Tshipi é Ntle Manganese Mining Proprietary Limited

(Registration number 2008/003117/07)

Audited Annual Financial Statements for the year ended 28 February 2017

Tshipi é Ntle
Manganese Mining

These financial statements have been prepared by Paul Jonker, Financial Manager and reviewed by Carel Malan, Chief Financial Officer.

Tshipi é Ntle Manganese Mining Proprietary Limited

Financial Statements for the year ended 28 February 2017

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Exploration and exploitation of minerals
Directors	SJ Macozoma J Gumede P Thapliyal BP Gilbertson BE Robinson OC Mogodi NT Low RJS van Jaarsveld
Registered office	21 Central Street Houghton 2198
Business address	52 Grosvenor Road 1st Floor Sable Building Fairway Office Park Bryanston Gauteng 2010
Postal address	P O Box 652286 Benmore 2010
Bankers	First Rand Bank Limited Investec Bank Limited
Auditors	KPMG Inc.
Company registration number	2008/003117/07
Company VAT Number	4340255050

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The reports and statements set out below comprise the financial statements presented to the shareholders:

Directors' Responsibility Statement

The directors are responsible for the preparation and fair presentation of the annual financial statements of Tshipi é Ntle Manganese Mining Proprietary Limited, comprising the statement of financial position as at 28 February 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of annual financial statements

The annual financial statements of Tshipi é Ntle Manganese Mining Proprietary Limited, as identified in the first paragraph, were approved by the board of directors on 11 May 2017 and signed by:

P Thapliyal
Authorised Director

Tshipi é Ntle Manganese Mining Proprietary Limited
Financial Statements for the year ended 28 February 2017

Directors' Report

The directors submit their report for the year ended 28 February 2017.

1. Incorporation

The Company was incorporated on 7 February 2008 and obtained its certificate to commence business on the same day. The Company was dormant from its date of incorporation on 7 February 2008 up to 31 March 2009. The Company formally started operations on 1 April 2009.

2. Review of activities

Main business and operations

The Company is engaged in exploration and exploitation of minerals and operates in South Africa. The financial results of the Company are fully set out in the attached financial statements.

3. Review of Results and Operations

The Company generated a profit of R891 million after a tax expense of R347.6 million (2016: Loss of R196.4 million after a tax credit of R64.6 million).

4. Property, plant and equipment

The additions to property, plant and equipment of R130 million (2016: R467.5 million) during the year reflects the sustaining and expansion capital incurred during the year ended 28 February 2017.

Management has assessed its Tshipi Borwa Mine, which is the lowest level for which cash flows are largely independent of other assets (cash-generating unit - CGU) for impairment. Management concluded that there is no impairment at CGU level. Management did not identify any assets impaired at an individual asset level (2016: R65.7 million).

5. Dividends

No dividends were declared or paid to shareholders during the year (2016: Nil)

6. Financial Position

As at 28 February 2017, the Company held R469.2 million in cash and cash equivalents compared with R213.2 million as at 29 February 2016.

7. Directors

There are no employment or other commercial agreements with any of the directors. The directors of the Company during the year and to the date of this report are as follows:

Name	Nationality
SJ Macozoma	South African
J Gumede	South African
P Thapliyal	British
BP Gilbertson	British and South African
BE Robinson	South African
OC Mogodi	South African
NT Low	Singaporean
RJS van Jaarsveld	Australian

8. Major shareholders

The registered holders of the issued ordinary shares in the Company at 28 February 2017 and 29 February 2016 were respectively as follows:

	28 February 2017	29 February 2016
- Main Street 774 Proprietary Limited	50.1%	50.1%
- Jupiter Kalahari S.A.	49.9%	49.9%

KPMG Inc
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Internet kpmg.co.za

Independent Auditor's Report

To the Shareholders of Tshipi é Ntle Manganese Mining Proprietary Limited

Opinion

We have audited the financial statements of Tshipi é Ntle Manganese Mining Proprietary Limited set out on pages 8 to 35, which comprise the statement of financial position as at 28 February 2017, and the statement of profit or loss and other comprehensive income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of Tshipi é Ntle Manganese Mining Proprietary Limited for the year ended 28 February 2017 are prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the financial statements and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements in accordance with the basis of accounting described in note 1 and the requirements of the Companies Act of South Africa, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Policy Board:
Chief Executive: TH Hoole

Executive Directors: M Letsitsi, SL Louw, NKS Malaba, M Oddy, CAT Smit

Other Directors: ZA Beseti, LP Fourie, N Fubu, AH Jaffer (Chairman of the Board), ME Magondo, F Mall, GM Pickering, JN Pierce

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.

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In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Inc.

Nick van Niekerk
Chartered Accountant (SA)
Director
Registered Auditor
11 May 2017

Tshipi é Ntle Manganese Mining Proprietary Limited

Financial Statements for the year ended 28 February 2017

Statement of Financial Position

	Notes	28 February 2017 R'000	29 February 2016 R'000
Assets			
Non-Current Assets			
Property, plant and equipment	2.	2 068 281	2 203 452
Mineral rights	3.	194 792	196 955
Other financial asset	4.	21 742	16 904
		2 284 815	**2 417 311**
Current Assets			
Tax receivable		2 129	2 738
Inventory	5.	316 117	296 474
Trade and other receivables	6.	472 445	131 605
Cash and cash equivalents	7.	469 218	213 225
		1 259 909	**644 042**
Total Assets		**3 544 724**	**3 061 353**
Equity and Liabilities			
Equity			
Share capital and share premium	8.	321 359	321 359
Retained earnings		1 198 662	307 625
Contributed assets reserve	9.	116 961	116 961
Total Equity		**1 636 982**	**745 945**
Non-Current Liabilities			
Decommissioning and rehabilitation provision	10.	32 209	29 892
Deferred tax	11.	471 422	128 871
		503 631	**158 763**
Current Liabilities			
Loans from related parties	12.	929 399	1 918 189
Loans from third parties	13.	-	40 147
Trade and other payables	14.	474 712	198 309
		1 404 111	**2 156 645**
Total Liabilities		**1 907 742**	**2 315 408**
Total Equity and Liabilities		**3 544 724**	**3 061 353**

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Tshipi é Ntle Manganese Mining Proprietary Limited

Financial Statements for the year ended 28 February 2017

Statement of Profit or Loss and other Comprehensive Income

	Notes	28 February 2017 R'000	29 February 2016 R'000
Revenue		3 777 213	1 612 975
Cost of sales		(2 350 432)	(1 828 604)
Gross profit / (loss)		**1 426 781**	**(215 629)**
Other income	15.	3 013	2 778
Administrative expenses		(5 280)	(5 279)
Impairment of PPE	2.	-	(65 747)
Other operating expenses		(93 549)	(26 794)
Operating profit / (loss)	16.	**1 330 965**	**(310 671)**
Finance income	17.	19 484	82 322
Finance expenses	18.	(111 771)	(32 679)
Profit / (Loss) before taxation		**1 238 678**	**(261 028)**
Taxation	19.	(347 641)	64 572
Profit / (Loss) for the year		**891 037**	**(196 456)**
Other comprehensive income		-	-
Total comprehensive income / (loss) for the year		**891 037**	**(196 456)**

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Tshipi é Ntle Manganese Mining Proprietary Limited
Financial Statements for the year ended 28 February 2017

Statement of Changes in Equity

	Share capital	Share premium	Contributed assets reserve	Retained Earnings	Total equity
	R'000	R'000	R'000	R'000	R'000
Balance at 28 February 2015	*	321 359	116 961	504 081	942 401
Total comprehensive loss for the year	-	-	-	(196 456)	(196 456)
Balance at 29 February 2016	*	321 359	116 961	307 625	745 945
Total comprehensive income for the year	-	-	-	891 037	891 037
Balance at 28 February 2017	*	321 359	116 961	1 198 662	1 636 982
Notes	8.	8.	9.		

* Less than R1 000

Tshipi é Ntle Manganese Mining Proprietary Limited

Financial Statements for the year ended 28 February 2017

Statement of Cash Flows

	Note	28 February 2017 R'000	29 February 2016 R'000
Cash flows from operating activities			
Profit / (Loss) before taxation		1 238 678	(261 028)
Adjustments for:			
Finance expenses	18.	95 744	32 679
Finance income	17.	(19 484)	(82 322)
Unrealised Losses/(Gains)	18.	16 027	13 954
Depreciation		67 400	60 547
Amortisation of mine development cost, mineral right		7 477	4 997
Amortisation of deferred stripping costs		192 438	276 753
Impairment of PPE		-	65 747
Net realisable value of inventory adjustment		(50 863)	50 863
Management fees accrued to shareholders		1 320	1 320
Increase in leave pay accrual		1 628	8
Loss on sale of property, plant and equipment		42	27
Operating cash flows before working capital changes		1 550 407	163 545
Changes in:			
Inventories		31 220	(35 087)
Trade and other receivables		(340 840)	218 882
Trade and other payables		276 403	(23 017)
Non-cash movements in trade and other receivables		(1 837)	(1 310)
Non-cash movement in trade and other payables		(17 490)	(15 282)
Cash generated by operating activities		1 497 863	307 731
Interest paid		(12 234)	(6 858)
Interest received		18 302	10 877
Tax expense paid		(4 481)	(878)
Net cash from operating activities		1 499 450	310 872
Cash flows from investing activities			
Acquisition of property, plant and equipment		(130 023)	(463 658)
Acquisition of other financial asset		(3 656)	(739)
Net cash used in investing activities		(133 679)	(464 397)
Cash flows from financing activities			
Funds repaid to shareholders		(988 790)	-
Funds repaid to financial institutions		(40 147)	(73 706)
Net cash from financing activities		(1 028 937)	(73 706)
Net cash movement for the year		336 834	(227 231)
Effect on Movements in exchange rates on cash held		(80 841)	54 961
Cash and cash equivalents at the beginning of the year		213 225	385 495
Cash and cash equivalents at the end of the year		469 218	213 225

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Notes to the Financial Statements

1. Accounting Policies

Reporting Entity

Tshipi é Ntle Manganese Mining Proprietary Limited is domiciled in the Republic of South Africa. The Company's registered office is at 21 Central Street, Houghton. The Company is primary involved in the exploration and exploitation of minerals.

Presentation of financial statements

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards, ("IFRS's") and the Companies Act of South Africa.

1.1. Basis of accounting

The significant accounting policies that have been used in the preparation of the financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRS's and the impacts on the financial information, if any, are disclosed in Note 27.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS's and its interpretations adopted by the IASB requires management to make certain judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements have been included in Note 24.

Basis of measurement

The financial statements have been prepared on the historical cost basis unless otherwise stated.

Functional and presentation currency

All financial information has been presented in South African Rand, which is the Company's functional currency, and has been rounded to the nearest thousand Rand, except where otherwise indicated.

1.2. Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Capital work-in-progress (CWIP) represents assets in the course of construction for production or for its own use purpose.

The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

CWIP is reclassified to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use in the manner intended by management.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset, and are recognised net within other income in profit or loss.

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Notes to the Financial Statements

1.2. Property, plant and equipment (continued)

Subsequent costs
Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Depreciation
Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use in the manner intended by management.

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line or units of production basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

Other items of property, plant and equipment are depreciated as follows:

Items	Average useful life	Basis
Buildings	20 to 35 years	Straight-line
Furniture and fittings	5 to 10 years	Straight-line
IT and office equipment	4 years	Straight-line
Computer software	10 years	Straight-line
Motor Vehicles	4 years	Straight-line
Leasehold improvements	8 years	Straight-line
Plant and equipment	3 to 60 years	Units of production
Mine Infrastructure	3 to 60 years	Units of production
Deferred stripping costs	3 to 60 years	Units of production
Mine development costs	3 to 60 years	Units of production

The residual value, useful life and depreciation method of each asset is reviewed at the end of each reporting period. If the expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

Mine development costs
Costs arising from the development of the mine site (except for the expenditures incurred for building the mine site and the purchases of machinery and equipment for the mining operation which are included in property, plant and equipment) are accumulated in respect of each identifiable area of interest and are capitalised and carried forward as an asset to the extent that they are expected to be recouped through the successful mining of the areas of interest.

Amortisation is not charged on the mine development costs carried forward in respect of areas of interest until production commences. Where mining of a mineral deposit has commenced, the related exploration and evaluation costs are transferred to mine development costs. When production commences, mine development costs are amortised on a unit of production basis. The unit of production basis results in an amortisation charge proportional to the depletion of the estimated economically recoverable ore reserves.

Exploration assets
Exploration expenditure is written off when incurred except when it is probable that a mining asset will be developed for commercial production as a result of the exploration work conducted. In such cases the capitalised exploration expenditure is amortised on the units of production basis over the expected life of the mining asset from the date of commencement of production.

Capitalisation of exploration cost ceases when the project is discontinued at which time any previously capitalised costs are expensed.

Notes to the Financial Statements

1.2. Property, plant and equipment (continued)

Deferred stripping costs
Production stripping costs in a surface mine are capitalised to assets if, and only if, all of the following criteria are met:

- It is probable that the future economic benefit associated with the stripping activity will flow to the entity;
- The entity can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured.

If the above criteria are not met, the stripping costs are recognised directly in profit or loss.

The Company initially measures the stripping activity asset at cost, this being the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore.

After initial recognition, the stripping activity asset is carried at the carrying amount, which is the initial cost less accumulated amortisation and accumulated impairment losses.

The deferred stripping activity assets are amortised to inventory on a units of production method on the date that the ore is removed from the pit and transferred to the run-of-mine stockpile.

1.3. Mineral rights

Mineral rights are recorded at cost less accumulated amortisation and accumulated impairment losses. When there is little likelihood of a mineral right being exploited, or the carrying amount has exceeded its recoverable amount, impairment is recognised in the statement of profit or loss in the year that such determination is made.

1.4. Inventories

Inventories, including work-in-progress, consumables and finished goods, are measured at the lower of cost and net realisable value, on the weighted average cost basis. Average costs are calculated by reference to the cost levels experienced in the relevant month together with those in opening inventory. For this purpose the costs of production include:

i. Labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
ii. The depreciation and amortisation of mine development costs and of property, plant and equipment, including capitalised pre-stripping costs, used in the extraction and processing of ore; and
iii. An appropriate share of the production overheads based on normal operating capacity.

Stockpiles represent ore that exceeds the mine's cut-off grade and is valued at the lower of cost and net realisable value. Work in progress inventory consists of partly processed material. Quantities are assessed through surveys.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

1.5. Financial instruments

Non-derivative financial asset and financial liabilities – recognition and derecognition
The Company initially recognises loans, receivables and deposits on the date that they originated.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

1.5. Financial instruments (continued)

Non-derivative financial assets - measurement

Other financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash and highly liquid investments which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Subsequent to initial recognition, cash and cash equivalents are measured at amortised cost, which is equivalent to their fair value.

Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

1.6. Impairment of assets

Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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Notes to the Financial Statements

1.7. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

1.8. Tax

Income tax
Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax
Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

1.9. Employee benefits

Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plan
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

1.10. Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

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Notes to the Financial Statements

1.11. Revenue

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is not continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of Manganese the transfer occurs during the loading of the goods onto the relevant carrier at the port. Generally, for such products the customer has no right of return.

The price is determined on a provisional basis at the date of sale. Adjustments to the sale price may occur based on variances in the Manganese or moisture content of the ore up to the date of final pricing. The period between provisional invoicing and final pricing is typically between 2 and 3 months. Accordingly, the fair value of the original revenue and associated receivable is adjusted each reporting period by reference to the best estimate of the actual Manganese and moisture content. The changes in fair value are recorded as an adjustment to revenue.

1.12. Leases

i. Leased assets

Assets held under leases which transfer substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the statement of financial position.

ii. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

iii. Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset (s).

At the inception of the arrangement, the Company separates payment and other consideration required by such arrangement into those for the lease and those for the elements based on their relative fair values. If the Company concludes for a finance lease that is impracticable to separate the payments reliably, then the asset and a liability are recognised at an equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate.

1.13. Borrowing costs

All borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in profit or loss using the effective rate method.

Notes to the Financial Statements

1.14. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

1.15. Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if:

i. the party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company;
ii. the Company and the party are subject to common control;
iii. the party is an associate of the Company or a joint venture in which the Company is a venture;
iv. the party is a member of key management personnel of the Company or the Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
v. the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
vi. the party is a post-employment benefit plan which is for the benefit of employees of the Company or of any entity that is a related party of the Company.

Close family members of an individual are those family members who may be expected to influence or be influenced by, that individual in their dealings with the entity.

1.16. Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

1.17. New accounting standards and interpretations not yet effective

A number of new accounting standards, amendments to standards and interpretations are not yet effective for the year ended 28 February 2017, and have not been applied in preparing these financial statements. None of these changes are expected to have a material impact on the financial statements of the Company. These are provided in further detail in Note 27.

Notes to the Financial Statements

2. Property, plant and equipment

Management assessed the expected cash flows for the 2018 financial year and concluded that no indicators of impairment existed as at 28 February 2017.

During the financial year ended 29 February 2016, management assessed the recoverable amount of the cash-generating unit (being the Tshipi Borwa Mine) and found no indicators of impairment on a CGU level. Management did however identify individual assets where the recoverable amount exceeded the carrying value with R65 million and this was recognised as an impairment loss in the annual financial statements.

	2017			2016		
	Cost	Accumulated depreciation, impairment and amortisation	Carrying value	Cost	Accumulated depreciation, impairment and amortisation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	26 931	-	26 931	26 931	-	26 931
Buildings	194 545	(17 202)	177 343	194 129	(10 850)	183 279
Furniture and fittings	6 658	(3 312)	3 346	6 552	(2 369)	4 183
IT and office equipment	17 231	(9 328)	7 903	13 659	(7 724)	5 935
Computer software	28 158	(13 610)	14 548	28 158	(11 498)	16 660
Motor vehicles	13 503	(12 854)	649	13 503	(11 184)	2 319
Plant and equipment	1 015 820	(150 028)	865 792	963 099	(98 524)	864 575
Mine development costs	512 606	(27 705)	484 901	512 594	(22 391)	490 203
Deferred stripping costs	700 437	(410 017)	290 420	944 265	(524 401)	419 864
Capital work in progress	139 052	-	139 052	194 796	(65 747)	129 049
Mine Infrastructure	68 502	(12 405)	56 097	68 344	(9 403)	58 941
Leasehold improvements	1 709	(410)	1 299	1 709	(196)	1 513
Total	**2 725 152**	**(656 871)**	**2 068 281**	**2 967 739**	**(764 287)**	**2 203 452**

Movement - 2017	Opening balance	Additions	Re-class/ transfers	Write-off	Depreciation and amortisation	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	26 931	-	-	-	-	-	26 931
Buildings	183 279	-	416	-	(6 352)	-	177 343
Furniture and fittings	4 183	-	106	-	(943)	-	3 346
IT and office equipment	5 935	-	3 572	-	(1 604)	-	7 903
Computer software	16 660	-	-	-	(2 112)	-	14 548
Motor vehicles	2 319	-	-	-	(1 670)	-	649
Plant and equipment	864 575	-	52 721	-	(51 504)	-	865 792
Mine development costs	490 203	12	-	-	(5 314)	-	484 901
Deferred stripping costs	419 864	62 994	-	-	(192 438)	-	290 420
Capital work in progress	129 049	67 017	(56 972)	(42)	-	-	139 052
Mine Infrastructure	58 941	-	157	-	(3 001)	-	56 097
Leasehold improvements	1 513	-	-	-	(214)	-	1 299
Total	**2 203 452**	**130 023**	**-**	**(42)**	**(265 152)**	**-**	**2 068 281**

Notes to the Financial Statements

2. Property, plant and equipment (continued)

Movement - 2016	Opening balance	Additions	Re-class/ transfers	Impairment	Depreciation and amortisation	Disposals	Closing balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Land	26 931	-	-	-	-	-	26 931
Buildings	93 278	-	95 075	-	(5 074)	-	183 279
Furniture and fittings	4 350	740	-	-	(907)	-	4 183
IT and office equipment	3 075	83	4 600	-	(1 796)	(27)	5 935
Computer software	18 661	-	410	-	(2 411)	-	16 660
Motor vehicles	5 068	-	-	-	(2 749)	-	2 319
Plant and equipment	578 592	-	330 410	-	(44 427)	-	864 575
Mine development costs	497 695	-	-	-	(3 602)	(3 890)	490 203
Deferred stripping costs	386 947	309 670	-	-	(276 753)	-	419 864
Capital work in progress	469 945	155 346	(430 495)	(65 747)	-	-	129 049
Mine Infrastructure	61 928	-	-	-	(2 987)	-	58 941
Leasehold improvements	-	1 709	-	-	(196)	-	1 513
Total	**2 146 470**	**467 548**	**-**	**(65 747)**	**(340 902)**	**(3 917)**	**2 203 452**

The decommissioning asset included in the cost of the mine development asset amounted to R22 million (2016: R22 million).

During the prior financial year management identified individual assets for impairment based on the carrying value of the asset exceeding the recoverable amount resulting in an impairment of R65.7 million.

The ultimate recoupment of the mine development costs is dependent upon the successful mining of the area of interest. The Directors consider the current results of the production as positive and expect that the costs will be fully recouped through sales of the product generated from the mining operation.

3. Mineral rights

	2017			2016		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Mineral rights	204 865	(10 073)	194 792	204 865	(7 910)	196 955
Total	**204 865**	**(10 073)**	**194 792**	**204 865**	**(7 910)**	**196 955**

Movement – 2017	Opening balance	Amortisation	Total
	R'000	R'000	R'000
Mineral rights	196 955	(2 163)	194 792
Total	**196 955**	**(2 163)**	**194 792**

Movement – 2016	Opening balance	Amortisation	Total
	R'000	R'000	R'000
Mineral rights	198 350	(1 395)	196 955
Total	**198 350**	**(1 395)**	**196 955**

Mineral rights include the following:

- Mining right 1265/2010 over portions 1 and 2 of the farm Mamatwan 331 and the farm Sinterfontein 748 collectively measuring 972.7737 hectares for manganese ("the Borwa Mining Right"); and
- The right to take transfer of portions of prospecting right 1251 NC granted over the remaining extent of the farm Wessels 227, portion 1, portion 2 and the remaining extent of Dibiaghomo 226, situated in Kuruman, measuring 1,071.1934 hectares for manganese, ferrous and base metals ("the Bokone Prospecting Right"). During the current financial year, this mineral right was transferred to Ntsimbintle Mining Proprietary Limited in terms of section 11 of the Mineral and Petroleum Resources Development Act, 2002.

Notes to the Financial Statements

3. Mineral rights (continued)

An application to transfer the above mentioned mineral rights from Ntsimbintle Mining Proprietary Limited to the Company in terms of section 11 of the Mineral and Petroleum Resources Development Act was submitted to the Department of Mineral Resources on 4 September 2009.

Permission to cede the Borwa Mining Right and Bokone Prospecting Right from Ntsimbintle Mining Proprietary Limited to the Company in terms of section 11 of the Mineral and Petroleum Resources Development Act was granted by the Department of Mineral Resources on 26 July 2010 and 27 September 2010 respectively.

On 17 March 2011, the Borwa Mining Right was transferred from Ntsimbintle Mining Proprietary Limited to the Company. No further minerals rights were obtained in the current period. Prospecting work continues in respect of the Wessel Prospecting Right but the feasibility of the pursuit of mining activities in respect of the resource, which is subject to that prospecting right, had not been established as at the reporting date.

Amortisation of mineral rights
Amortisation costs of R2.2 million (2016: R1.4 million) was recognised in relation to the mineral rights. The amortisation is recognised based on units of production according to the rate of depletion of the economically recoverable reserve.

4. Other financial asset

	28 February 2017	29 February 2016
	R'000	**R'000**
At amortised cost – Rehabilitation guarantee deposit	21 742	16 904
Total	**21 742**	**16 904**

The Company currently provides for its mine closure liabilities through insurance guarantees, with the face value of such guarantees amounting to R88.3 million (2016: R72.3 million). The insurance policy in respect of these guarantees provides that the Company shall effect annual payments to the insurer, comprising an annual guarantee fee of 1.64% of the face value of such guarantee and an amount retained by the insurer in a defined fund controlled by the insurer in securing the guarantee.

The respective guarantee fee and fund contribution capital amounts for the current year amounted to R1.9 million (2016: R0.1 million) and R5.6 million (2016: R1.1 million).

In the event that the insurer is called on to effect payment to the DMR in terms of the guarantee, the Company shall be obliged to make good any difference between the amount of such payment and the balance on the defined fund at that time. The insurance policy shall terminate on the third anniversary of effecting the first premium payment, but the Company may request the insurer to extend the cover period for further periods of three years. Upon the provision of three months written notice, either the Company or the insurer may terminate the policy. In the event of termination by either the Company or the insurer, the Company shall by necessity make alternative arrangements to furnish the DMR with an acceptable guarantee for its decommissioning and rehabilitation liability.

5. Inventory

	28 February 2017	29 February 2016
	R'000	**R'000**
Consumables	19 580	12 201
Work-in-progress stockpile	24 376	41 907
Finished goods stockpile	272 161	242 366
Total	**316 117**	**296 474**

The work-in-progress stockpile consists of the run-of-mine (ROM) stockpile, which relates to ore that has been drilled, blasted and hauled before further processing. Finished goods stockpile represents ore that exceeds the mine's cut-off grade and is valued at the lower of cost and net realisable value. The work-in-progress and finished goods stockpiles for the prior financial year included inventory of R284.3 million valued at net realisable value. All 2017 stockpiles are valued at cost.

Notes to the Financial Statements

6. Trade and other receivables

	28 February 2017 R'000	29 February 2016 R'000
Trade receivables	398 909	91 554
Prepaid expenses and deposits	770	3 455
VAT – receivable	72 766	35 362
Other receivables	-	1 234
Total	**472 445**	**131 605**

	28 February 2017 R'000	29 February 2016 R'000
Trade and other receivables are denominated in the following currencies:		
South African Rand	75 782	51 456
US Dollar (Refer to Note 21)	396 663	80 149
Total	**472 445**	**131 605**

7. Cash and cash equivalents

	28 February 2017 R'000	29 February 2016 R'000
Cash and cash equivalents consists of:		
Bank balance	469 218	213 212
Petty cash	*	13
Total	**469 218**	**213 225**
Cash and bank balances are denominated in the following currencies:		
South African Rand	229 896	90 308
US Dollar (Refer to Note 21)	239 322	122 917
Total	**469 218**	**213 225**

* Less than R1 000

8. Share capital and share premium

	28 February 2017	29 February 2016
Authorised		
100,000,000 ordinary shares of R0.00001 each	1 000	1 000
Issued	**R'000**	**R'000**
10,000,000 (2016: 10,000,000) ordinary shares of R0.00001 each	*	*
Share premium	321 359	321 359
Total	**321 359**	**321 359**

* Less than R1 000

The holders of ordinary shares are entitled to receive dividends as declared from time to time. All shares rank equal with regard to the Company's residual assets. There were no movements in the number of issued ordinary shares during the current financial year (2016: no movement).

Notes to the Financial Statements

9. Contributed assets reserve

	28 February 2017	29 February 2016
Reconciliation of contributed asset reserve	**R'000**	**R'000**
Contributed asset reserve	116 961	116 961

10. Decommissioning and rehabilitation provision

	28 February 2017	29 February 2016
	R'000	**R'000**
Provision at the beginning of the year	29 892	30 021
Change in estimate (refer below)	(352)	(2 575)
Unwinding of discount for the current year	2 669	2 446
Provision at the end of the year	**32 209**	**29 892**

The decommissioning and rehabilitation provision is based on management's best estimate of all known obligations. It is, however, reasonable to expect changes in the ultimate decommissioning and rehabilitation costs as a result of changes in regulations or cost estimates. Cost estimates are not reduced by potential proceeds from the sale of assets and from future clean-up in view of the uncertainty in estimating those proceeds. Other environmental expenditure not directly relating to rehabilitation is expensed as incurred. As set out in Note 4, the obligation of the Company is funded by an insurance related financial product as well as a guarantee issued by an insurer.

The assumptions and estimates employed in determining the decommissioning and rehabilitation provision were amended during the year resulting in a net decrease in the liability and associated decommissioning asset of R0.4 million (2016: R2.6 million). The individual changes were as follow:

	28 February 2017	29 February 2016
	R'000	**R'000**
The interest and inflation rates were amended to align with the latest information available.	(10 981)	(2 575)
The date of decommissioning was amended to align with management's best estimate of the date the liability will be settled.	10 629	-
Net change in base	**(352)**	**(2 575)**

The assumptions employed in determining the decommissioning and rehabilitation provision are as follows:

Annual inflation rate	5.80%	7.00%
Pre-tax risk-free rate for discounting	8.85%	9.40%
Expected date of decommissioning	31 December 2055	6 May 2070

Notes to the Financial Statements

11. Deferred tax

	28 February 2017	29 February 2016
Deferred tax liability	**R'000**	**R'000**
Originating and reversing of temporary differences	471 422	128 871

The net deferred tax liability consist of:		
Property, plant and equipment	297 692	300 871
Inventory	9 199	20 313
Capitalised work in progress	38 937	36 135
Leave pay provision	(1 050)	(594)
Unredeemed capital	(51 545)	(398 263)
Mine development cost	109 010	110 236
Other financial asset	2 480	2 610
Decommissioning and rehabilitation provision	(9 019)	(8 370)
Bonus Provision	(5 600)	-
Deferred Stripping Activities	81 318	117 562
Tax loss	-	(51 629)
Total	**471 422**	**128 871**

12. Loans from related parties

	28 February 2017	29 February 2016
	R'000	**R'000**
Main Street 774 Proprietary Limited		
Unsecured, interest free loan	407 938	908 938
Jupiter Kalahari S.A.		
Unsecured loan, bearing interest at the South African prime rate, compounded monthly	-	103 942
Unsecured loan, interest free	521 461	905 309
Total	**929 399**	**1 918 189**

None of the above loans carry fixed terms of repayment and are all repayable on demand. As the loans are repayable on demand, the fair value of the loans as at the reporting date are deemed to be equal to the nominal amount repayable as at that date. During February 2017 management repaid R1 billion to shareholders utilising cash profits generated during the current financial year.

The repayment can be split as follows:		
Capital	988 790	-
Interest incurred during the current financial year	11 210	-
Total repaid	**1 000 000**	**-**

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Notes to the Financial Statements

13. Loans from third parties

	28 February 2017 R'000	29 February 2016 R'000
RMB Working Capital Facility	-	40 147

Rand Merchant Bank Facility and Guarantees
During the 2015 financial year, the Company entered into a working capital facility agreement with Rand Merchant Bank (a division of First Rand Bank Limited) in the amount of R500 million with four elements of funding being commodity, letter of credit, VAT and guarantee funding with certain sub limits for each of the elements.

During the prior financial year the overall facility was decreased to R400 million containing the following sub-limits:

Guarantee Funding	145 000	145 000
Commodity & Letters of Credit	222 000	222 000
VAT	33 000	33 000
	400 000	**400 000**

The following components of the working capital facility was accessed during the current financial year:

Guarantee Funding:		
Transnet	110 000	110 000
Chevron	10 000	10 000
Total Guarantee Funding accessed	**120 000**	**120 000**

Facility Draw Down		
Commodity and Letter of credit	-	40 147

14. Trade and other payables

	28 February 2017 R'000	29 February 2016 R'000
Trade payables	213 510	124 373
Royalties payable	28 628	663
Jupiter Mines Limited	98 916	-
Other accrued expenses	129 908	71 151
Sub-total	**470 962**	**196 187**
Accrued leave pay	3 750	2 122
Total	**474 712**	**198 309**

Trade and other payables are denominated in the following currencies:

South African Rand	318 905	187 039
US Dollar (Refer to Note 21)	155 807	11 270
Total	**474 712**	**198 309**

15. Other income

	28 February 2017 R'000	29 February 2016 R'000
Sundry income – Recoveries	176	223
Housing rental income – owner occupied	1 236	2 131
Rental income – Letsatsi Housing Complex	1 601	424
Total	**3 013**	**2 778**

Notes to the Financial Statements

16. Operating profit / (loss)

Operating profit / (loss) for the year is stated after accounting for the following:	28 February 2017 R'000	29 February 2016 R'000
Exploration and evaluation expenditure incurred	39	22
Consulting fees	20 076	42 423
Depreciation of property, plant and equipment	67 400	60 547
Impairment of assets	-	65 747
Amortisation of mine development, related costs and mining right	7 477	4 997
Amortisation of deferred stripping costs	192 438	276 753
Loss on disposals of property, plant and equipment	-	27
Employee benefits expenses	95 859	92 603
Mining royalties	67 495	2 905
Inventory net realisable value impairment provision	-	(50 863)
Reversal of inventory net realisable value impairment provision	50 863	-

17. Finance income

	28 February 2017 R'000	29 February 2016 R'000
Interest earned on cash and cash equivalents	18 302	12 142
Interest earned on other financial asset	1 182	1 265
Realised foreign exchange gain	-	68 915
Total	**19 484**	**82 322**

18. Finance expenses

	28 February 2017 R'000	29 February 2016 R'000
Payable on shareholder's loan	11 210	9 421
Interest paid to bank and suppliers	1 024	6 858
Unwinding of decommissioning and rehabilitation liability	2 669	2 446
Unrealised foreign exchange loss	16 027	13 954
Realised foreign exchange loss	80 841	-
Total	**111 771**	**32 679**

19. Taxation

	28 February 2017 R'000	29 February 2016 R'000
Taxation		
Current tax		
Current year	(5 091)	-
Deferred tax		
Current year originating and reversing temporary differences	(342 550)	72 627
Prior year adjustment	-	(8 055)
Total tax (expense) / credit	**(347 641)**	**64 572**

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Notes to the Financial Statements

19. Taxation (continued)

Reconciliation of the tax expense	28 February 2017 R'000		29 February 2016 R'000	
Accounting profit before tax		1 238 678		(261 028)
Tax at 28%	28.00%	(346 830)	28.00%	73 088
Tax effect of adjustments on taxable income				
Prior year adjustment	0.00%	-	(3.09%)	(8 055)
Permanent differences	0.07%	(811)	(0.18%)	(461)
Total tax (expense) / credit	**28.07%**	**(347 641)**	**24.73%**	**64 572**

20. Related parties

Relationships

Shareholders:

Main Street 774 Proprietary Limited

Jupiter Kalahari S.A.

Jupiter Mines Limited (100% shareholder of Jupiter Kalahari S.A.)

Members of same group

Safika Holding Proprietary Limited
- Relationship: Shareholder in Safika Resources Proprietary Limited

Safika Resources Proprietary Limited
- Relationship: Shareholder in Ntsimbintle Mining Proprietary Limited

Ntsimbintle Mining Proprietary Limited
- Relationship: Shareholder in Main Street 774 Proprietary Limited

OM Materials (S) PTE Limited
- Relationship: Sharing the same shareholders

OM Tshipi (S) PTE Limited
- Relationship: Sharing the same shareholders

Related party balances	28 February 2017 R'000	29 February 2016 R'000
Loans owing to related parties		
Main Street 774 Proprietary Limited	407 938	908 938
Jupiter Kalahari S.A.	521 461	1 009 251
Trade amounts receivable from related parties		
Jupiter Kalahari S.A.	305	372
OM Tshipi (S) PTE Limited	206 022	98 064
Trade amounts payable to related parties		
Safika Resources Proprietary Limited	379	721
OM Tshipi (S) PTE Limited	32 279	11 187
Jupiter Mines Limited	98 916	-

Notes to the Financial Statements

20. Related parties (continued)

Related party transactions	28 February 2017 R'000	29 February 2016 R'000
Management fees paid to related parties		
Jupiter Kalahari S.A.	1 320	1 320
Safika Resources Proprietary Limited	3 960	3 960
Safika Resources Proprietary Limited (Other services and refunds)	-	246
Interest accrued to related parties		
Jupiter Kalahari S.A.	11 210	9 421
Inter-company sales to related parties		
OM Tshipi (S) PTE Limited	1 798 142	1 599 190
Jupiter Mines Limited	1 979 072	-
Inter-company marketing fees paid to related parties		
OM Tshipi (S) PTE Limited	47 495	42 591
Jupiter Mines Limited	56 947	-

20.1. Employee benefit expense (including Directors' emoluments)

2017

Director/Prescribed officer	Basic remuneration	Bonus	Cell phone allowance	Pension fund company contribution	Total remuneration
	R'000	R'000	R'000	R'000	R'000
PE Lotlhare	2 132	3 000	14	82	5 228
CJ Malan	767	1 800	6	61	2 634
N Chengapar	1 464	1 800	14	56	3 334
K Keulder	1 414	-	10	105	1 529
W Uys	759	-	-	50	809
Total	**6 536**	**6 600**	**44**	**354**	**13 534**

2016

Director/Prescribed officer	Basic remuneration	Bonus	Cell phone allowance	Pension fund company contribution	Total remuneration
	R'000	R'000	R'000	R'000	R'000
BE Robinson	2 083	4 997	-	-	7 080
CJ Malan	1 445	1 933	10	70	3 458
N Chengapar	1 028	800	14	72	1 914
MJ Nkoana	1 523	1 000	7	-	2 530
K Keulder	864	-	7	70	941
W Uys	323	-	-	17	340
Total	**7 266**	**8 730**	**38**	**229**	**16 263**

Other than directors/prescribed officers	28 February 2017 R'000	29 February 2016 R'000
Salaries, wages and other related costs	79 028	67 868
Defined contribution plans	3 297	8 472
Total	**82 325**	**76 340**

Notes to the Financial Statements

21. Risk management

Financial risk management overview

The Company has exposure to the following risks from its use of financial instruments:

- liquidity risk;
- market risk;
- credit risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The carrying amounts of the financial assets and liabilities are deemed to approximate their fair values.

Risk management framework and policies

The Company's activities expose it to a variety of financial risks: liquidity risk, market risk (including currency risk and interest rate risk) and credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The directors have overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risk during the reporting period.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities:

At 28 February 2017	Carrying amount	Total contractual cash flows	Contractual cash flows: less than 1 year	Contractual cash flows: between 1 and 5 years
	R'000	R'000	R'000	R'000
Loans from related parties	929 399	929 399	929 399	-
Trade and other payables	470 962	470 962	470 962	-
Total	**1 400 361**	**1 400 361**	**1 400 361**	**-**

At 29 February 2016	Carrying amount	Total contractual cash flows	Contractual cash flows: less than 1 year	Contractual cash flows: between 1 and 5 years
	R'000	R'000	R'000	R'000
Loans from related parties	1 918 189	1 918 189	1 918 189	-
Trade and other payables	196 187	196 187	196 187	-
Third party loans	40 147	40 147	40 147	-
Total	**2 154 523**	**2 154 523**	**2 154 523**	**-**

Loans from related parties with no fixed repayment terms have been treated as loans repayable on demand for the purposes of analysing liquidity risk. Liquidity risk has been mitigated by deriving funding only from the shareholders. Liabilities will be settled through operating cash flows.

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Notes to the Financial Statements

21. Risk management (continued)

Market risk

Market risk is the risk that changes in market prices, including but not limited to, changes in commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Market Risk - Currency risk

The Company is exposed to currency risk on sales, purchases, payables and receivables that are denominated in a currency other than the functional currency of the Company, primarily the US Dollar.

The Company undertook the following transactions denominated in foreign currencies:

- The Company's manganese exports are denominated in US Dollar and the prices are negotiated in that currency with customers;
- The Company has a foreign currency bank account that is denominated in US Dollar;
- An amount of R155.8 million (2016: R11.3 million) is included in the accounts payable balance and relates to marketing fees and other services that are denominated in US Dollar.

Currency movements of the US Dollar against the Rand therefore could have an effect on the financial position and results of the company.

The Company's currency exposure to the US Dollar is set out below:

	28 February 2017 **R'000**	29 February 2016 **R'000**
Accounts receivable	396 663	80 149
Foreign bank account	239 322	122 917
Accounts payable	(155 807)	(11 270)
Net exposure to the US Dollar	**480 178**	**191 796**

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate against the South African Rand, with all other variables held constant, of the Company's profit before income tax.

	Average rate		**Year-end spot rate**	
	2017	**2016**	**2017**	**2016**
US Dollar rate applied	14.51	13.44	13.02	16.03

		28 February 2017 **R'000**	29 February 2016 **R'000**
US Dollar	- Rand strengthened by 5%	(24 009)	(9 590)
	- Rand weakened by 5%	24 009	9 590

Notes to the Financial Statements

21. Risk management (continued)

Market risk - Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments were as follows:

	28 February 2017	29 February 2016
Variable rate instruments	**R'000**	**R'000**
Floating interest bearing shareholder loans	-	(103 942)
Bank balances (cash and cash equivalents)	469 218	213 212
Net exposure to interest rates	**469 218**	**109 270**

	Profit or loss before tax		Equity before tax	
At 28 February 2017	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
	R'000	**R'000**	**R'000**	**R'000**
Variable rate instruments	4 692	(4 692)	4 692	(4 692)
Cash flow sensitivity	**4 692**	**(4 692)**	**4 692**	**(4 692)**

	Profit or loss before tax		Equity before tax	
At 29 February 2016	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
	R'000	**R'000**	**R'000**	**R'000**
Variable rate instruments	1 093	(1 093)	1 093	(1 093)
Cash flow sensitivity	**1 093**	**(1 093)**	**1 093**	**(1 093)**

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities. The carrying amount of financial assets represents the maximum credit exposure. The Company's credit risk exposure is determined as follows:

	28 February 2017	29 February 2016
	R'000	**R'000**
Cash and cash equivalents (Bank balances)	469 218	213 212
Trade receivable	398 909	91 554
Other receivables	-	1 234
Other financial asset	21 742	16 904
Total	**889 869**	**322 904**

Credit risk - Cash and cash equivalents

The Company held cash and cash equivalents of R469.2 million at 28 February 2017 (2016: R213.2 million), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which have BBB ratings.

Credit risk – Trade and other receivables

The Company's exposure to credit risk in terms of the trade and other receivables balance as at 28 February 2017 amounted to R398.9 million (2016: R92.8 million). The credit risk is influenced mainly by the individual characteristics of each customer and debtor. Currently all sales are made to shareholders in their respective shareholding and are supported by letters of credit, mitigating the credit risk to an acceptable level.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables, if applicable.

At 28 February 2017 the ageing of trade and other receivables that were not impaired were as follows:

	28 February 2017	29 February 2016
	R'000	**R'000**
Neither past due nor impaired	69 657	61 898
Past due 1-30 days	291 050	710
Past due 31-90 days	21 222	48
Past due 91-120 days	16 980	30 132
Total Receivables	**398 909**	**92 788**

Management believes that the unimpaired amounts that are past due by more then 30 days are still collectable in full, based on historical payment behaviour and extensive analysis of customer credit risk.

Notes to the Financial Statements

21. Risk management (continued)

Credit risk – Other financial asset

The Company's exposure to credit risk in terms of the other financial asset as at 28 February 2017 amounted to R21.7 million (2016: R16.9 million). The insurer is a reputable insurance company which is a subsidiary of one of the largest insurance groups in Southern Africa. This group is also the Company's insurance broker.

Capital management

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Company's dividend policy is currently structured to ensure that adequate cash flows are available to fund future capital requirements and therefore ensuring a sustainable business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

In terms of the shareholders' agreement the shareholders resolved that the Company should source additional funding as far as reasonably possible from third party sources. To the extent that the Company is unable to source such funds from third parties, the shareholders will advance the required funds pro-portionally to their respective shareholdings.

22. Capital commitments

	28 February 2017 **R'000**	29 February 2016 **R'000**
Contracted	31 739	38 402

At the reporting date, the Company had R469.2 million (2016: R213.2 million) in cash which may be utilised to fund these commitments.

23. Operating lease commitments

	28 February 2017 **R'000**	29 February 2016 **R'000**
Payable within 12 months	2 729	24 671
Payable within 1-5 years	3 746	5 525
Payable within more than 5 years	-	-
Total operating lease commitments	**6 475**	**30 196**

The operating lease commitments reflect non-cancellable operating lease rentals.

The Company entered into a lease for office space in Bryanston, Johannesburg as well as an apartment in Johannesburg. The lease payments are escalated annually at 8% per the lease agreement. The minimum lease period ends on 30 April 2019.

The Company entered into leases over shipping containers. There are no fixed escalation clauses per the lease agreements. The contracts expire at different dates, with the last contract expiring 31 July 2018.

Notes to the Financial Statements

24. Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- The determination as to whether to capitalise or charge to profit or loss exploration and evaluation costs involves judgement as to the likely future commerciality of the resources explored and when such commerciality should be determined as well as future revenues and costs pertaining to the utilisation of the prospecting rights to which such capitalised costs relate and the discount rate to be applied to such future revenues and costs in order to determine a recoverable value.

- While conducting an impairment review of its assets, the Company exercises judgement in making assumptions about future commodity prices, mineral reserves / resources and future development and production costs. Changes in the estimates used can result in significant charges to the profit or loss. If indicators of impairment exist, the Company makes an estimate of the recoverable amount of the asset. Estimating the value in use of the asset requires the Company to make an estimate of the expected future cash flows from the operations of the Company. A change in the estimated future cash flows and / or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

- Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Changes to estimates can result in significant variations in the carrying value and amounts charged to the income statement in specific periods. More details, including carrying values, are included in Notes 2 and 3. The useful economic lives are set out in the accounting policies note on property, plant and equipment. The mine development costs of the Company are amortised over the estimated life of mine on a unit-of-production basis. The Company's mining right is due to expire in 2040 although the Directors anticipate that the mining right will be renewed at that time. The Directors have considered whether to amortise mine development costs over the period until 2040 rather than the life of mine and have concluded that amortising mine development costs over the life of mine better represents the Company's economic reality.

- The revenue and associated accounts receivable balance is calculated based on management's best estimate of the Manganese and moisture content of the ore shipped to customers. Extensive sampling and surveying is performed prior to shipment in an effort to ensure the accuracy of these estimations. Due to the inherent limitations of sampling and the method of transport, variances in the Manganese and moisture content measured on arrival at the client site may be different from those estimated by management on the date of the sale. Variances in the Manganese and moisture content of the shipped ore on arrival at the client site will have an impact on the profitability of the Company.

- In determining the amount of the provision for the present value of environmental rehabilitation on cessation of mining operations, which costs are expected to be incurred an appreciable number of years into the future, it is necessary for management to exercise judgement and take into account diverse factors such as expected life of mine, type and extent of mining operations, current and anticipated environmental legislation, expected technological developments and market related interest rates in determining the amount of the provision and the amount of the discount to be unwound and charged to profit or loss for the year. The value of the rehabilitation provision is determined based on the net present value of expected future cash expenditures upon restoration and mine closure. Because the fair value measurement requires the input of subjective assumptions, including the restoration and closure costs, changes in subjective input assumptions can materially affect their fair value. The amount of the provision is set out in Note 10.

- Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. These estimates are based on the current market conditions. Management reassesses the estimations at the reporting date.

- As a result of the adoption of IFRIC 20, the Company is required to determine whether stripping costs incurred during the production phase provide improved access to a component of an ore body that will be mined in a future period, and whether the costs can be reliably measured. The Company has to apply judgement when identifying components of the mine over which stripping costs are capitalised, estimate the average stripping ratio for each component, and use judgement to determine the period over which the stripping activity asset is amortised.

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Notes to the Financial Statements

25. Subsequent events

The directors are not aware of any matter or circumstance since the end of the financial year up to the date of this report, not dealt with in these financial statements that would significantly affect the operations and the results of the Company, or the disclosures included in the financial statements.

26. Going concern

The financial statements have been prepared on accounting policies applicable to a going concern. This basis presumes funds will be available to finance future operations and capital development and that the realisation of assets and settlement of liabilities will occur in the normal course of business.

In terms of an agreement between shareholders, each shareholder has agreed to fund the activities of the Company to the extent that Jupiter Kalahari S.A. has funded an amount equal to the contributions arising from the Ntsimbintle Fund. During previous years, the Ntsimbintle Fund was fully utilised and shareholders have since contributed funds pro-rata to their respective shareholding in the Company, as provided for by the agreement between the shareholders.

The directors have reviewed the Company's cash flow forecast for the 2018 financial year and, in the light of this review and the current financial position, they are satisfied that the Company has or has access to adequate resources to continue operational existence for the foreseeable future.

Accordingly, the financial statements are prepared on the basis of accounting policies applicable to a going concern.

27. New accounting standards and interpretations

A number of new accounting standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

Standards	Effective date for periods beginning on or after
Disclosure Initiative (Amendments to IAS 7)	1 January 2017
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 16 Leases	1 January 2019

Disclosure Initiative (Amendments to IAS 7)

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses that are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

Notes to the Financial Statements

27. New accounting standards and interpretations (continued)

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue - Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Company will provide more information in the year ended 28 February 2018 financial statements.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will have a significant impact on the Company, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors.