non-current liabilities</b>			
Net deferred taxation liabilities	—	47 907	—
Long-term liabilities			
– interest-bearing	346 100	346 100	346 100
– non-interest-bearing	32 141	26 562	21 081
Total non-current liabilities	378 241	420 569	367 181
<b>Current liabilities</b>			
Interest-bearing	1 073 468	752 310	960 866
Non-interest-bearing	307 915	184 157	360 300
Total current liabilities	1 381 383	936 467	1 321 166
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>19 853 813</b>	19 170 677	19 513 068

### Consolidated statement of cash flow

	Half-year ended 31 December 2015 Unaudited R'000	Half-year ended 31 December 2014 Unaudited R'000	Year ended 30 June 2015 Audited R'000
Cash utilised by operations	(271 220)	(346 561)	(962 774)
Cash generated by investing activities	500 878	125 375	817 093
Cash generated by financing activities	112 602	213 722	422 278
Increase/(decrease) in cash for the period	342 260	(7 464)	276 597
Cash resources at beginning of period	2 421 195	2 144 598	2 144 598
<b>Cash resources per statement of financial position</b>	<b>2 763 455</b>	2 137 134	2 421 195

### Segmental information

	Associate mining and beneficiation			Sub-total R'000	Marketing and shipping R'000	Other mining and beneficiation R'000	Eliminations and adjustments* R'000	Consolidated R'000
	Iron ore R'000	Manganese R'000	Chrome R'000					
Half-year ended 31 December 2015								
Revenues								
Third party	5 322 872	3 020 941	951 047	9 294 860	1 196 105	144 882	(9 294 860)	1 340 987
Contribution to profit	957 069	192 898	77 781	1 227 748	61 493	(62 546)	(620 111)	606 584
Impairment of financial and non-financial assets	—	(62 740)	—	(62 740)	(70 289)	(40 325)	31 370	(141 984)
Half-year ended 31 December 2014								
Revenues								
Third party	5 970 123	3 872 371	708 455	10 550 949	1 498 974	180 693	(10 553 444)	1 677 172
Contribution to profit	1 173 669	473 488	56 074	1 703 231	107 463	(11 952)	(851 616)	947 126
Impairment of financial and non-financial assets	—	—	—	—	(50 269)	—	—	(50 269)

\*Eliminations and adjustments comprise mainly of the adjustments required to give effect to the requirement of IFRS to equity account the group's investment in Assmang.

### Consolidated statement of changes in equity

	Half-year ended 31 December 2015 Unaudited R'000	Half-year ended 31 December 2014 Unaudited R'000	Year ended 30 June 2015 Audited R'000
<b>Share capital, share premium and other reserves</b>			
Balance at beginning of period	398 836	418 583	418 583
Other comprehensive losses for the period	(15 030)	(18 024)	(19 747)
Net decrease in the market value of available-for-sale investments	(23 114)	(27 282)	(24 209)
Actuarial losses on pension plan after taxation	—	—	(2 725)
Foreign currency translation reserve arising on consolidation	8 084	9 258	7 187
Balance at end of period	383 806	400 559	398 836
<b>Treasury shares</b>			
Balance at beginning and end of period	(5 051 583)	(5 051 583)	(5 051 583)
<b>Retained earnings</b>			
Balance at beginning of period	22 461 703	21 935 592	21 935 592
Profit for the period attributable to shareholders	613 518	935 434	1 403 371
Ordinary dividends declared during the period	(309 621)	(567 639)	(877 260)
– total dividends declared	(418 821)	(767 839)	(1 186 660)
– dividends on treasury shares held in BEE trusts	109 200	200 200	309 400
Balance at end of period	22 765 600	22 303 387	22 461 703
<b>Ordinary shareholders' interest</b>	<b>18 097 823</b>	17 652 363	17 808 956
<b>Non-controlling interests</b>			
Balance at beginning of period	15 765	150 271	150 271
Share of total comprehensive income, net	(19 399)	11 007	(134 506)
– (loss)/profit for the period	(6 934)	11 692	(112 931)
– other comprehensive income	7 767	8 895	7 813
– share of total comprehensive income	833	20 857	(105 118)
– dividends paid to non-controlling shareholders	(20 232)	(9 580)	(29 388)
Balance at end of period	(3 634)	161 278	15 765
<b>Total equity</b>	<b>18 094 189</b>	17 813 641	17 824 721

### Fair value 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.  
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.

	Half-year ended 31 December 2015 Unaudited Level 1 R'000	Year ended 30 June 2015 Audited Level 1 R'000
<b>Assets measured at fair value</b>		
Available-for-sale investments	118 860	233 972
Other investments	48 160	47 808
	<b>167 020</b>	281 780

## Commentary

**Results**  
Headline earnings for the six months to 31 December 2015 declined by 25,4% to R738 million, compared to the same period in the previous financial year (the previous period). This was due to substantially lower headline earnings recorded for the period by Assmang Proprietary Limited (Assmang), which decreased by 28,2% to R1,2 billion. The group's principal investment is a 50% interest in Assmang, which it controls jointly with African Rainbow Minerals Limited (ARM), and in accordance with International Financial Reporting Standards (IFRS), is accounted for using the equity method.

All commodity markets in which the group trades are in oversupply and prices continued to decrease over the period. Despite these already oversupplied markets, additional supplies of iron and manganese ore have been brought into the market during the course of the first half of this financial year. In addition, demand was impacted by lower economic growth in North America, Europe and most of Asia which resulted in significant price decreases for the group's products. The average index selling price in US dollars for 62% iron ore fines delivered in China was US dollars 51 per metric ton, compared to US dollars 82 in the previous period, a decline of 38%. The premium for "lumpy" grade ore for the period was on average 43% lower compared to the previous period, at US dollars 6,00 per metric ton. Manganese ore prices also declined sharply, with the index price for 44% grade, delivered in China, dropping by 38% over the last six months. The average price for the period was US dollars 2,63 per dry metric ton manganese unit (dmu), compared to US dollars 4,34 per dmu in the previous period. Prices for manganese alloys also showed marked declines due to excess production. While the market for chrome ore showed some resistance to these declining prices in the earlier part of the period, these prices have also reduced sharply in recent months, with 44% grade concentrate delivered in China trading 35% lower than at the end of the previous financial year.

Lower freight rates, combined with a weaker rand/US dollar exchange rate, which was on average 25% lower than the previous period, provided some upside to the group's results. Commissions and technical fees earned by the group were lower due to the lower prices for Assmang's products.

On 24 June 2015, Assore advised shareholders that it had entered into agreements with ARM to acquire ARM's 50% share of Dwarsrivier Chrome Mine (Dwarsrivier) currently held in Assmang, which will result in 100% ownership of Dwarsrivier by the group. Ministerial consent from the Department of Mineral Resources for the transaction has been received and the transaction is expected to be completed once the remaining conditions precedent have been fulfilled. The group assumed impairment charges, in a total attributable amount of R54 million, consisting of R31 million relating to scaled down operations at Assmang's Machadodorp Works (50%) and R23 million in Rustenburg Minerals Development Company Proprietary Limited. The group's share portfolio has declined in value over the period and a further impairment charge, net of taxation relief, of R71 million has been recorded against attributable earnings in this regard.

**Sales volumes**  
Sales of manganese ore were higher in the current period as a result of the group's efforts to secure sales in new markets and increased production at Dwarsrivier, which has resulted in additional sales of chrome ore. Manganese alloy volumes were lower following the closure of a furnace at Assmang's Cato Ridge Works. The following table sets out Assmang's sales volumes for the current period:

	Half-year ended 31 December 2015	Half-year ended 31 December 2014	Increase/ (decrease) %
<b>Metric tons ('000)</b>			
Iron ore	7 920	7 496	6
Manganese ore*	1 471	1 422	3
Manganese alloys*	80	112	(29)
Chrome ore	545	478	14

\* Excluding intra-group sales to alloy plants.

### Expansion and capital expenditure

Capital expenditure in Assmang amounted to R1,6 billion (2014: R1,7 billion) for the period. The majority of the capital (R936 million) was spent in Assmang's Manganese Division on the expansion of the Black Rock Mines' capacity to produce 4 million tons per annum over the longer term. Assmang's Iron Ore Division spent R521 million, of which R273 million was spent on waste-stripping at its Khumani and Beeshoek mines, while R69 million was spent at Dwarsrivier mainly on capital replacement items.

Construction of two ferromanganese furnaces at Sakura Ferroalloys in Malaysia, in which Assmang holds a 54,36% interest, is nearing completion. Commissioning has commenced on the raw material feed system and certain furnace auxiliary areas. The project remains within budget (US dollars 328 million) and is still forecast to be fully commissioned in the current financial year and to achieve design capacity of 110 000 tons of high carbon ferromanganese and 70 000 tons of silico manganese alloys annually, by the end of the next financial year.

### Outlook

The commodity markets in which the group sells its products are expected to remain oversupplied for the short term, however, the rate at which the oversupply is increasing has slowed and there are signs that some of the more expensive capacity is exiting the relevant markets. Cost reduction initiatives are being undertaken at all operations and significant savings have already been achieved.

In the meanwhile, prices for iron ore have stabilised to some extent at approximately US dollars 40 per metric ton (62% iron ore fines delivered in China), marginally above the lowest prices at which it traded in December 2015 (US dollars 38 per metric ton), while the premium for "lumpy" grade material has also improved slightly. The manganese ore market also appears to have stabilised, due to a reduction in production by other South African producers. However, prices for this commodity are expected to remain under pressure in the short to medium term.

Exchange rates have a significant impact on the performance of the group. The current level of the rand/US dollar exchange rate, combined with persistently low freight rates, the indices of which are at all-time lows, continue to provide relief in these weak market conditions.

### Dividends

The results in this announcement include the final dividend relating to the previous financial year of 300 cents (2014: 550 cents) per share, which was declared on 26 August 2015 and paid to shareholders on 21 September 2015. Based on the decreased level of earnings for the period, the board has declared an interim dividend of 200 cents (2014: 300 cents) per share, which will be paid to shareholders on or about 14 March 2016.

### Accounting policies and basis of preparation

The financial results for the period under review have been prepared under the supervision of Mr CJ Cory, 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 2015.

### Directors

On 28 February 2016, Mr Alastair Stalker, who joined the group in 1994, will reach retirement. Alastair has been the managing director of Ore & Metal Company Limited (Ore & Metal) since 2011 and was appointed as the group's marketing director in September 2012. He will be succeeded in both these positions from 1 March 2016 by Mr Patrick Sacco, who is currently the deputy managing director of Ore & Metal, as well as alternate director to Mr Desmond Sacco.

### Declaration of interim dividend

Shareholders are advised that on 18 February 2016, the board of directors (the board) approved Interim dividend number 118 (the dividend), of 200 cents per share (gross) for the half year ended 31 December 2015.

In terms of paragraph 11.17 of the Listings Requirements of JSE Limited, shareholders are advised of the following with regard to the declaration:

- the dividend has been declared from retained earnings;
- the local dividend tax (Dividend Tax) rate of 15% will apply;
- the net local dividend amount is 170,0 cents per share for shareholders liable to pay the Dividends Tax;
- the issued ordinary share capital of Assore is 139 60