

BAUBA

PLATINUM

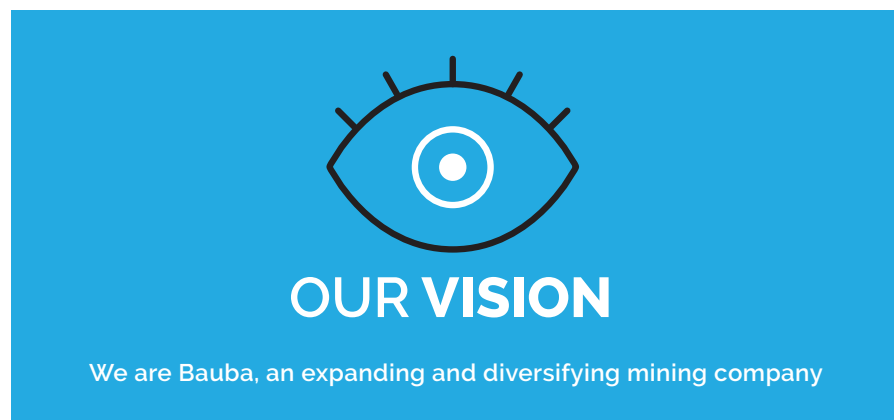
"Telling a new story about mining"









REVIEWED PROVISIONAL CONDENSED CONSOLIDATED RESULTS

for the year ended 30 June 2018

HIGHLIGHTS



 <p>Revenue R234,261 million (2017: R205,318 million)</p>	<p>↑ 14,1%</p>	 <p>Headline earnings per share 10,09 cents (2017: 14,71 cents)</p>	<p>↓ 31,4%</p>
 <p>12-month offtake agreement concluded subsequent to year-end, with R73,500 million part-payment received</p>		 <p>Investment in tangible assets R72,908 million (2017: R11,602 million)</p>	<p>↑ 528,4%</p>
 <p>EBITDA R110,679 million (2017: R122,587 million)</p>	<p>↓ 9,7%</p>	 <p>CSI spend R7,838 million (2017: R3,066 million)</p>	<p>↑ 155,6%</p>

COMMENTARY

FINANCIAL REVIEW

Bauba has reported profit before tax for the year ended 30 June 2018 of R104,857 million (2017: R134,144 million) and profit attributable to equity holders of the parent of R38,248 million (2017: R55,756 million), resulting in diluted headline earnings per share of 10,02 cents (2017: 14,65 cents).

This was primarily due to a weaker chrome ore market and a delay in excess of the timeframes stipulated by legislation for the Department of Water & Sanitation (DWS) to grant an application for an amended water use licence (WULA), which resulted in no opencast production for the months of May and June.

Bauba sold 204 494t (2017: 112 152t) of chrome ore at an average Cr₂O₃ grade of 38,72% (2017: 39,68%).

Operating cash flows before working capital changes of R107,075 million (2017: R140,909 million) were reinvested into the future profitability of the Moeijeljik Mine with an investment in property, plant and equipment and intangible assets of R75,101 million (2017: R12,474 million).

Consequently, no distribution has been declared.

At 30 June 2018 there was 37 200t of inventory on hand.

These investments in inventory and fixed assets are expected to help generate improved future performance through increased sales in a favourable market.

OUTLOOK

There was a weak start to the chrome ore market in the 2019 financial year with record inventory levels in Chinese ports, partly due to

higher imports from South African producers and lower consumption in June, a consequence of environmental inspections. Further, market confidence was negatively impacted by the US – China “trade war”.

Bauba has since received the above-mentioned WULA and re-commenced opencast production. The result of this will be reflected in the 2019 financial year.

The delay in the granting of Moeijeljik’s Section 102 application with the Department of Mineral Resources (DMR) to amend its environmental programme (which is a prerequisite to operate the wash plant) has impacted the commissioning of Moeijeljik’s wash plant. Bauba is of the view that this is only an administrative delay by the DMR, and the board is cautiously optimistic that the aforesaid authorisation may be granted shortly.

Once operational, this wash plant will enhance Bauba’s profit margins and diversify its revenue streams away from the Chinese metallurgical market into less volatile chemical and foundry grade chrome ore concentrate markets.

The development of the underground operation at Moeijeljik is progressing well, with stable underground production to reach 30 000t per month of LG6 chrome ore run of mine (ROM) before the end of the first half of the 2019 financial year.

In spite of a weaker chrome ore market, Bauba is optimistic about the 2019 financial year considering the developments of the underground operation and the wash plant mentioned above, and that Bauba’s business model and Moeijeljik’s low cost of production ensures that Bauba is able to operate sustainably in a stressed chrome ore market, if need be.

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

	2018 R'000	2017 R'000
Revenue	234 261	205 318
Cost of sales	(81 595)	(63 318)
Gross profit	152 666	142 000
Other income	1 169	24 015
Bad debt recovery	–	10 392
Operating and administrative expenses	(56 259)	(46 250)
Finance income	7 281	3 987
Profit before taxation	104 857	134 144
Income tax	(32 947)	(38 615)
Profit for the year	71 910	95 529
Other comprehensive income	–	–
Comprehensive profit for the year	71 910	95 529
Profit attributable to:		
Equity holders of the parent	38 248	55 756
Non-controlling interest	33 662	39 773
Comprehensive profit attributable to:		
Equity holders of the parent	38 248	55 756
Non-controlling interest	33 662	39 773
Basic earnings per share (cents)	10,09	14,71
Diluted earnings per share (cents)	10,02	14,65
Headline earnings per share (cents)	10,09	14,71
Diluted headline earnings per share (cents)	10,02	14,65

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Note	2018 R'000	2017 R'000
Assets			
Non-current assets		231 965	170 231
Intangible assets	6	149 010	158 304
Property, plant and equipment	7	82 955	11 880
Deferred tax		–	47
Current assets		90 805	132 351
Inventory		17 441	8 064
Trade and other receivables		3 287	2 089
Cash and cash equivalents		70 077	122 198
Total assets		322 770	302 582
Equity and liabilities			
Equity		284 937	270 940
Share capital and premium		512 500	550 402
Reverse asset acquisition reserve		(282 988)	(282 988)
Share option reserve		1 294	477
Retained loss		(792)	(39 040)
Non-controlling interest		54 923	42 089
Non-current liabilities		23 082	3 388
Provision for rehabilitation	8	3 620	3 388
Deferred tax		19 462	–
Current liabilities		14 751	28 254
Trade and other payables		10 994	20 876
Other financial liabilities	9	461	1 425
Provision for rehabilitation	8	–	4 870
Current tax payable		3 296	1 083
Total equity and liabilities		322 770	302 582

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 30 June 2018

	2018 R'000	2017 R'000
Cash flow from operating activities		
Operating profit before working capital changes	107 075	140 909
Working capital changes	(21 421)	9 009
Taxation paid	(11 225)	(30 972)
Distribution/dividend paid	(58 730)	–
Net cash effects from operating activities	15 699	118 946
Cash flow from investing activities		
Net cash effects from investing activities	(67 820)	(8 487)
Investments in intangible asset	(2 193)	(872)
Investments in property, plant and equipment	(72 908)	(11 602)
Interest received	7 281	3 987
Total cash movement for the year	(52 121)	110 459
Cash and cash equivalents at the beginning of the year	122 198	11 739
Cash and cash equivalents at the end of the year	70 077	122 198

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Share capital and premium R'000	Reverse asset acquisition reserve R'000	Share option reserve R'000	Retained loss R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 July 2016	550 402	(282 988)	–	(94 796)	2 316	174 934
Share-based payment reserve movement	–	–	477	–	–	477
Total comprehensive profit for the year	–	–	–	55 756	39 773	95 529
Balance at 30 June 2017	550 402	(282 988)	477	(39 040)	42 089	270 940
Share-based payment reserve movement	–	–	817	–	–	817
Total comprehensive profit for the year	–	–	–	38 248	33 662	71 910
Distribution/dividend paid	(37 902)	–	–	–	(20 828)	(58 730)
Balance at 30 June 2018	512 500	(282 988)	1 294	(792)	54 923	284 937

NOTES TO THE REVIEWED PROVISIONAL CONDENSED CONSOLIDATED RESULTS

for the year ended 30 June 2018

1. BASIS OF PREPARATION

These provisional condensed consolidated results have been prepared under the supervision of Jonathan Knowlden CA(SA), the financial director, in accordance with IAS 34: Interim Financial Reporting, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act and the Listings Requirements of the JSE Limited (JSE Listings Requirements).

The same accounting policies, presentation and measurement principles have been followed in the preparation of the provisional condensed consolidated results for the year ended 30 June 2018 as were applied in the preparation of the group's annual financial statements for the year ended 30 June 2017.

2. AUDITOR'S REVIEW CONCLUSION

These provisional condensed consolidated results for the year ended 30 June 2018 have been reviewed by BDO South Africa Incorporated, who expressed an unmodified conclusion. A copy of the auditor's review report is available for inspection at the company's registered office.

3. DISTRIBUTION

A maiden distribution of 10,0 cents per share was declared on 1 September 2017 and paid to shareholders on 30 October 2017. No further distribution or dividend has been declared for the year under review.

4. BOARD

During the year under review, up to the date of this report, no changes were made to the board.

5. CHANGES IN SHARE CAPITAL

There were no changes to the issued share capital during the year under review.

6. INTANGIBLE ASSETS

	Cost R'000	Accumulated amortisation and impairments R'000	Carrying value R'000
30 June 2018			
Platinum mineral rights	30 555	(10 394)	20 161
Chrome mineral rights	156 907	(28 058)	128 849
Total mineral rights	187 462	(38 452)	149 010
30 June 2017			
Platinum mineral rights	30 555	(10 394)	20 161
Chrome mineral rights	154 714	(16 571)	138 143
Total mineral rights	185 269	(26 965)	158 304

Reconciliation	Opening balance R'000	Additions R'000	Amortisation R'000	Closing balance R'000
30 June 2018				
Platinum mineral rights	20 161	–	–	20 161
Chrome mineral rights	138 143	2 193	(11 487)	128 849
Total mineral rights	158 304	2 193	(11 487)	149 010
30 June 2017				
Platinum mineral rights	20 161	–	–	20 161
Chrome mineral rights	144 163	872	(6 892)	138 143
Total mineral rights	164 324	872	(6 892)	158 304

NOTES TO THE REVIEWED PROVISIONAL
CONDENSED CONSOLIDATED RESULTS continued

for the year ended 30 June 2018

7. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles R'000	Furniture and office equipment R'000	Mine infra- structure and equipment R'000	Total R'000
Cost				
At 1 July 2017	2 849	191	10 497	13 537
Additions	406	148	72 354	72 908
Disposals	(257)	–	–	(257)
At 30 June 2018	2 998	339	82 851	86 188
Accumulated depreciation				
At 1 July 2017	796	56	805	1 657
Depreciation	460	75	1 080	1 615
Disposals	(39)	–	–	(39)
At 30 June 2018	1 217	131	1 885	3 233
Carrying value at 30 June 2018	1 781	208	80 966	82 955
Cost				
At 1 July 2016	1 073	92	798	1 963
Additions	1 776	127	9 699	11 602
Disposals	–	(28)	–	(28)
At 30 June 2017	2 849	191	10 497	13 537
Accumulated depreciation				
At 1 July 2016	578	54	376	1 008
Depreciation	218	30	429	677
Disposals	–	(28)	–	(28)
At 30 June 2017	796	56	805	1 657
Carrying value at 30 June 2017	2 053	135	9 692	11 880

During the current year there were additions of R72,354 million (2017: R9,699 million) to mine infrastructure and equipment. The additions relate mainly to the development of the Moeijelijk underground mine of R28,743 million (2017: R7,907 million), construction of the wash plant of R23,699 million (2017: nil) and capitalisation of the pre-stripping costs in accordance with IFRIC 20 of R17,624 million (2017: nil).

None of the items of property, plant and equipment have been encumbered.

8. PROVISION FOR REHABILITATION

	2018 R'000	2017 R'000
Balance at the beginning of the year	8 258	5 552
Movement in provision during the year recognised in profit or loss	(4 638)	2 706
Balance at the end of the year	3 620	8 258
Due within one year or less	–	4 870
Due after more than one year	3 620	3 388

Environmental obligations are based on the group's environmental plans. Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date.

9. OTHER FINANCIAL LIABILITIES

	2018 R'000	2017 R'000
Current liabilities		
At amortised cost	461	1 425
Royalty taxes ¹	205	–
Chrome ore advance receipt	–	1 242
Other	256	183
	461	1 425

¹ The amount relates to royalty taxes due according to the Mineral and Petroleum Resources Royalty Act.

NOTES TO THE REVIEWED PROVISIONAL
CONDENSED CONSOLIDATED RESULTS continued

for the year ended 30 June 2018

10. OPERATING SEGMENTS

	Chrome projects R'000	Platinum exploration R'000	Corporate R'000	Intragroup elimination R'000	Total R'000
30 June 2018					
Revenue	234 261	–	11 750	(11 750)	234 261
Profit/(loss) before tax	105 953	–	(1 096)	–	104 857
Taxation	(32 947)	–	–	–	(32 947)
Profit/(loss) after tax	73 006	–	(1 096)	–	71 910
Interest received	5 433	–	2 452	(604)	7 281
Depreciation, amortisation and impairment	(13 048)	–	(54)	–	(13 102)
Investment in intangible assets	2 193	–	–	–	2 193
Total assets	283 124	20 161	26 448	(6 963)	322 770
Total liabilities	(43 498)	–	(1 298)	6 963	(37 833)
30 June 2017					
Revenue	205 318	–	10 435	(10 435)	205 318
Profit before tax	131 359	–	2 785	–	134 144
Taxation	(38 615)	–	–	–	(38 615)
Profit after tax	92 744	–	2 785	–	95 529
Interest received	1 913	–	2 074	–	3 987
Depreciation, amortisation and impairment	(7 543)	–	(26)	–	(7 569)
Investment in intangible assets	872	–	–	–	872
Total assets	249 058	20 161	45 036	(11 673)	302 582
Total liabilities	(30 368)	–	(12 947)	11 673	(31 642)

Bauba's segmental analysis is based on the Moeijeljik chrome project, platinum exploration and corporate activities. The group was reliant on one major customer in respect of chrome ore sales.

11. EARNINGS PER SHARE

	2018 R'000	2017 R'000
Headline earnings reconciliation:		
Profit attributable to equity holders of the parent	38 248	55 756
Headline earnings	38 248	55 756
Basic earnings per share (cents)	10,09	14,71
Diluted earnings per share (cents)	10,02	14,65
Headline earnings per share (cents)	10,09	14,71
Diluted headline earnings per share (cents)	10,02	14,65
Number of shares in issue at the end of the year ('000)	379 020	379 020
Reconciliation of weighted average number of shares to diluted weighted average number of shares:		
Weighted average number of shares ('000)	379 020	379 020
Dilutive effect of share options ('000)	2 560	1 563
Diluted weighted average number of shares ('000)	381 580	380 583

12. FAIR VALUE AND FINANCIAL INSTRUMENTS

The carrying value of all financial instruments approximates fair value. All financial instruments are measured at amortised cost.

13. GOING CONCERN

Despite the payment of a dividend/distribution of R58,730 million (2017: nil) and significant cash investment in the development of the Moeijeljik mine of R72,908 million (2017: R11,602 million), Bauba ended the 2018 financial year with a cash and cash equivalents balance of R70,077 million (2017: R122,198 million) and no interest-bearing borrowings.

The group has net current assets of R76,054 million (2017: R104,097 million) and shareholder's equity of R284,937 million (2017: R270,940 million). The cash flow forecast prepared by Bauba management, based on current available information, indicates that the group will be able to meet its commitments within the next 12 months as they fall due. The group has sufficient resources to continue as a going concern and has therefore concluded that it is appropriate to prepare the provisional condensed consolidated results on a going concern basis.

NOTES TO THE REVIEWED PROVISIONAL CONDENSED CONSOLIDATED RESULTS continued

for the year ended 30 June 2018

14. SUBSEQUENT EVENTS

After year-end, Bauba successfully concluded an offtake agreement for the supply of 240 000t of chrome ore to be supplied over a 12-month period. In August 2018, Bauba received a prepayment of R73,500 million which represents a part-payment of the offtake agreement.

The directors are not aware of any significant matter or circumstance arising since the end of the financial year, not otherwise dealt with in this report or the financial results, which significantly affects the financial position of the group or the results of its operations to the date of this report.

30 August 2018
Johannesburg

CORPORATE INFORMATION

NATURE OF BUSINESS

Exploration and mining of mineral resources
Registration number
1986/004649/06
Country of incorporation
Republic of South Africa

DIRECTORS

Non-executive

Mr NPJ van der Hoven
Mr M Luyt*
Mr SM Dolamo*
Mr D Smith*
Dr NM Phosa
King TV Thulare (Alternate)

* *Independent*

Executive

Mr NW van der Hoven
Mr JA Knowlden

COMPANY SECRETARY

Merchantec Proprietary Limited

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Nedbank Limited

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Tabacks Legal Advisors

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