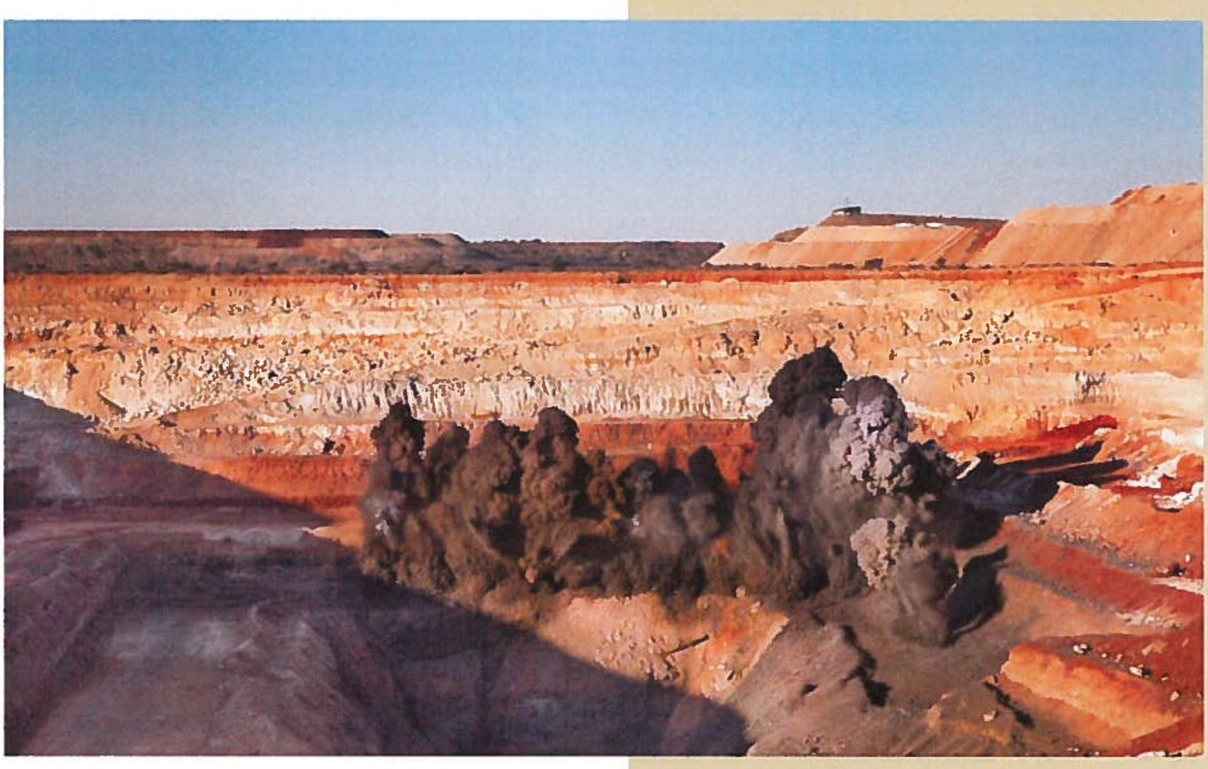
Tshipi é Ntle Manganese Mining Proprietary Limited

(Registration number 2008/003117/07)

Audited Annual Financial Statements for the year ended 29 February 2016



These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008, as amended. K Keulder, Chief Financial Officer, is responsible for the preparation of this set of financial statements .

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
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 Standard Bank of South Africa Limited Investec Bank Limited
Auditors	KPMG Inc.
Secretary	Prof Group Secretarial Services CC
Company registration number	2008/003117/07
Company VAT Number	4340255050

Tshipi é Ntle Manganese Mining Proprietary Limited
Financial Statements for the year ended 29 February 2016

Index

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 29 February 2016, 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 09 November 2016 and signed by:

Director

Tshipi é Ntle Manganese Mining Proprietary Limited
Financial Statements for the year ended 29 February 2016

Directors' Report

The directors submit their report for the year ended 29 February 2016.

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 operating results and state of affairs of the Company are fully set out in the attached financial statements.

3. Review of Results and Operations

The Company generated a loss of R196.4 million after a tax credit of R64.6 million (2015: Profit of R325.7 million after a tax expense of R119.3 million).

4. Property, plant and equipment

The additions to property, plant and equipment of R467.5 million (2015: R705.4 million) during the year reflects the progress achieved in respect of the development of the Tshipi Borwa project.

Management has assessed its cash-generating unit (CGU) as being the Tshipi Borwa Mine, which is the lowest level for which cash flows are largely independent of other assets for impairment. Based on these key assumptions management came to the conclusion that there is no indication of impairment on a CGU level. However, management has identified individual assets for impairment based on the carrying value of the asset exceeding the recoverable amount as at 29 February 2016 amouting to R65.7 million (2015: Rnil).

5. Dividends

No dividends were declared or paid to shareholders during the year.

6. Financial Position

As at 29 February 2016, the Company held R213.2 million in cash and cash equivalents compared with R385.5 million as at 28 February 2015.

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

8. Major shareholders

The registered holders of the issued ordinary shares in the Company at 29 February 2016 and 28 February 2015 were respectively as follows:

	29 February 2016	28 February 2015
- Main Street 774 Proprietary Limited	50.1%	50.1%
- Jupiter Kalahari S.A.	49.9%	49.9%

KPMG
KPMG Inc
KPMG Crescent
85 Empire Road, Parktown, 2193
Private Bag 9, Parkview, 2122, South Africa

Telephone +27 (0)11 647 7111
Fax +27 (0)11 647 8000
Docex 472 Johannesburg

Independent Auditor's Report

To the Shareholders of Tshipi é Ntle Manganese Mining Proprietary Limited

We have audited the financial statements of Tshipi é Ntle Manganese Mining Proprietary Limited, which comprise the statement of financial position at 29 February 2016, 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, as set out on pages 8 to 36.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Tshipi é Ntle Manganese Mining Proprietary Limited at 29 February 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other Reports Required by the Companies Act

As part of our audit of the financial statements for the year ended 29 February 2016, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. The Directors' Report is the responsibility of the directors. Based on reading the Directors' Report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited the Directors' Report and accordingly do not express an opinion thereon.

KPMG Inc.

Per Jacob le Roux
Chartered Accountant (SA)
Registered Auditor
Director
9 November 2016

Statement of Financial Position

	Notes	29 February 2016 R'000	28 February 2015 R'000
Assets			
Non-Current Assets			
Property, plant and equipment	2.	2 203 452	2 146 470
Mineral Rights	3.	196 955	198 350
Other financial asset	4.	16 904	14 900
		2 417 311	**2 359 720**
Current Assets			
Tax receivable		2 738	1 862
Inventory	5.	296 474	312 250
Trade and other receivables	6.	131 605	350 487
Cash and cash equivalents	7.	213 225	385 495
		644 042	**1 050 094**
Total Assets		**3 061 353**	**3 409 814**
Equity and Liabilities			
Equity			
Share capital and share premium	8.	321 359	321 359
Retained earnings		307 625	504 081
Contributed assets reserve	9.	116 961	116 961
Total Equity		**745 945**	**942 401**
Non-Current Liabilities			
Decommissioning and rehabilitation provision	10.	29 892	30 021
Deferred tax	11.	128 871	193 445
		158 763	**223 466**
Current Liabilities			
Loans from related parties	12.	1 918 189	1 908 768
Loans from third parties	13.	40 147	113 853
Trade and other payables	14.	198 309	221 326
		2 156 645	**2 243 947**
Total Liabilities		**2 315 408**	**2 467 413**
Total Equity and Liabilities		**3 061 353**	**3 409 814**

Statement of Profit or Loss and other Comprehensive Income

	Notes	29 February 2016 R'000	28 February 2015 R'000
Revenue		1 612 975	2 701 056
Cost of sales		(1 828 604)	(2 246 817)
Gross (loss) / profit		**(215 629)**	**454 239**
Other income	15.	2 778	2 948
Administrative expenses		(5 279)	(5 486)
Impairment of assets	2.	(65 747)	-
Other operating expenses		(26 794)	(28 488)
Operating (loss) / profit	16.	**(310 671)**	**423 213**
Finance income	17.	82 322	32 589
Finance expenses	18.	(32 679)	(10 838)
(Loss) / Profit before taxation		**(261 028)**	**444 964**
Taxation	19.	64 572	(119 303)
(Loss) / Profit for the year		**(196 456)**	**325 661**
Other comprehensive income		-	-
Total comprehensive income for the year		**(196 456)**	**325 661**

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 2014	*	321 359	116 961	178 420	616 740
Total comprehensive income for the year	-	-	-	325 661	325 661
Balance at 28 February 2015	*	321 359	116 961	504 081	942 401
Total comprehensive income for the year	-	-	-	(196 456)	(196 456)
Balance at 29 February 2016	*	321 359	116 961	307 625	745 945
Notes	8.	8.	9.		

* Less than R1000

Tshipi é Ntle Manganese Mining Proprietary Limited

Financial Statements for the year ended 29 February 2016

Statement of Cash Flows

	Note	29 February 2016 R'000	28 February 2015 R'000
Cash flows from operating activities			
(Loss) / Profit before taxation		(261 028)	444 964
Adjustments for:			
Finance expenses	18.	32 679	10 838
Finance income	17.	(82 322)	(32 589)
Depreciation		60 547	51 128
Amortisation of mine development cost, mineral right		4 997	12 697
Amortisation of prepaid expenses		-	8 136
Amortisation of deferred stripping costs		276 753	363 817
Impairment of assets		65 747	
Net realisable value stock adjustment		50 863	-
Management fees accrued to shareholders		1 320	1 200
Increase in leave pay accrual		8	5
Loss on sale of property, plant and equipment		27	12
Operating cash flows before working capital changes		149 591	860 208
Changes in:			
Inventories	5.	(35 087)	(133 779)
Trade and other receivables	6.	218 882	42 127
Trade and other payables	14.	(23 017)	50 250
Non-cash movements in trade and other receivables		(1 310)	1 639
Non-cash movement in trade and other payables		(1 328)	(1 205)
Cash generated by operating activities		307 731	819 240
Interest paid		(6 858)	(376)
Interest received		10 877	4 185
Tax (expense paid) / refund received		(878)	116
Net cash from operating activities		310 872	823 165
Cash flows from investing activities			
Acquisition of property, plant and equipment		(463 658)	(703 746)
Acquisition of other financial asset		(739)	(5 091)
Net cash used in investing activities		(464 397)	(708 837)
Cash flows from financing activities			
Funds advanced by shareholders		-	11 987
Funds (repaid to) / advanced by financial institutions		(73 706)	113 853
Net cash from financing activities		(73 706)	125 840
Net cash movement for the year		(227 231)	240 168
Effect on Movements in exchange rates on cash held		54 961	17 400
Cash and cash equivalents at the beginning of the year		385 495	127 927
Cash and cash equivalents at the end of the year		213 225	385 495

Notes to the Financial Statements

1. Accounting Policies

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, no. 71 of 2008 (as amended).

1.1. Basis of preparation

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.

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.

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.

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 30 years	Straight-line
Mobile plant	5 years	Straight-line
Furniture and fittings	5-10 years	Straight-line
IT and office equipment	3 years	Straight-line
Computer software	2 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.

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 net value, which is the initial cost less accumulated amortisation and accumulated impairment losses.

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

1.3. Mineral rights

The costs of acquiring mineral reserves and resources are capitalised as incurred in respect of each identifiable area of interest. 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.

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.

Notes to the Financial Statements

1.5. Financial instruments

Non-derivative financial asset and financial liabilities – recognition and derecognition

The Company initially recognises loans and 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 transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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.

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 recognised 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.

Notes to the Financial Statements

1.6. Impairment of assets

Financial assets
A financial asset not carried 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.

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.

Notes to the Financial Statements

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 is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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.

1.9. Employee benefits

Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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.

Notes to the Financial Statements

1.11. Revenue

Revenue from the sale of goods is recognised when significant risks and rewards of the saleable product have transferred to the customer. Risks and rewards are considered passed to the customer upon delivery to the customer's control. This generally occurs when the product is physically transferred onto a vessel.

Revenue from inventory sales is measured at the fair value of consideration received/receivable. Revenue is stated after deducting sales taxes, duties and levies.

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 metal 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 metal 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.

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 currencies 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 standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 29 February 2016, 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

Due to the economic climate and significant re-rate in forecasted metal prices, the Company tested the carrying value of its assets for impairment.

Management has assessed its cash-generating unit (CGU) as being the Tshipi Borwa Mine, which is the lowest level for which cash flows are largely independent of other assets. The recoverable amount of property, plant and equipment reviewed for impairment is determined based on value-in-use calculations. All property, plant and equipment are allocated to one CGU. Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value in use. Future cash flows are estimated based on financial budgets approved by management which is based on the life-of-mine plan. Management determines the expected performance of the mine based on past performance and its expectations of market developments which are incorporated into a life-of-mine plan.

Based on these key assumptions management came to the conclusion that there is no indication of impairment on a CGU level. However, management has identified individual assets for impairment based on the carrying value of the asset exceeding the recoverable amount.

	2016			2015		
	Cost	Accumulated depreciation, impairment and amortisation	Carrying value	Cost	Accumulated depreciation 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	194 129	(10 850)	183 279	99 054	(5 776)	93 278
Furniture and fittings	6 552	(2 369)	4 183	5 812	(1 462)	4 350
IT and office equipment	13 659	(7 724)	5 935	9 160	(6 085)	3 075
Computer software	28 158	(11 498)	16 660	27 748	(9 087)	18 661
Motor vehicles	13 503	(11 184)	2 319	13 503	(8 435)	5 068
Plant and equipment	963 099	(98 524)	864 575	632 689	(54 097)	578 592
Mine development costs	512 594	(22 391)	490 203	516 484	(18 789)	497 695
Deferred stripping costs	944 265	(524 401)	419 864	941 391	(554 444)	386 947
Capital work in progress	194 796	(65 747)	129 049	469 945	-	469 945
Mine Infrastructure	68 344	(9 403)	58 941	68 344	(6 416)	61 928
Leasehold improvements	1 709	(196)	1 513	-	-	-
Total	**2 967 739**	**(764 287)**	**2 203 452**	**2 811 061**	**(664 591)**	**2 146 470**

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**

Notes to the Financial Statements

2. Property, plant and equipment (continued)

Movement - 2015	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	86 097	1 314	75	8 737	(2 945)	-	93 278
Mobile plant	9 762	-	(9 762)	-	-	-	-
Furniture and fittings	3 256	1 797	-	-	(703)	-	4 350
IT and office equipment	4 960	749	-	-	(2 602)	(32)	3 075
Computer software	21 182	2 179	711	-	(5 411)	-	18 661
Motor vehicles	7 503	912	-	-	(3 347)	-	5 068
Plant and equipment	222 142	6 755	(46 953)	429 775	(33 127)	-	578 592
Mine development costs	504 092	2 160	-	-	(8 557)	-	497 695
Deferred stripping costs	298 515	452 249	-	-	(363 817)	-	386 947
Capital work in progress	680 152	237 297	(8 992)	(438 512)	-	-	469 945
Mine Infrastructure	-	-	64 921	-	(2 993)	-	61 928
Total	**1 864 592**	**705 412**	**-**	**-**	**(423 502)**	**(32)**	**2 146 470**

The decommissioning asset included in the cost of the mine development asset amounted to R22.0 million (2015: R25.9 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 product generated from the mining operation.

3. Mineral rights

	2016			2015		
	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	(7 910)	196 955	204 865	(6 515)	198 350
Total	**204 865**	**(7 910)**	**196 955**	**204 865**	**(6 515)**	**198 350**

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**

Movement – 2015	Opening balance	Amortisation	Total
	R'000	R'000	R'000
Mineral rights	201 748	(3 398)	198 350
Total	**201 748**	**(3 398)**	**198 350**

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 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").

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 R1.4 million (2015: R3.4 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

	29 February 2016	28 February 2015
	R'000	**R'000**
At amortised cost – Rehabilitation guarantee deposit	16 904	14 900
Total	**16 904**	**14 900**

The Company currently provides for its mine closure liabilities through insurance guarantees, with the face value of such guarantees amounting to R72.3 million (2015: R58.4 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 1.28% 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 R0.1 million (2015: R0.7 million) and R0.6 million (2015: R5.1 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.

Notes to the Financial Statements

5. Inventory

	29 February 2016 R'000	28 February 2015 R'000
Consumables	12 201	9 174
Work-in-progress stockpile	41 907	63 946
Finished goods stockpile	242 366	239 130
Total	**296 474**	**312 250**

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. Included in the work-in-progress and finished goods stockpiles is R283.8 million of stock carried at net-realisable value.

6. Trade and other receivables

	29 February 2016 R'000	28 February 2015 R'000
Trade receivables	91 554	238 423
Advance payments made to suppliers	-	3 875
Prepaid expenses and deposits	3 455	30 697
VAT – receivable	35 362	76 468
Royalties tax – prepaid	-	518
Other receivables	1 234	506
Total	**131 605**	**350 487**

	29 February 2016 R'000	28 February 2015 R'000
Trade and other receivables are denominated in the following currencies:		
South African Rand	51 456	112 064
US Dollars (Also refer to Note 21)	80 149	238 423
Total	**131 605**	**350 487**

7. Cash and cash equivalents

	29 February 2016 R'000	28 February 2015 R'000
Cash and cash equivalents consists of:		
Bank balance	213 212	385 488
Petty cash	13	7
Total	**213 225**	**385 495**
Cash and bank balances are denominated in the following currencies:		
South African Rand	90 308	244 716
United States Dollar	122 917	140 779
Total	**213 225**	**385 495**

Notes to the Financial Statements

8. Share capital and share premium

	29 February 2016	28 February 2015
Authorised		
100,000,000 ordinary shares of R 0.00001 each	1 000	1 000
Issued	**R'000**	**R'000**
10,000,000 (2015: 10,000,000) ordinary shares of R 0.00001 each	*	*
Share premium	321 359	321 359
Total	**321 359**	**321 359**
* Less than R1000		
Number of ordinary shares issued	10 000 000	10 000 000

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 (2015: no movement).

9. Contributed assets reserve

	29 February 2016	28 February 2015
Reconciliation of contributed asset reserve	**R'000**	**R'000**
Contributed asset reserve	116 961	116 961

10. Decommissioning and rehabilitation provision

	29 February 2016	28 February 2015
	R'000	**R'000**
Provision at the beginning of the year	30 021	26 151
Change in estimate (refer below)	(2 575)	1 647
Unwinding of discount for the current year	2 446	2 223
Provision at the end of the year	**29 892**	**30 021**

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 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 R2.6 million (2015: R1.6 million). The individual changes were as follows:

	29 February 2016	28 February 2015
	R'000	**R'000**
The costs estimates utilised in the calculation were revised to align with the actual costs expected to be charged by independent contractors for the decommissioning and rehabilitation, in contrast with the DMR approved rates that formed the basis during 2014.	-	15 198
The interest and inflation rates were amended to align with the latest information available.	(2 575)	8 674
The date of decommissioning was amended to align with management's best estimate of the date the liability will be settled.	-	(22 225)
Net change in base	**(2 575)**	**1 647**

Notes to the Financial Statements

10. Decommissioning and rehabilitation provision (continued)

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

Annual inflation rate	7.00%	6.00%
Pre-tax risk-free rate for discounting	9.40%	8.00%
Expected date of decommissioning	6 May 2070	6 May 2070

11. Deferred tax

	29 February 2016 R'000	28 February 2015 R'000
Deferred tax liability		
Originating and reversing of temporary differences	128 871	193 445

The net deferred tax liability consist of:

	29 February 2016 R'000	28 February 2015 R'000
Property, plant and equipment	300 871	224 506
Inventory	20 313	-
Capitalised work in progress	36 135	138 591
Leave pay provision	(594)	(592)
Unredeemed capital	(398 263)	(388 570)
Mine development cost	110 236	111 921
Other financial asset	2 610	2 610
Decommissioning and rehabilitation provision	(8 370)	(8 406)
Bonus Provision	-	5 040
Deferred Stripping Activities	117 562	108 345
Tax loss	(51 629)	-
Total	**128 871**	**193 445**

12. Loans from related parties

	29 February 2016 R'000	28 February 2015 R'000
Main Street 774 Proprietary Limited		
Unsecured, interest free loan	908 938	908 938
Jupiter Kalahari S.A		
Unsecured loan, bearing interest at the South African prime rate, compounded monthly	103 942	94 521
Unsecured loan, interest free	905 309	905 309
Total	**1 918 189**	**1 908 768**

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 assumed to be equal to the nominal amount repayable as at that date.

Notes to the Financial Statements

13. Loans from third parties

	29 February 2016 R'000	28 February 2015 R'000
RMB Working Capital Facility	40 147	113 853

Rand Merchant Bank Facility and Guarantees

During the previous 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 current financial year the overall facility was decreased to R400million containing the following sub-limits:

Guarantee Funding	145 000	145 000
Commodity	200 000	100 000
Letters of Credit	222 000	222 000
VAT	33 000	33 000

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

Guarantee Funding:		
Transnet	110 000	90 000
Chevron	10 000	10 000
Total Guarantee Funding accessed	**120 000**	**100 000**
Facility Draw Down		
Commodity and Letter of credit	40 147	113 853

14. Trade and other payables

	29 February 2016 R'000	28 February 2015 R'000
Trade payables	124 373	110 174
Royalties payable	663	-
Other accrued expenses	71 151	109 038
Total	**196 187**	**219 212**
Accrued leave pay	2 122	2 114
Total	**198 309**	**221 326**

Trade and other payables are denominated in the following currencies:

South African Rand	187 039	149 203
US Dollars (Also refer to Note 21)	11 270	72 123
Total	**198 309**	**221 326**

15. Other income

	29 February 2016 R'000	28 February 2015 R'000
Sundry income – Recoveries	223	161
Housing rental income – owner occupied	2 131	2 618
Rental income – Letsatsi Housing Complex	424	169
Total	**2 778**	**2 948**

Notes to the Financial Statements

16. Operating (loss) / profit

Operating (loss) / profit for the year is stated after accounting for the following:	29 February 2016 R'000	28 February 2015 R'000
Exploration and evaluation expenditure incurred	22	77
Consulting fees	42 423	41 364
Depreciation of property, plant and equipment	60 547	51 121
Impairment of assets	65 747	-
Amortisation of mine development, related costs and mining right	4 997	12 697
Amortisation of deferred stripping costs	276 753	363 817
Loss on disposals of property, plant and equipment	27	12
Employee benefits expenses	92 603	90 351
Mining royalties	2 905	6 645

17. Finance income

	29 February 2016 R'000	28 February 2015 R'000
Interest earned on cash and cash equivalents	12 142	4 185
Interest earned on other financial asset	1 265	488
Unrealised exchange gain	-	10 516
Realised foreign exchange gain	68 915	17 400
Total	**82 322**	**32 589**

18. Finance expenses

	29 February 2016 R'000	28 February 2015 R'000
Payable on shareholder's loan	9 421	8 236
Interest paid to bank and suppliers	6 858	379
Unwinding of decommissioning and rehabilitation liability	2 446	2 223
Unrealised foreign exchange loss	13 954	-
Total	**32 679**	**10 838**

19. Taxation

	29 February 2016 R'000	28 February 2015 R'000
Taxation		
Current tax		
Current tax	-	-
Deferred tax		
Originating and reversing temporary differences	72 627	(124 590)
Prior year adjustment	(8 055)	5 287
Total tax credit / (expense)	**64 572**	**(119 303)**

Notes to the Financial Statements

19. Taxation (continued)

	29 February 2016	28 February 2015
Reconciliation of the tax expense	**R'000**	**R'000**
Accounting profit before tax	(261 028)	444 964
Tax at the applicable tax rate of 28%	73 088	(124 590)
Tax effect of adjustments on taxable income		
Prior year adjustment	(8 055)	5 287
Permanent differences	(457)	-
Total tax credit / (expense)	**64 576**	**(119 303)**

20. Related parties

Relationships

Shareholders:

Main Street 774 Proprietary Limited
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

	29 February 2016	28 February 2015
Related party balances	**R'000**	**R'000**
Loans owing to related parties		
Main Street 774 Proprietary Limited	908 938	908 938
Jupiter Kalahari S.A	1 009 251	999 830
Trade amounts receivable from related parties		
Jupiter Kalahari S.A	372	309
OM Tshipi (S) PTE Limited	98 064	238 372
Trade amounts payable to related parties		
Ntsimbintle Mining Proprietary Limited	-	7
Safika Resources Proprietary Limited	721	345
OM Materials (S) PTE Limited	104	101
OM Tshipi (S) PTE Limited	11 082	11 082

Notes to the Financial Statements

20. Related parties (continued)

Related party transactions	29 February 2016 R'000	28 February 2015 R'000
Management fees paid to related parties		
Jupiter Kalahari S.A	1 320	1 200
Safika Resources Proprietary Limited	3 960	3 600
Safika Resources Proprietary Limited (Other services and refunds)	246	686
Interest accrued to related parties		
Jupiter Kalahari S.A	9 421	8 237
Inter-company sales to related parties		
OM Tshipi (S) PTE Limited	1 599 190	2 879 965
Inter-company marketing fees paid to related parties		
OM Tshipi (S) PTE Limited	42 591	73 879

20.1. Employee benefit expense (including Directors' emoluments)

2016

Director/Prescribed officer	Basic remuneration R'000	Bonus R'000	Cell phone allowance R'000	Pension fund company contribution R'000	Total remuneration 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**

2015

Director/Prescribed officer	Basic remuneration R'000	Bonus R'000	Cell phone allowance R'000	Pension fund company contribution R'000	Total remuneration R'000
BE Robinson	2 500	3 950	-	-	6 450
CJ Malan	1 018	1 000	14	83	2 115
N Chengapar	1 018	1 000	14	83	2 115
MJ Nkoana	2 017	1 000	13	-	3 030
Total	**6 553**	**6 950**	**41**	**166**	**13 710**

Other than directors/prescribed officers	29 February 2016 R'000	28 February 2015 R'000
Salaries, wages and other related costs	67 868	77 858
Defined contribution plans	8 472	3 347
Total	**76 340**	**81 205**

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.

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 minimize 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 29 February 2016	Carrying amount R'000	Contractual cash flows R'000	Less than 1 year R'000	Between 1 and 5 years R'000
Shareholder loans repayable on demand	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**	**-**

At 28 February 2015	Carrying amount R'000	Contractual cash flows R'000	Less than 1 year R'000	Between 1 and 5 years R'000
Shareholder loans repayable on demand	1 908 768	1 908 768	1 908 768	-
Trade and other payables	219 212	219 212	219 212	-
Third party loans	113 853	113 853	113 853	-
Total	**2 241 833**	**2 241 833**	**2 241 833**	**-**

Shareholder loans 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.

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 and receivables that are denominated in a currency other than the functional currency of the Company, primarily the US Dollar.

The Company undertakes/undertook the following transaction 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 Dollars;
- An amount of R11.3 million (2015: R72.1 million) is included in the accounts payable balance and relates to marketing fees and other services that are denominated in US Dollars.

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 is determined as follows:

	29 February 2016 R'000	28 February 2015 R'000
Accounts receivable	80 149	238 423
Foreign bank account	122 917	140 779
Accounts payable	(11 270)	(72 123)
Net exposure to the US Dollar	**191 796**	**307 079**

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

		29 February 2016 R'000	28 February 2015 R'000
US Dollars	- Rand strengthened by 5%	(9 590)	(15 354)
	- Rand weakened by 5%	9 590	15 354

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 was as follows:

	29 February 2016	28 February 2015
Variable rate instruments	**R'000**	**R'000**
Floating interest bearing shareholder loans	(103 942)	(94 521)
Bank balances (cash and cash equivalents)	213 212	385 488
Net exposure to interest rates	**109 270**	**290 967**

	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)**

	Profit or loss before tax		Equity before tax	
At 28 February 2015	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
	R'000	**R'000**	**R'000**	**R'000**
Variable rate instruments	2 910	(2 910)	2 910	(2 910)
Cash flow sensitivity	**2 910**	**(2 910)**	**2 910**	**(2 910)**

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 Company's credit risk exposure is determined as follows:

	29 February 2016	28 February 2015
	R'000	**R'000**
Cash and cash equivalents (Bank balances)	213 212	385 488
Trade receivable	91 554	238 423
Other receivables	1 234	506
Other financial asset	16 904	14 900
Total	**322 904**	**639 317**

Credit risk - Cash and cash equivalents

The Company held cash and cash equivalents of R213.2 million at 29 February 2016 (2015: R385.5 million), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which has a BBB rating.

Credit risk – Trade and other receivables

The Company's exposure to credit risk in terms of the trade and other receivables balance as at 29 February 2016 amounted to R92.8 million (2015: R238.9 million). The credit risk is influenced mainly by the individual characteristics of each customer and debtor. Currently all sales are made to a single customer and are supported by letters of credit, mitigating the credit risk to an acceptable level.

Credit risk – Other financial asset

The Company's exposure to credit risk in terms of the other financial asset as at 29 February 2016 amounted to R16.9 million (2015: R14.9 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 brokers.

21. Risk management (continued)

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

	29 February 2016	28 February 2015
	R'000	**R'000**
Contracted	38 402	143 813

At the reporting date, the Company had R213.2 million (2015: R385.5 million) in cash which may be utilised to fund these commitments.

23. Operating lease commitments

	29 February 2016	28 February 2015
	R'000	**R'000**
12 months	24 671	37 359
1-5 years	5 525	28 102
More than 5 years	-	-
Total operating lease commitments	**30 196**	**65 461**

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

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

The Company enters 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 metal 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 metal 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 metal 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 judgment when identifying components of the mine over which stripping costs are capitalised, estimate the average stripping ratio for each component, and use judgment to determine the period over which the stripping activity asset is amortised.

Notes to the Financial Statements

25. Subsequent events

The directors are not aware of any matter or circumstance that has arisen 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 year to 28 February 2017 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 standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, 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.

IFRS 5: Non-current assets Held for Sale and Discontinued Operations
(Effective for annual periods beginning on or after: 1 January 2016)

Amendments clarifying that a change in the manner of disposal of a non-current asset or disposal group held for sale is considered to be a continuation of the original plan of disposal, and accordingly, the date of classification as held for sale does not change.

IFRS 9: Financial Instruments
(Effective for annual periods beginning on or after: 1 January 2018)

A final version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition.

27. New standards and interpretations (continued)

IFRS 15: Revenue from Contracts from Customers
(Effective for annual periods beginning on or after: 1 January 2018)

New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

The new standard supersedes IAS 11 (Construction Contracts), IAS 18 (Revenue), IFRIC 13 (Customer Loyalty Programmes), IFRIC 15 (Agreements for the Construction of Real Estate), IFRIC 18 (Transfers of Assets from Customers) and SIC-31 (Revenue—Barter Transactions Involving Advertising Services).

IFRS 16: Leases
(Effective for annual periods beginning on or after: 1 January 2019)

New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.

The new standard supersedes IAS 17 (Leases), IFRIC 4 (Determining whether an Arrangement contains a Lease), SIC-15 (Operating Leases—Incentives) and SIC-27 (Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

IAS 1: Presentation of Financial Statements
(Effective for annual periods beginning on or after: 1 January 2016)

Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.

IAS 16: Property, Plant and Equipment and
IAS 38: Intangible Assets
(Effective for annual periods beginning on or after: 1 January 2016)

Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.