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Scope and boundary

The integrated annual report (IAR) of Assore Limited (Assore or group) covers the period 1 July 2016 to 30 June 2017.

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 2016 and 30 June 2017. The previous IAR covered the period 1 July 2015 to 30 June 2016. 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); and
- Sakura Ferroalloys SDN, BHD, Malaysia (ferromanganese and silico manganese smelters), in which Assmang holds a 54,36% interest (Sakura).

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", pages 12 and 13), with these activities being managed through:

– **Ore & Metal Company Limited (Ore & Metal), which conducts the marketing and distribution of Assmang's products, with marketing and trading taking place in the United States by Minerals U.S. LLC (Minerais); and**

– **African Mining and Trust Company Limited's (AMT) operations which include:**

- Dwarsrivier Chrome Mine Proprietary Limited (Dwarsrivier);
- Wonderstone Limited (Wonderstone);
- Head Office operations (Head Office), comprising the activities of those of AMT and Ore & Metal, where relevant;
- Rustenburg Minerals Development Company Proprietary Limited (Rustenburg Minerals);
- Zeerust Chrome Mines Limited (Zeerust); with the latter two of these operations no longer in commercial production.

Report feedback

Feedback on this Assore report can be made directly to Mrs MJ Claassen at: marethaclaassen@assore.com.

This report is also available at www.assore.com

Cover image: Dwarsrivier Chrome Mine beneficiation plant





Profile

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

The group's principal investments consist of its 50% interest in Assmang, which it controls jointly with African Rainbow Minerals Limited (ARM) and its 100% interest in Dwarsrivier. 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.

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 element	Guidelines	Reference
Mineral Resources and Reserves	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"
Corporate governance and risk management	King Code on Corporate Governance, issued in November 2016 (King IV)	Pages 32 to 39 and throughout
Black economic empowerment status report	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 40 to 43
Sustainability	Various relevant guidelines, as well as those contained in the Global Reporting Initiative (GRI) G3 indicators	Page 19, throughout and the complete sustainability report, located on the group's website under "Annual reports" in the "Investor centre"
Annual financial statements	International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, South African Companies Act, as amended, and JSE Listings Requirements	Pages 1 to 75 of the annual financial statements, available on the group's website at www.assore.com (referred to throughout as the annual financial statements).

Group at a glance

Joint-venture entity (Assmang)

Iron Ore division (refer 29)


Iron ore

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.

 **R16 399,0 million**
(2016: R12 533,0 million)

 **R4 372,6 million**
(2016: R2 440,2 million)

-  Revenue generated*
-  Contribution to group revenue
-  Attributable profit
-  Attributable loss

Manganese division (refer 29)


Manganese ore and alloys


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. Sakura Ferroalloys, a joint venture smelting operation in Malaysia in which Assmang holds a 54,36% stake, produces high carbon ferromanganese from ores sourced on the market. The smelting plant has been designed to allow for switching production capacity to silico manganese. Alloy produced is sold on the export market.

 **R10 238,1 million**
(2016: R6 666,1 million)

 **R2 181,6million**
(2016: R103,7 million)

Subsidiary companies

Dwarsrivier Chrome Mine (refer 30)

Chrome ore


Type of operation

- Chrome ore mining and beneficiation

Description

Chrome ore is mined at the Dwarsrivier Chrome Mine in the Limpopo province, located near Steelpoort and Lydenburg. The ore produced is sold both on the export market and locally. With effect from 1 July 2016, Assore owned 100% of Dwarsrivier (refer note 35.1 to the consolidated annual financial statements).

 **R3 410,4 million**
(2016: R946,9 million)

 **R843,2 million**
(2016: R21,5 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.

Wonderstone (refer 31)


Wonderstone


Type of operation

- Mining and beneficiation of Wonderstone, and installation of ceramic 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 supplies and installs ceramic wear linings through a subsidiary on a project basis.

 **R81,1 million**
(2016: R98,2 million)

 **R5,07 million**
(2016: R(22,0) million)[‡]

Rustenburg Minerals and Zeerust

Chrome ore


Type of operation

- Chrome ore mining and beneficiation

Description

The processing and sales of the last remaining chromite and low grade ores were completed whilst rehabilitation of selected mining areas has commenced. All operations relating to either mining or processing have ceased with only rehabilitation or care and maintenance activities ongoing.

 **R109,5 million**
(2016: R180,2 million)

 **R23,4 million**
(2016: R(114,7) million)[#]

Ore & Metal Company (refer 31)


Marketing and distribution

Type of operation

- Marketing of minerals and alloys in the USA

Description

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.

 **R783,2 million**
(2016: R511,5 million)

 **R383,8 million**
(2016: R271,3 million)

Minerais U.S. LLC (refer 31)

Marketing and distribution, USA


Type of operation

- Marketing of minerals and alloys in the USA

Description

Minerais U.S. LLC is responsible for marketing and sales administration of the group's products in the United States of America (USA), in particular manganese alloys, and trades in various related commodities.

 **R2 364,4 million**
(2016: R1 763,7 million)

 **R97,3 million**
(2016: R11,4 million)

African Mining and Trust Company (refer 31)

Operational and technical advice

Type of operation

- Operational management, exploration and technical adviser

Description

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.

 **R461,4 million**
(2016: R334,9 million)

 **R181,3 million**
(2016: R101,5 million)

[‡] After impairment charge of R24,3 million charged against goodwill, previously recorded pursuant to the acquisition of Groupline Projects in 2012.

[#] After impairment charge of R23,2 million (attributable to the group) recorded against the remaining net book value of assets in Rustenburg Minerals.

Location of markets and operations





LOCATION OF SAKURA FERROALLOYS, MALAYSIA



Group timeline

'28

Gloucester Manganese Mines (Postmasburg) Limited established by Guido Sacco

'30

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

'31

Formation of African Mining and Trust Company Limited (AMT)

'35

AMT partnered with Anglo Transvaal Consolidated Investment Company Limited (Anglovaal), now African Rainbow Minerals (ARM)

'40

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

'50

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

'57

Alloy producer, Ferroalloys Limited, incorporated by Assmang

'59

First production of ferromanganese at the Cato Ridge Works by Assmang

'79

Gloria Manganese Ore Mine commissioned

'81

Nchwaning II Mine came into production

'96

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

'97

Beeshoek South Mine expansion commissioned

'06

Acquisition of minorities in, and delisting of, Assmang and finalisation of 50/50 joint-venture agreement with African Rainbow Minerals Limited

'09

Approval of the Khumani Expansion Project to increase design capacity of iron ore output to 14 million tonnes per annum

'10

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

'14

First distributions made by empowerment trusts (R7,2 million) and to employees by employee trust (R13,2 million)

'16

Conclusion of the acquisition of the remaining 50% of Dwarsrivier from ARM. Commissioning of first ferromanganese furnace at Sakura Ferroalloys

'36

Acquisition of the Wonderstone Mine

'37

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

'39

Export of manganese through Durban

'60

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

'61

Agency relationship established with Sumitomo Corporation of Japan

'73

Commissioning of the Nchwaning Manganese Ore Mine

'99

Mining of chrome deposit by Assmang at Dwarsrivier

'02

First mining of manganese ore from Nchwaning III

'04

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

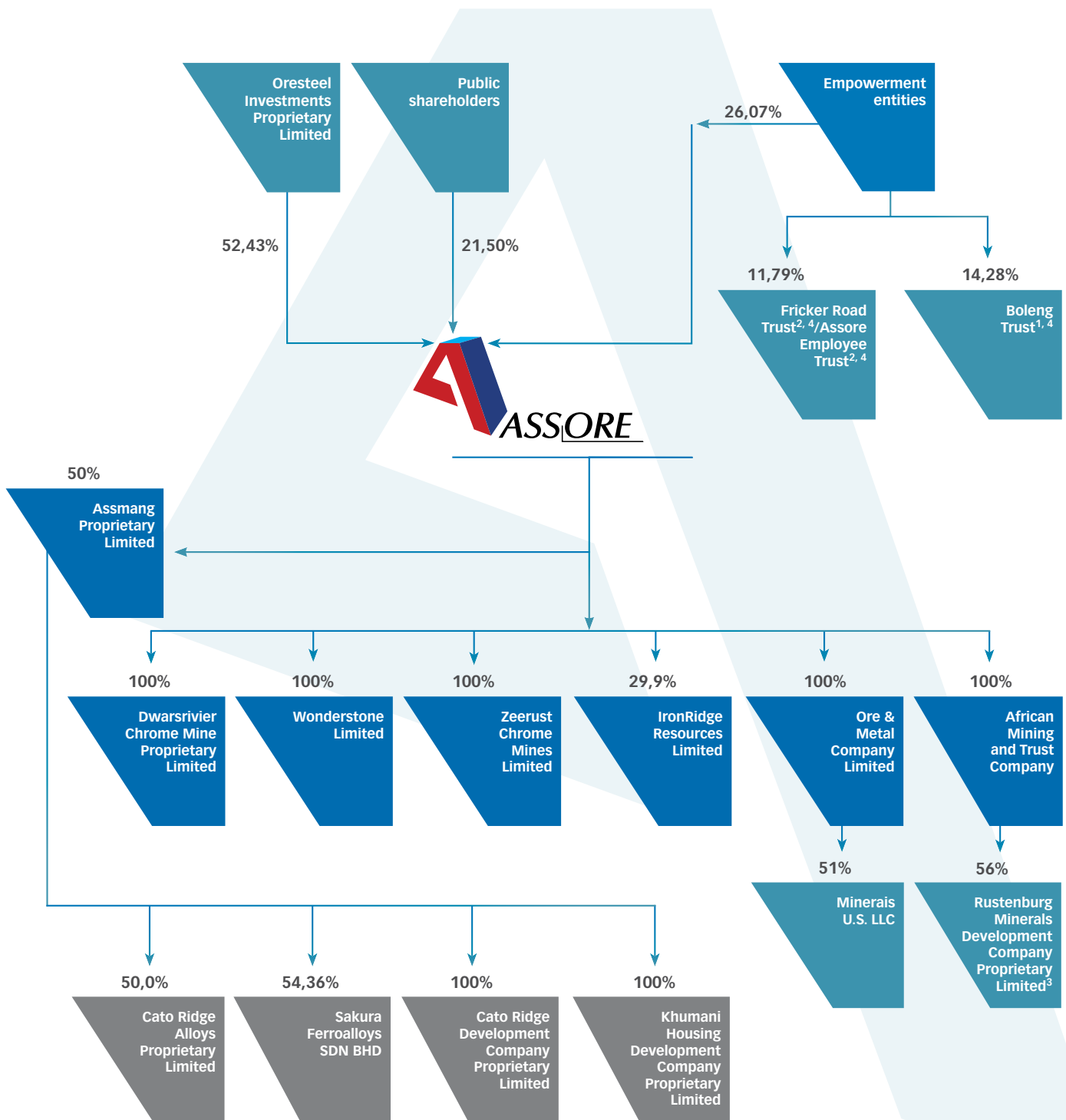
'12

Conclusion of third empowerment transaction (subsequent to the first empowerment transaction concluded in 2005), 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 Assore Employee Trust (refer "Black economic empowerment status report")

2017

First full year of 100% inclusion of Dwarsrivier in the group. Successful commissioning of second furnace at Sakura Ferroalloys by Assmang, within budget.

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 3 below and "Black economic empowerment status report").

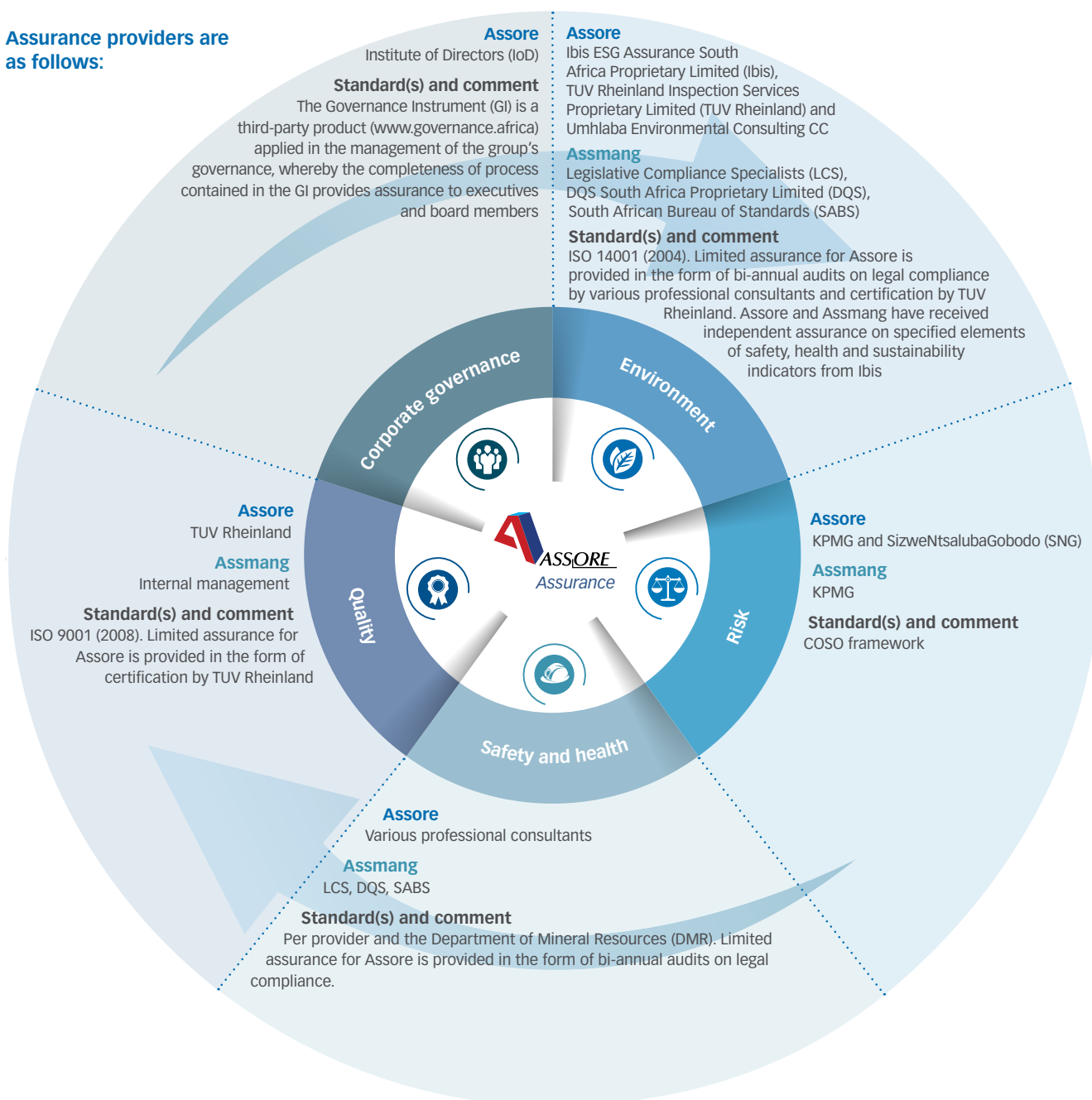
² The Fricker Road Trust is a black economic empowered entity which controls the majority of the voting rights in a special-purpose vehicle that owns 11,79% of Assore's issued ordinary shares. The Assore Employee Trust controls the remainder of the voting rights (refer note 3 below and "Black economic 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 44 and 45 of this report and 63 of the annual financial statements.

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:



Assurance pertaining to financial controls and reporting is achieved by conducting extensive internal auditing across the Assore group by KPMG and SizweNtsalubaGobodo, who report to Assore’s Audit and Risk Committee on their 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.