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 2018

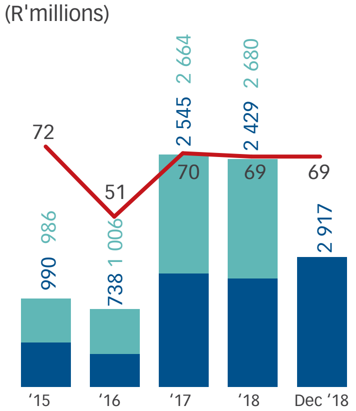
Headline earnings 20% higher

Interim dividend of R10 per share

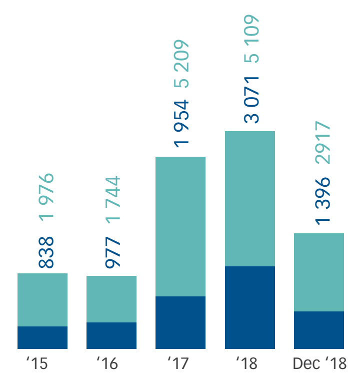
Iron ore and manganese ore prices remain firm

Continuous commitment to overall safety performance

Headline earnings review
(R'millions)



Headline earnings and dividends paid (gross) R'millions



Financial highlights

R'million (unless otherwise stated)	Half-year ended 31 December 2018 Reviewed	Half-year ended 31 December 2017 Unaudited	% increase	Year ended 30 June 2018 Audited
Revenue	3 948	3 842	3	7 805
Profit after taxation, before joint venture and associates	813	761	7	1 667
Share of profit and loss from joint venture and associates, after taxation	2 119	1 720	23	3 508
Profit for the period	2 932	2 482	18	5 175
Attributable earnings	2 916	2 454	19	5 119
Headline earnings	2 917	2 429	20	5 109
Earnings per share (cents)	2 827	2 379	19	4 963
Headline earnings per share (cents)	2 828	2 355	20	4 953
Dividends per share in respect of profit for the period (cents)	1 000	1 000	–	2 200
Net asset value	27 782	24 522	13	26 050
Capital expenditure – Assmang (100% basis), Dwarsrivier and other	2 203	1 333	65	3 486

Safety

Assore operations

Dwarsrivier Chrome Mine Proprietary Limited (Dwarsrivier) achieved an improvement in its lost-time injury frequency rate (LTIFR) to 0,18 for the six months to 31 December 2018 (the current period, or H1 FY19) from 0,23 for the six months to 31 December 2017 (the previous period, or H1 FY18). However, incidents at Assore's other operations, resulted in an overall increase in the LTIFR from 0,21 to 0,29 over the same period.

Assmang operations

The combined LTIFR of the Assmang Proprietary Limited (Assmang) operations, which is jointly controlled by Assore and African Rainbow Minerals Limited (ARM), has deteriorated slightly to a level of 0,13 for the current period, compared to 0,12 for the previous period.

The group remains committed to the pursuit of continued, sustainable improvement in our overall safety performance.

Group financial performance

Headline earnings for H1 FY19 increased by 20% to R2,92 billion, compared to R2,43 billion for the H1 FY18. Assmang, in which Assore has a 50% interest, recorded headline earnings of R4,29 billion (H1 FY18: R3,47 billion), an increase of 23%, on a 100% basis. This contributed R2,14 billion towards the group's headline earnings. In accordance with International Financial Reporting Standards (IFRS), Assmang is classified as a joint venture and accordingly, its financial results are equity accounted. The rest of the group's operations reported headline earnings that were 15% higher than the previous period, at R0,77 billion, of which Dwarsrivier contributed R327 million (H1 FY18: R440 million), with commissions and interest earned making up most of the balance. Attributable earnings amounted to R2,92 billion, 19% higher than H1 FY18.

The average SA rand/US dollar exchange rate for the current period was R14,06, 5% weaker than the level that prevailed during H1 FY18. The index price for iron ore (62% iron content, fines grade, delivered in China (the index price)) was stable, while the lump premium for the current period increased to US dollar 20,49 from US dollar 15,03 in H1 FY18. Manganese ore price indices were higher for both quoted grades (44% and 37% manganese content) compared to H1 FY18. Sales volumes of iron ore and chrome ore were lower than in the previous corresponding period due to unforeseen inland logistical challenges while sales volumes of manganese ore and alloys were higher.

Production and sales volumes achieved by the group were as follows:

Metric tons '000	Six months to 31 December 2018	Six months to 31 December 2017	% (decrease)/ increase
Production volumes (100%)			
Iron ore	8 742	9 143	(4)
Manganese ore	1 737	1 865	(7)
Manganese alloys	194	190	2
Chrome ore	765	717	7
Sales volumes (100%)			
Iron ore	8 752	9 130	(4)
Manganese ore*	1 605	1 556	3
Manganese alloys	164	162	1
Chrome ore	757	794	(5)

** Excluding intragroup sales*

Strong cash generation resulted in group net cash increasing by 16% to R7,65 billion at December 2018 (December 2017: R6,6 billion). The board has declared an interim dividend of 1 000 cents (H1 FY18: 1 000 cents) per share, which will be paid to shareholders on or about 18 March 2019.

Market conditions

The markets into which the group sells its products were generally stronger in comparison to the 2017 calendar year. World crude steel demand is estimated to have grown by 3,9% in the 2018 calendar year (CY18), resulting in favourable iron ore and manganese ore prices for the current period. The world stainless-steel production is estimated to have grown by 6,1% in CY18. However, the demand for stainless steel eased towards the end of CY18 resulting in a decrease in the average index price for chrome ore compared to the previous period.

Assmang (iron ore and manganese)

Attributable earnings increased by 23% over the previous period to R4,28 billion (100% basis, H1 FY18: R3,47 billion). Iron ore delivered R2,43 billion (H1 FY18: R1,75 billion) while manganese ore and alloys contributed R1,85 billion (H1 FY18: R1,74 billion). This was driven mostly by increased turnover which was 17% up on the previous period to R16,29 billion on the back of the weaker average SA rand/US dollar exchange rate, an improved price basket and an increase in the volume of manganese ore sold.

Capital expenditure in Assmang amounted to R1,98 billion for the period (H1 FY18: R1,17 billion). Approximately half of this amount was spent in Assmang's Iron Ore division, including R443 million spent on waste stripping and R404 million on replacement capital. A further R225 million was spent in the Manganese division on the Black Rock Expansion Project (BREP) and R167 million was spent at Gloria. At 31 December 2018, 92% of the capital approved (R6,7 billion) for the BREP had been committed. The capital expenditure in the Manganese division, on the BREP and at Gloria, will provide Assmang with the capacity to produce up to 5,0 million tons per annum of manganese (subject to market conditions), while simultaneously optimising the Black Rock resource and providing grade flexibility.

Iron ore

The average index price for iron ore for the current period remained stable, at US dollar 69 per ton compared to the previous period. However, the lump premium increased by 36% to an average of US dollar 20 per ton, compared to the previous period. This was primarily due to Chinese steel mills utilising increased volumes of higher grade ore amid ongoing environmental restrictions. In addition, there was an increase in the premium achieved for spot sales during the current period.

Assmang's iron ore operations achieved total production of 8,74 million tons and total sales volumes were 8,75 million tons (H1 FY18: 9,14 million tons), 4% lower due to logistical challenges experienced on the export rail line to Saldanha.

Manganese ore and alloys

During the current period, demand and prices for manganese ore remained elevated, driven by China's increased reliance on imported ore. The world market for manganese ore remained undersupplied during the period. Robust levels of Chinese steel production, which were reported to have increased by 6,6% year-on-year in CY18, resulted in higher alloy production, and this continued to support elevated price indices for the period for both higher grade (44% manganese content) and medium grade (37% manganese content) ores.

On the contrary, the world manganese alloy market experienced a period of oversupply which has resulted in pressure on prices. This, together with the sustained elevated prices of manganese ore (as a key input cost to alloy production), has led to some production cut backs by the manganese alloy industry.

Assmang's total sales volumes of manganese ore increased by 3% from the previous period to 1,6 million tons. However, export volumes from Saldanha were negatively impacted by the logistical challenges experienced on the export rail line, which necessitated the use of the road network.

Dwarsrivier (chrome ore)

Increased beneficiation plant utilisation gave rise to a 7% increase in production volumes at Dwarsrivier to 765 000 tons, compared to 717 000 tons produced in the previous period. The Chinese markets for chrome ore (and ferrochrome) were weaker compared to the prior period, resulting in the average US dollar price decreasing by 10% to USD186 per ton (44% chrome content material,delivered China).

Sales volumes decreased by 5% to 757 000 tons (H1 FY18: 794 000 tons) due to inland logistical challenges resulting mainly from community unrest in the vicinity of the mine, as well as congestion experienced in the port of Maputo during the latter quarter of the year. Dwarsrivier thus recorded a reduction in turnover of 8% and a reduction in earnings of 26%. Capital expenditure amounted to R214 million (H1 FY18: R121 million) of which R92,6 million was replacement and the balance being on improving efficiencies and compliance.

Outlook

World economic growth remained strong for CY18. However, this growth momentum has started to wane with growth in CY19 forecast to be marginally lower. The expected decline in growth is reflected in the slowdown observed in some of the major advanced economies towards the end of CY18 as a result of ongoing trade actions and the uncertain geopolitical environment. Chinese stimulus measures are being put in place to cushion the slowdown in that economy.

Chinese environmental policies are expected to continue to impact high grade iron ore and manganese ore markets positively thereby supporting the demand for the group's high quality products. The demand for lump iron ore and pellets is expected to remain firm, which should be supportive for premiums on these products. However, the recent decline in steel prices and reduced steel mill profitability in China is anticipated to result in a substitution in favour of ore with lower iron content. This is likely to result in a narrowing of price differentials between the various grades of the group's products.

The growing oversupply in the ferrochrome market and the subsequent pressure on chrome ore prices is set to constrain any major upward chrome ore price movements.

The group remains confident that its portfolio of mines and marketing operations are well positioned for the future.

The outlook statement has not been reviewed and reported on by the group's external auditors.

Short-form announcement

This short-form announcement is the responsibility of the board of directors of Assore Limited and is a summarised version of the group's full announcement and as such, it does not contain full or complete details pertaining to its results. Any investment decisions by investors and/or shareholders should be made after taking into consideration the full announcement, which has been released on the JSE Stock Exchange News Service (SENS) and is available for viewing on the group's website www.assore.com. The full announcement is available for inspection, at no charge, at the registered office of Assore Limited, (15 Fricker Road, Illovo Boulevard, Johannesburg, 2196) from 09:00 to 16:00 on business days. Copies of the full announcement can be requested from the registered office by contacting the Company Secretary on +27 11 770 6800.

Directors: Executive Desmond Sacco (*Chairman*), CE Walters (*Chief Executive Officer*), PE Sacco (*Deputy Chief Executive Officer*), RA Davies (*Chief Financial Officer*), BH van Aswegen (*Group Technical and Operations Director*)
Non-executive EM Southey* (*Deputy Chairman and Lead Independent Director*), DN Aitken*,TN Mgoduso*, S Mhlarhi*, WF Urmson* **Independent*

Registered office: Assore House, 15 Fricker Road, Illovo Boulevard, Johannesburg, 2196 **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

For more information please visit
www.assore.com

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