

Strategic objectives

Strategy

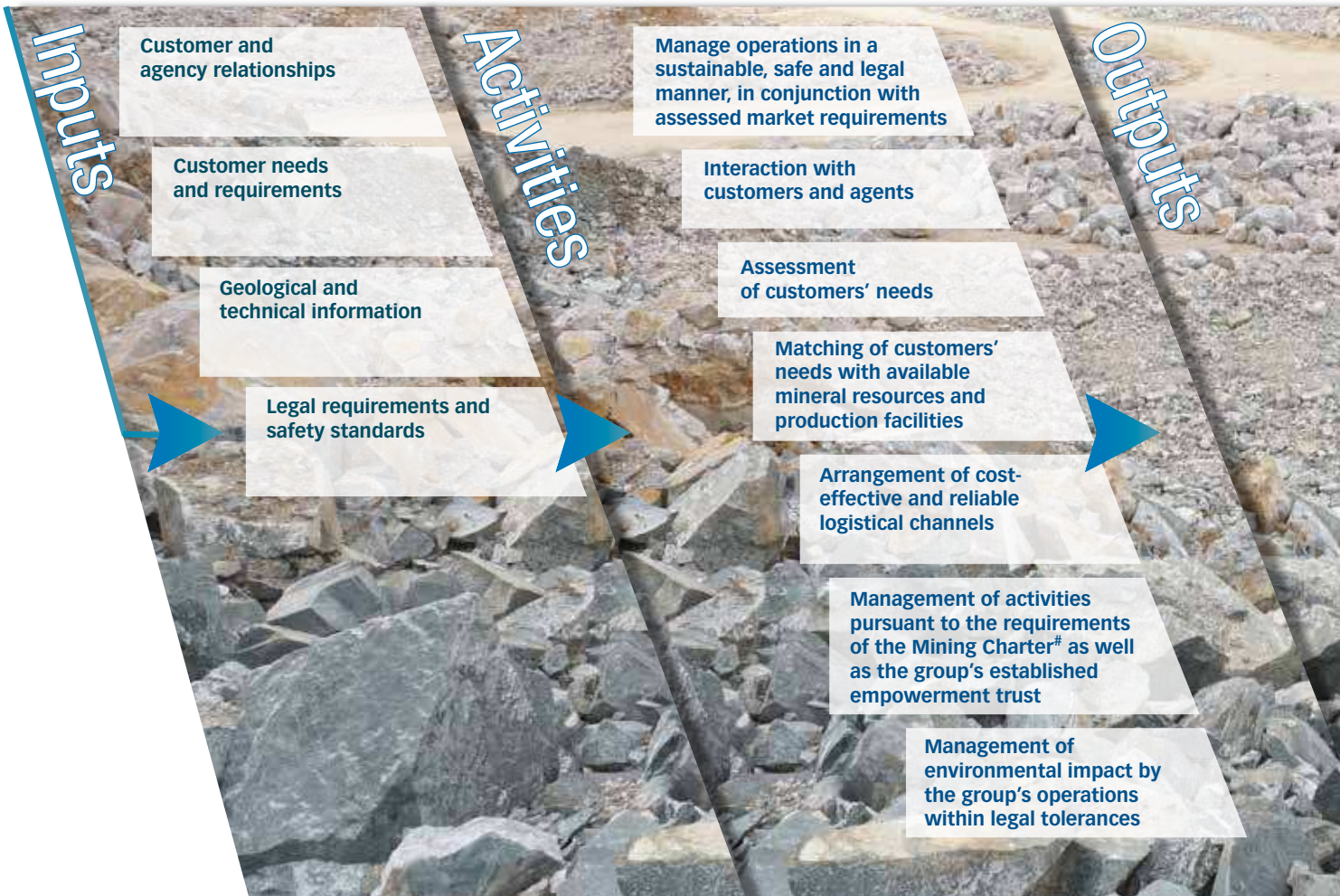
The strategy of the Assore group is to anticipate and react to changes in the markets in which it operates, to align and manage existing and available minerals and production with international market expectations, and to do so on a sustainable basis. The group seeks to optimise logistical capacities, both local and globally, in a manner that is consistent with production by group operations. Key performance indicators (KPIs) for the group include the following elements, as more fully set out and measured here:

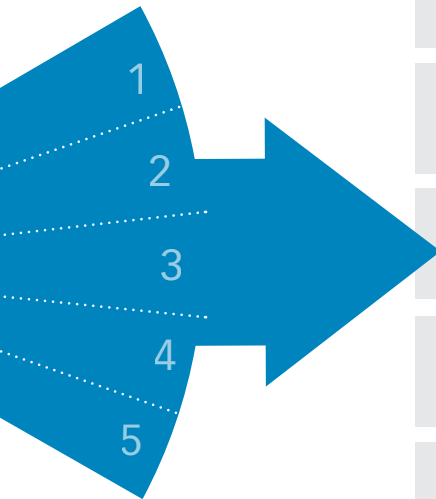
Key performance indicators

In order to achieve the KPIs, the following requirements are essential to optimise the group's performance and results:

- 1 Fundamental understanding of the markets in which the group operates and their evolution.
- 2 Management's understanding and management of the characteristics of the orebodies.
- 3 The logistical arrangements across the range of the group's commodities.
- 4 The configuration of the works in combination with customer requirements, taking technological developments and practical limitations into account.

Business model





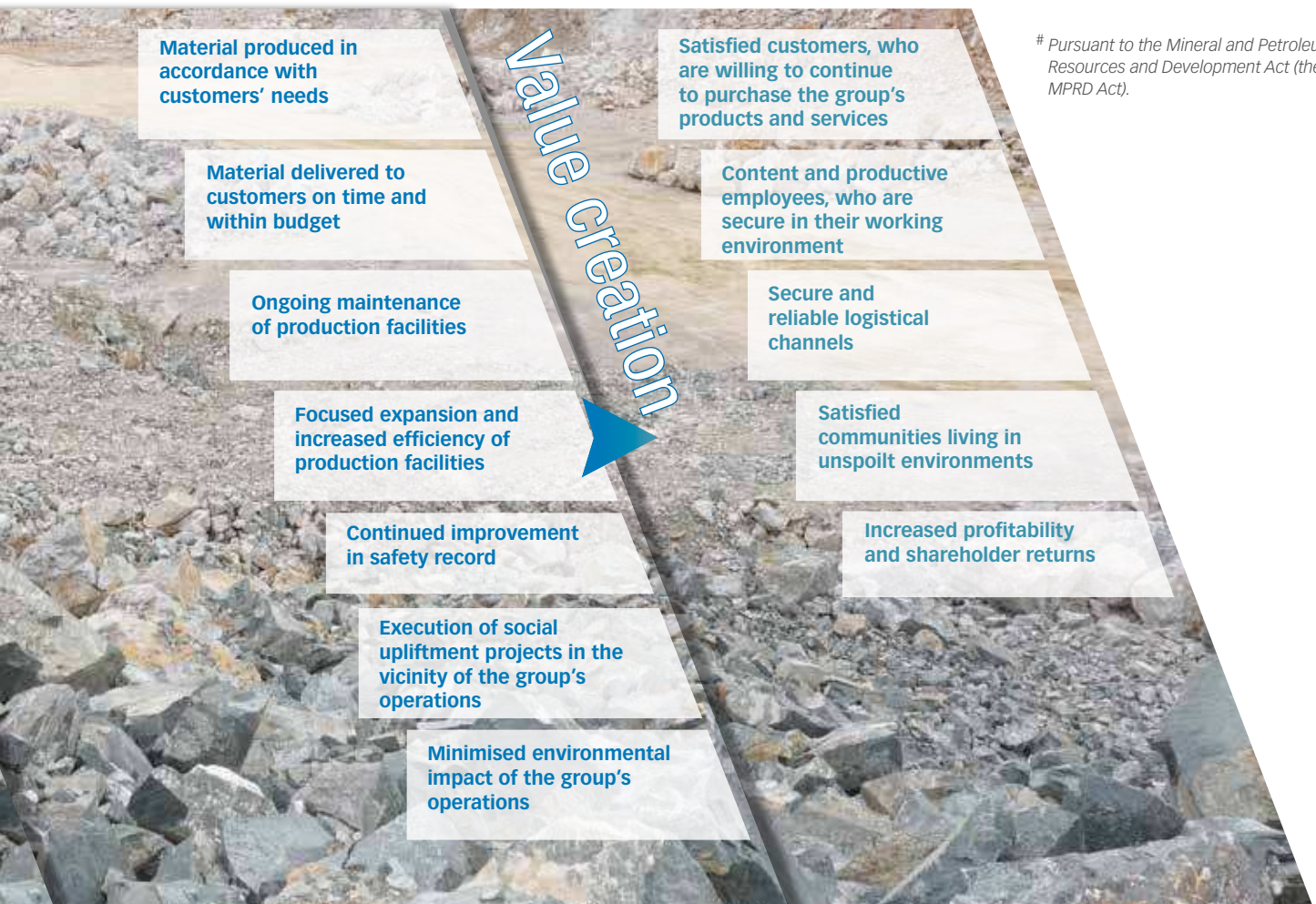
Optimise prices and tonnages sold per segment and regional concentration of customers
measured in "Operational review and commentary"

Sustainable exploitation of mineral deposits
measured in "Mineral Resources and Reserves report", located on the group's website under "Annual reports" in the "Investor centre"

Compliance with the requirements of the Mining Charter[#], specifically those relating to black economic empowerment (BEE)
measured in "Black economic empowerment status report"

Ongoing improvement in the group's safety record
measured in "Sustainability report", located on the group's website under "Annual reports" in the "Investor centre"

Expansion and replacement projects completed on time, to specification and within budget
measured in "Operational review and commentary"



[#] Pursuant to the Mineral and Petroleum Resources and Development Act (the MPRD Act).

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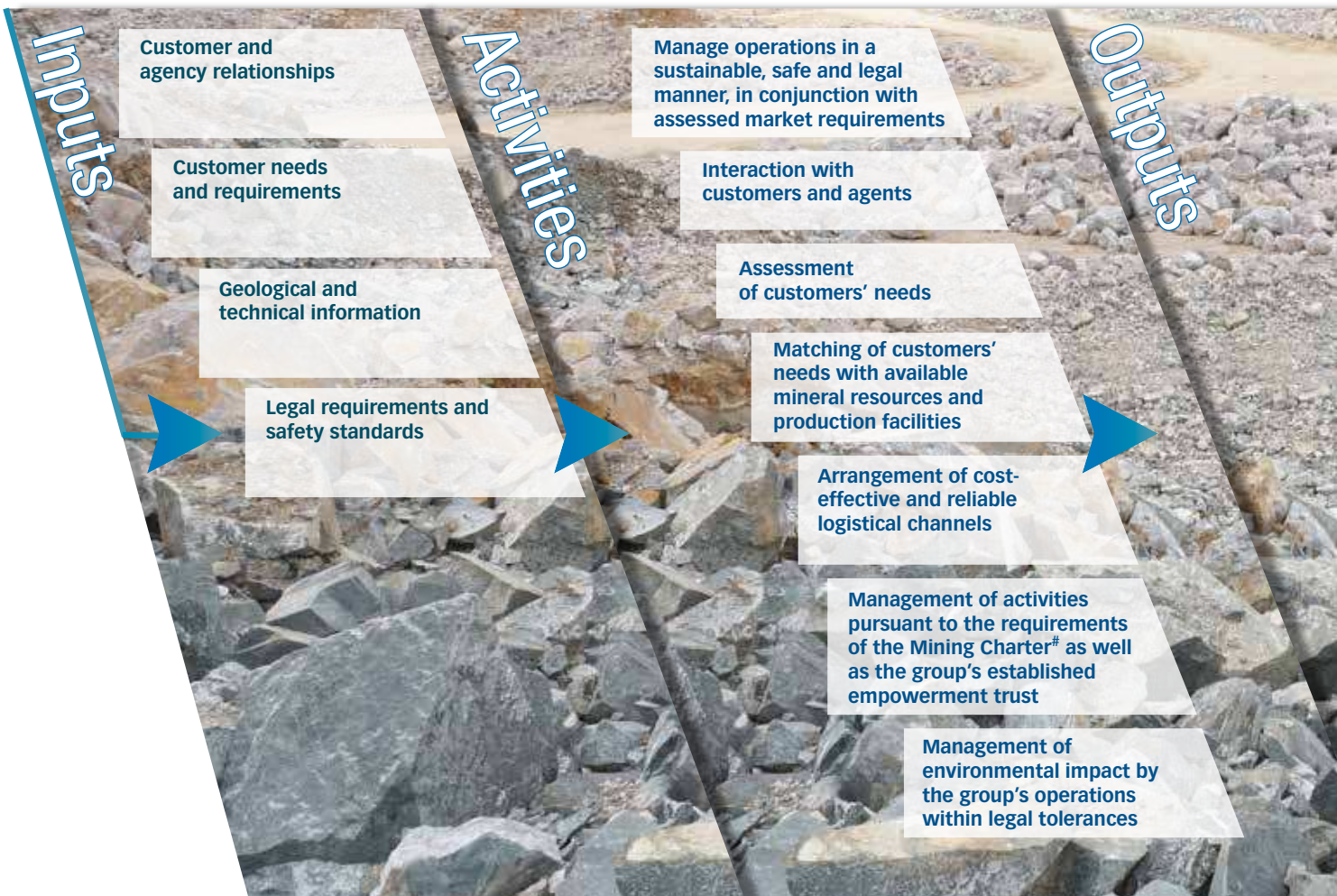
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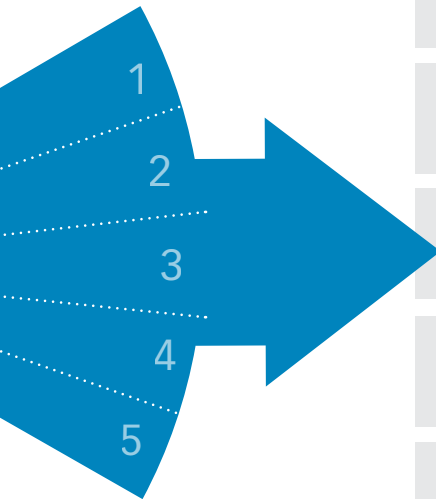
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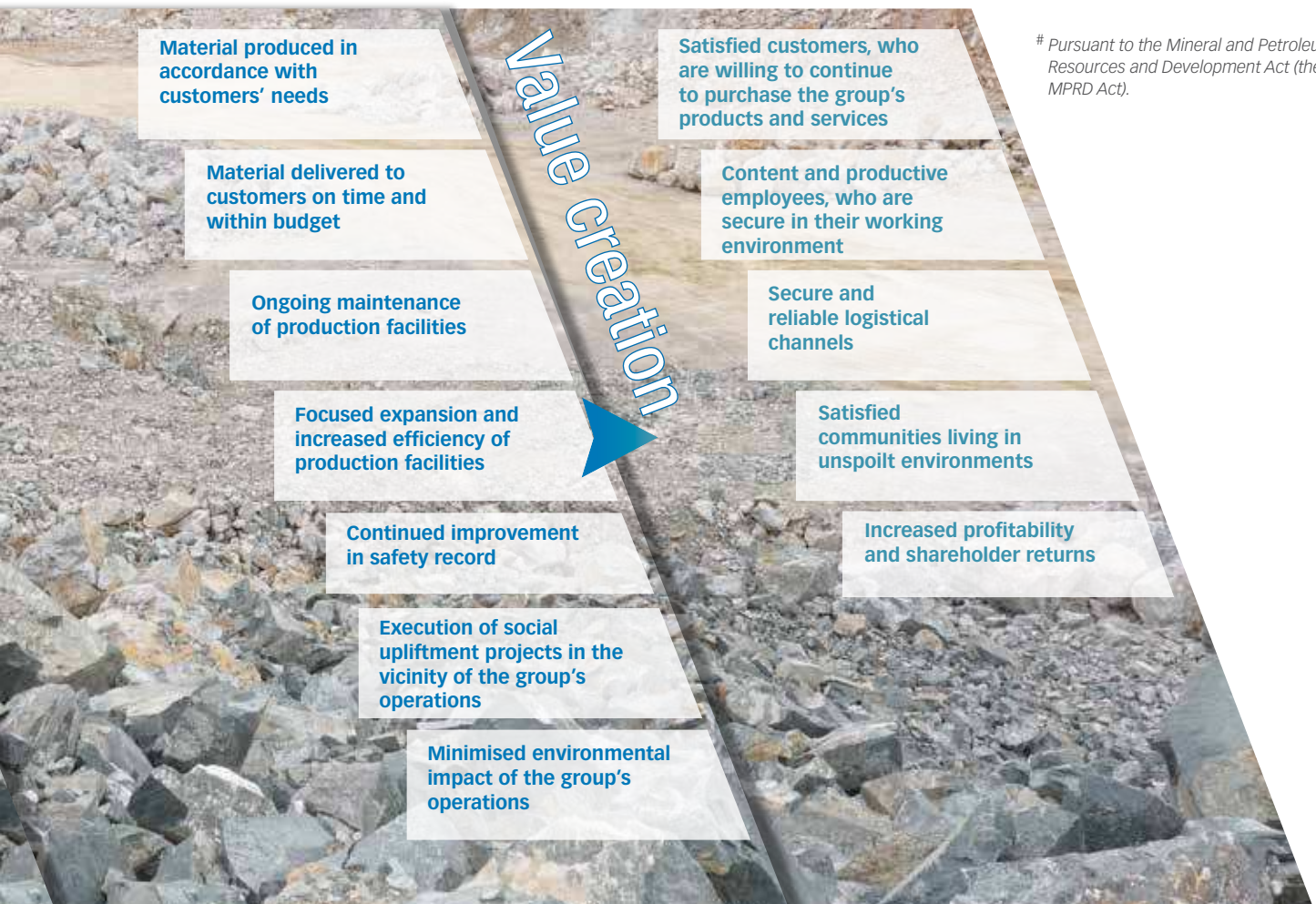
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Risks and opportunities

Operating context

The performance of the Assore group is largely dependent on the level of global economic growth, as almost all its commodities are used in the production of crude and stainless steel, the consumption of which is intimately related to the incidence of global capital spend. Global economic growth, in turn, together with demand and supply dynamics, drives, *inter alia*, US dollar prices for commodities, while the level of exchange rates, combined with these prices, has a direct bearing on the group's financial performance. In assessing the group's risks and analysing its performance, it is essential to understand that by its nature, mining is a long-term business and these analyses should be conducted bearing this in mind.

Factors that influence the group's operating context

1

The ability and cost competitiveness of existing facilities, taking planned capital improvements into account, to meet global demand

2

Exploration for and development of new and existing mineral deposits

3

Global inventory levels of inputs into steelmaking processes

4

The establishment of new, technologically advanced facilities

5

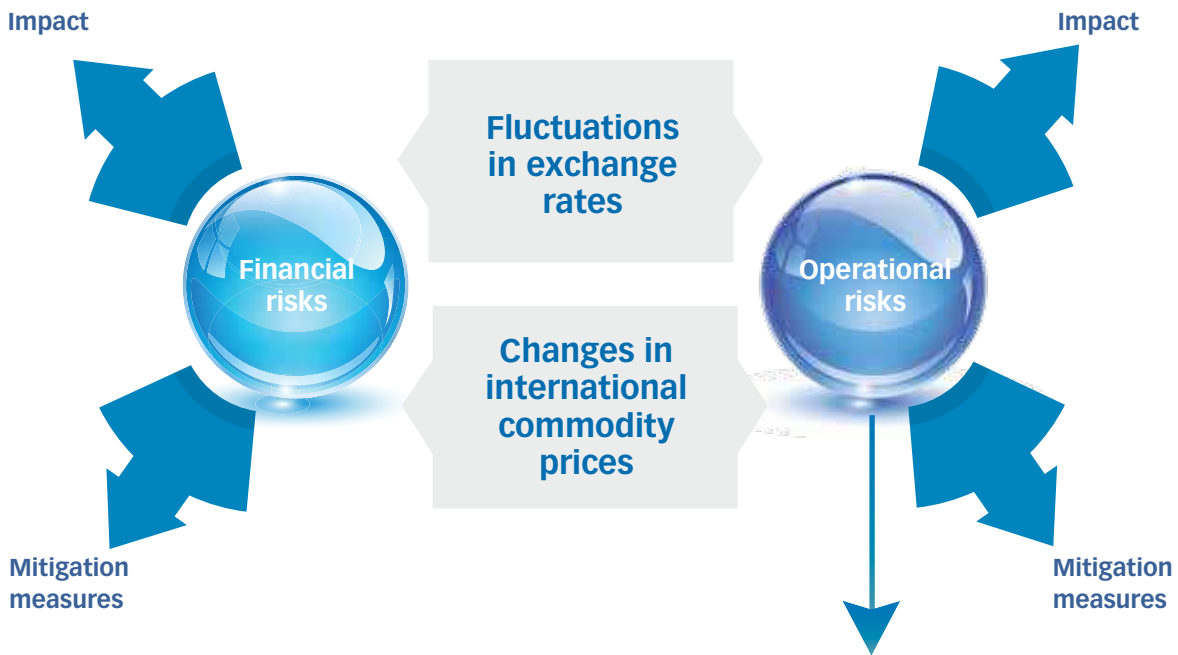
Political conditions in the countries in which customers and competitors are located

6

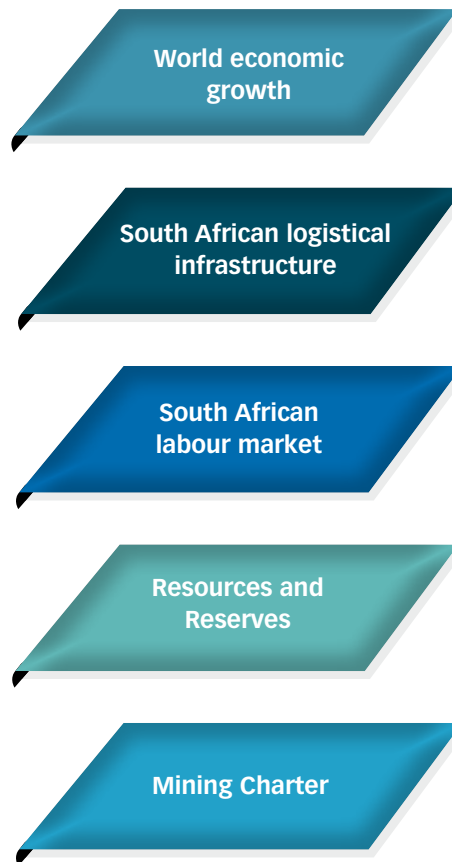
The existence or establishment of sufficient overland logistical capacity (rallage capacity)

7

The availability of suitable vessels, and the efficiency and capacity of the South African and overseas ports



While ensuring that every reasonable opportunity is pursued to add value to shareholders' returns, management is aware of the impact of the group's activities on other stakeholders as well as on the environment. The manner in which the group interacts with its stakeholders and its impact on the environment is addressed in the "Sustainability report", located on the group's website under "Annual reports" in the "Investor centre". The table on page 16 sets out the most significant material risks to which the group is exposed and describes the mitigation measures adopted.

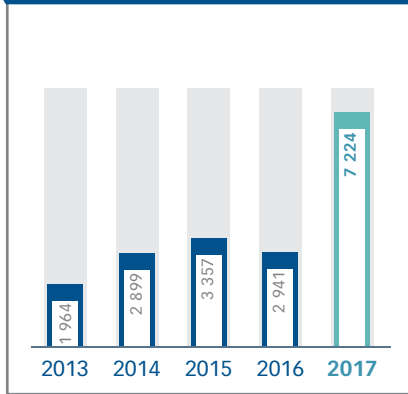


Risks and opportunities continued

Risk description	Impact	Mitigation measures
Financial risks		
Fluctuations in exchange rates	Since most sales are denominated in foreign currency, fluctuations in exchange rates (the level of the rand against the US dollar and the euro) can have a significant impact on the group's earnings	Assore has an established Treasury and Credit Committee, the purpose of which is to limit exposure to exchange rate fluctuations. A limited degree of natural hedging occurs, given that some capital expenditure occurs in foreign currency as well
Changes in international commodity prices	Most iron ore sales are priced on a quarterly basis retrospectively while manganese ore is priced quarterly in advance or on a shipment-by-shipment basis. Most other commodities are priced quarterly in advance. Fluctuations in these prices can have a significant impact on the profitability of the group	Market prices of commodities are continually monitored by Ore & Metal, and the diversified portfolio of commodities provides a degree of hedging against variable commodity prices
Operational risks		
World economic growth	Since most of the group's commodities are used as inputs in the steel industry, the group's ability to continue to distribute and sell its commodities is largely dependent on the level of demand for steel, which in turn is linked to economic growth	Management continually monitors market conditions and developments in the steel industry, and ensures that ore reserves are exploited in a manner that ensures suitable sustainable supply of material to our customers
South African logistical infrastructure	The available channels for the export of commodities from the mines to the ports, and the facilities in South Africa's ports, are both dependent on the level of infrastructural investment by the state through Portnet and Transnet. The level of maintenance and quality of management of the logistical facilities have a direct bearing on the group's sales volumes	Assmang management and representatives of Ore & Metal meet regularly with all levels of Transnet's port and rail management to ensure optimum use of the existing channels and to explore expansion and optimal maintenance of these channels
South African labour market	The labour market in South Africa has become increasingly volatile, with prolonged strikes in certain sectors, which usually carry unrealistic demands from trade unions on employers, resulting in protracted negotiations with negative effects on productivity	Management attempts as far as is practical to commence wage negotiations at an early stage, and in an attempt to gain certainty on operating costs; these usually encompass negotiations towards agreements that cover more than one year
Resources and Reserves	By nature, the metal content of orebodies can vary over the course of the life of the mine and, depending on commodity prices, their lives can either increase or decrease, given that mining deeper becomes increasingly more costly. Customer choices and preferences, therefore, have a direct bearing on the economic lives of the deposits	Orebodies are continually monitored, using modelling techniques, and are exploited in conjunction with market demand. Customer relationships are carefully managed in order to ensure that customer requirements are met within physical, chemical and economic constraints. For a detailed analysis of the group's orebodies, refer to the "Mineral Resources and Reserves report", located on the group's website under "Annual reports" in the "Investor centre"
Mining Charter	The Mining Charter places onerous requirements on the operations in order to meet its requirements	Management of the compliance aspects of the charter is undertaken at all operations and every attempt is made to ensure compliance, both at the operations and at a corporate level (refer "Black economic empowerment status report" on pages 40 to 43)

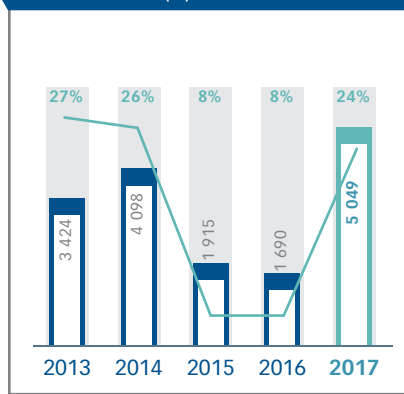
Group highlights

Revenue (R million)



With effect from 2017, revenue includes Dwarsrivier (refer note 35.1 to the consolidated annual financial statements).

Headline earnings per share (cents) versus ROCE (%)

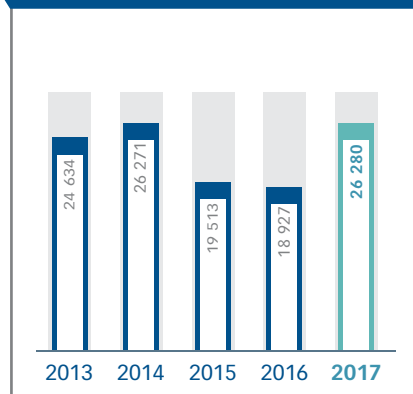


Dividends per share (cents)



Assmang highlights

Turnover (R million)



As from 1 July 2014, Assmang's turnover excludes Dwarsrivier, which was recorded as a discontinued operation until its disposal on 1 July 2016, since which the group acquired 100% of Dwarsrivier.

Capital expenditure (R million)



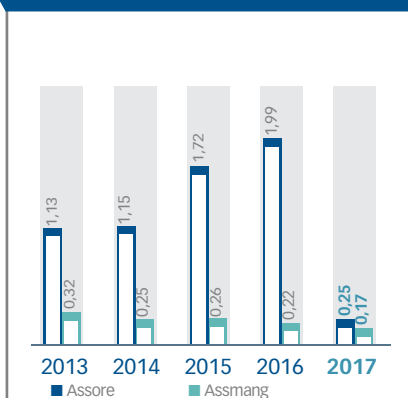
Earnings (R million) versus iron ore price (US\$/mt)*



* Average for 62% iron content, fines grade, CFR China prices.

Group safety

Lost-time injury frequency rate (%)



Dwarsrivier included from 2017.

The highlights included in these graphs give effect to the requirement of IFRS to apply the equity accounting basis in the group's results, for its 50% share in the results of Assmang, which are reflected at 100% above.

Therefore, "Group highlights" does not include its proportion of Assmang's turnover in its revenue. "Assmang highlights" include continuing and discontinued operations (refer note 1 and 35.1 to the consolidated annual financial statements).

Future performance objectives

Taking into account management's assessment of the risks and opportunities identified under "Risks and opportunities" (refer page 16), and its responsibilities and involvement relating to Assmang and other group entities, the specific key performance indicators (KPIs) for the short and medium term include:

Assmang

- maintaining steady-state production performance from Khumani Iron Ore Mine, by optimising the off-grade washing plant and the Wet High Intensity Magnetic Separation (WHIMS) plant, to ensure realisation of planned life of mine;
- the substitution of ore from other pits at Beeshoek Iron Ore Mine with the ore from the Village Pit, which is now in operation, also pursuing options to treat historical off-grade dumps to produce on-grade product;
- the execution of the sustainability and expansion project at Black Rock Manganese Mines, of which the

- expected year of completion is 2020, to increase and sustain production from the Nchwaning Mine to higher volumes, achieving sustainable production in excess of 4 million tonnes per annum of manganese ore in the long term;
- continuing to develop the group's market for the material produced from the upper seam at Nchwaning Manganese Mine;
 - following the successful commissioning and ramp up of both furnaces at Sakura Ferroalloys in Malaysia, to maintain high-carbon ferromanganese (HCFEMn) production on both furnaces at a total production capacity of approximately 230 000 tonnes per annum; and
 - the continued optimisation of alloy production at the group's ferromanganese facilities in order to mitigate increases in the price of electricity, which are expected to exceed inflation rates.

Assore subsidiaries

- enhancing the group's position in South Africa's chrome ore market and consolidating the production output of Dwarsrivier at levels of approximately 1,5 million tonnes per annum (refer "Operational review and commentary");
- continuing with the development of North Shaft at Dwarsrivier and proceeding with beneficiation plant upgrades to process the run-of-mine (ROM) material from both shafts; and
- continuing to explore early-stage opportunities in iron ore, gold, lithium and other commodities, mainly focused in Africa, through IronRidge Resources.

Financial year	Indicator	Unit	2017		2016	
			Assmang operations	Assore operations	Assmang operations	Assore operations
HUMAN RESOURCES MANAGEMENT						
	Total number of employees as of 30 June	Number	11 918	2 345	11 441	400
	– Permanent	Number	4 793	1 260	5 686	175
	– Contract	Number	7 125	1 085	5 755	225
	Production days lost to strike action	Number	—	—	—	—
	Total new employee houses completed to date	Number	1 510	87	1 536	—
SAFETY PERFORMANCE						
	Fatalities	Number	—	—	—	—
	Lost-time injuries	Number	15	7	25	14
	Lost-time injury frequency rate	Per 200 000 hours	0,17	0,25	0,22	1,99
	Section 54 notices issued (Mine Health and Safety Act)	Number	1	4	6	3
	Production shifts lost due to section 54 notices	Number	—	15	11	1
	Prohibition notices issues (Occupational Health and Safety Act)	Number	—	—	—	—
OCCUPATIONAL HEALTH AND WELLNESS MANAGEMENT						
	Medicals performed	Number	16 759	4 211	15 627	1 188
	Audiograms performed	Number	20 018	3 410	14 718	1 191
	Noise-induced hearing loss cases referred for compensation	Number	2	4	4	2
	New TB cases reported	Number	4	11	17	4
	– Pulmonary TB		12	9	52	2
	– Multi-drug resistant TB		—	2	2	2
ENVIRONMENTAL MANAGEMENT						
	Total greenhouse gas emissions	Tonnes CO ₂ e	1 244 428	74 817	1 232 142*	16 589
	– Scope 1 emissions	Tonnes CO ₂ e	377 768	10 046	344 868*	7 617
	– Scope 2 emissions	Tonnes CO ₂ e	866 660	64 771	887 274	8 972
	Diesel consumption	'000 litres	49 837	3 746	54 263*	2 887
	Electricity consumption	Mwh	875 415	69 261	887 383	9 594
	Water consumption	m ³	9 811 901	736 945	11 513 727	438 849
	Waste generation					
	– Waste rock	m ³	20 888 215	134 595	23 212 855*	2 031 194
	– Tailings/slag/discard waste	Tonnes	6 581 071	783 152	7 419 658	67 629
	Financial provision for rehabilitation and closure	R million	693,5	71,5	723,9	26,0
	Number of environmental administrative penalties/fines	Number	—	—	—	4
COMMUNITY AND ECONOMIC DEVELOPMENT						
	Community and economic development expenditure	R million	69,5	27,6	73,1*	33,2

* Restated from previous year.

All figures for the Assmang operations are stated on a 100% basis.