



INTEGRATED REPORT

FOR THE YEAR ENDED 31 MARCH
2018



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ABOUT THIS REPORT

This is Foskor (Pty) Limited's integrated annual report for the year ended 31 March 2018 to provide feedback to our stakeholders. The report combines data related to Foskor's financial, social, environment and governance aspects while at the same time exploring the integrated effect of these aspects on the Company's performance.

The report is intended to explain our business, how we are governed; our strategy and how we have implemented it; and the results achieved during the reporting period.

Our approach to integrated reporting has been to gradually improve the integration of sustainability and financial performance reporting over the last few years. This year's report also shows the link among capital employed in our business to create value; what is most important to us; and how we have performed against what we consider material.

We have been primarily guided when preparing this report by the International Integrated Reporting Framework; in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines (Core) including the Mining and Metals sector supplement; the King Code of Corporate Governance; and the South African Companies Act of 2008.

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SCOPE AND BOUNDARY

This report covers the key events that took place from 1 April 2017 to 31 March 2018. The report covers all entities and divisions under Foskor's direct control and significant influence as reported in the annual financial statements. Where external entities are part of our value chain and have a significant effect on our ability to create value, their effect or potential impact are discussed. All significant items disclosed are prepared on the same basis as the comparative periods, there have been no restatements.

This report includes summarised financial statements, the full set of financial statements is available in a separate publication or on our website. Supplementary information that provides more detail to the information included in this integrated annual report is also available on our website at www.foskor.co.za.

DETERMINING MATERIALITY

The material issues that have been identified and for which feedback on our performance has been discussed were determined as follows:

- Quantitative calculations;
- Review of strategic risk registers;
- Reports submitted to the Board and matters that the Board is most concerned about;
- Incorporated areas of concern highlighted in the strategic review process; and
- Key performance objectives set for management for the following year.

COMBINED ASSURANCE

The annual financial statements have been jointly audited by Ngubane & Co (Johannesburg) Inc and SizweNtsalubaGobodo Grant Thornton Inc. A combined assurance approach has been adopted by obtaining assurance for financial and non-financial information from management, internal audit and external independent third parties.

The majority of the key disclosures for the non-financial information for environmental, health and safety have been externally assured through DEKRA audits and ISO certifications.

APPROVAL BY THE BOARD

The Board is responsible for the integrity of this integrated report. The Board applied its collective mind to the preparation and presentation of the integrated report and is satisfied that the report is a fair and reasonable representation of Foskor's performance and prospects in accordance with the IR Framework. This integrated report was approved by the Board on 29 June 2018.

FEEDBACK

For any questions or feedback regarding this integrated annual report or its contents, please contact Ashraf Dindar on +27 11 347 0603 or email ashraf@foskor.co.za

HOW WE PERFORMED

KEY ACHIEVEMENTS

LOST TIME INJURY

well below industry standards – less than 1

- Mining 0.14
- Acid 0.44

Improved Rock (highest production excluding PMC stream) and Granulation (highest production)

PRODUCTION VOLUME

by 27% and 10% respectively

Certified

TOP EMPLOYER

for the 8th time in a row

Retention of

ISO CERTIFICATIONS

CONTINUED REDUCTION

of fresh water consumption per ton of production

Improved Phosphoric Acid

PRODUCTION EFFICIENCY

from 84.5% to 88.8%

CHALLENGES

SULPHUR RAW MATERIAL

prices increased by

24%

ROCK EXPORT

selling price reduced by

22%

MAGNETITE EXPORT

prices declined, whilst distribution costs increased resulting in negative margins



FOR THE YEAR ENDED 31 MARCH

		2018	% CHANGE*	2017	2016
Financial	Revenue (Rm)	5 893	5	5 614	5 918
	EBIT (Rm)	(903)	26	(1 224)	(296)
	EBITDA (Rm)	(319)	5	(336)	54
	Cash (utilised by) / generated from operations (Rm)	(344)	(202)	336	(51)
	Free cash flow (Rm)	(1 157)	(340)	(263)	(715)
Production	Phosphate rock (k tons)	2 141	27	1 687	1 876
	Phosphoric acid (k tons)	453	1	450	307
	Granulation (k tons)	357	10	324	198
People	Number of employees	1 976	–	1 984	2 003
	Employee turnover (%)	5	40	9	6
	Women representation in senior management (%)	17	42	12	14
	Total training spend (Rm)	12	6	11	8
Safety	Fatalities	–	–	1	–
	Loss Time Injury Rate – Mining	0,14	48	0,27	0,17
	Loss Time Injury Rate – Acid	0,44	(100)	0,22	0,24
Environment	Fresh water consumption ('000m ³)	12 570	–	12 592	12 126
Communities	CSI spend (Rm)	4	(27)	5	7

*Calculated on full values.



WHO WE ARE

Foskor is a producer and distributor of phosphate rock, phosphate-based fertilisers, sulphuric acid, phosphoric acid and magnetite locally and internationally.

We are based in **South Africa**



and employ a total of **1 677 people**



spread across the Phalaborwa **Mining Division**, the Richards Bay **Acid Division** and the **head office** in Midrand.



VISION

To be a globally recognised and efficient beneficiator of phosphates in a responsible manner for the benefit of all our stakeholders

MISSION

We will create value and profit by converting opportunities with determination, responsibility and sustainability

VALUES

To deliver on customer promise we demonstrate resolve, act responsibly, earn respect and show recognition through shared rewards

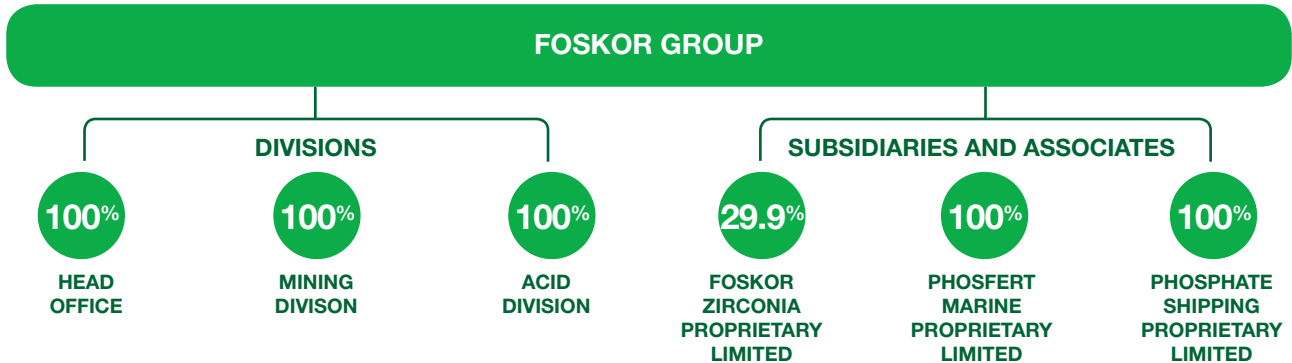
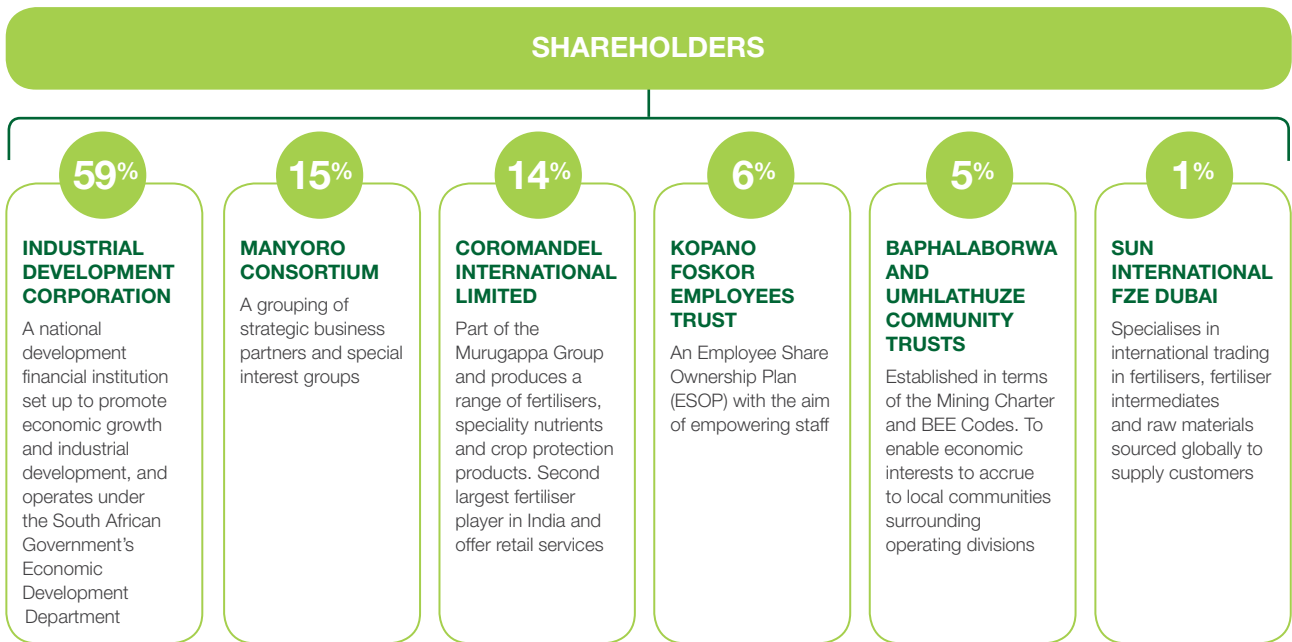
WHAT WE PRODUCE

We mine phosphate rock in Phalaborwa and transfer it by rail to our Richards Bay facility, where we use it to produce phosphoric acid and granular fertilisers – MAP (mono-ammonium phosphates) and DAP (di-ammonium phosphates). We also produce sulphuric acid, which is used in the production of phosphoric acid, and sell it in limited quantities. Foskor also has magnetite, a by-product of phosphate rock beneficiation which was produced in the past and stored in the form of a stock pile. Currently, there is no magnetite produced in the process.

OUR MARKETS

We are the leading domestic producer and supplier of phosphate-based granular fertilisers. Beyond serving the local market, we supply phosphoric acid and fertilisers to international markets, particularly India, the world's largest market for phosphoric acid. While the bulk of our phosphate rock concentrate is used in our phosphoric acid manufacturing plant, we export and sell limited amounts to other fertiliser producers worldwide. We also sell magnetite and sulphuric acid domestically and abroad.

HOW WE ARE STRUCTURED



WHERE WE OPERATE AND SELL TO

EUROPE
R735m
REVENUE
 (rock, phosphoric acid)

22% increase y-o-y
 12.48% share in revenue

MIDDLE EAST
R123m
REVENUE
 (phosphoric acid)

23% decrease y-o-y
 2.09% share in revenue

OTHER AFRICAN COUNTRIES
R10m
REVENUE
 (ammonia)

66% decrease y-o-y
 0.16% share in revenue

SOUTH AMERICA
R499m
REVENUE
 (rock, phosphoric acid, granular fertiliser)

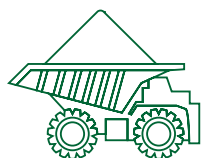
136% increase y-o-y
 8.47% share in revenue

SOUTH AFRICA
R3 111m
REVENUE
 (rock, phosphoric acid, granular fertiliser,
 sulphur, sulphuric acid, ammonia)

5% increase y-o-y
 52.79% share in revenue

CORPORATE HEAD OFFICE
 Midrand, Gauteng

23 



MINING DIVISION
 Phalaborwa, Limpopo

1 148 

- **PHOSPHATE ROCK**
 Sales volume: 854kt
 Contribution of product to revenue: 19%
- **MAGNETITE**
 Sales volume: 1.11mt
 Contribution of product to revenue: 6%

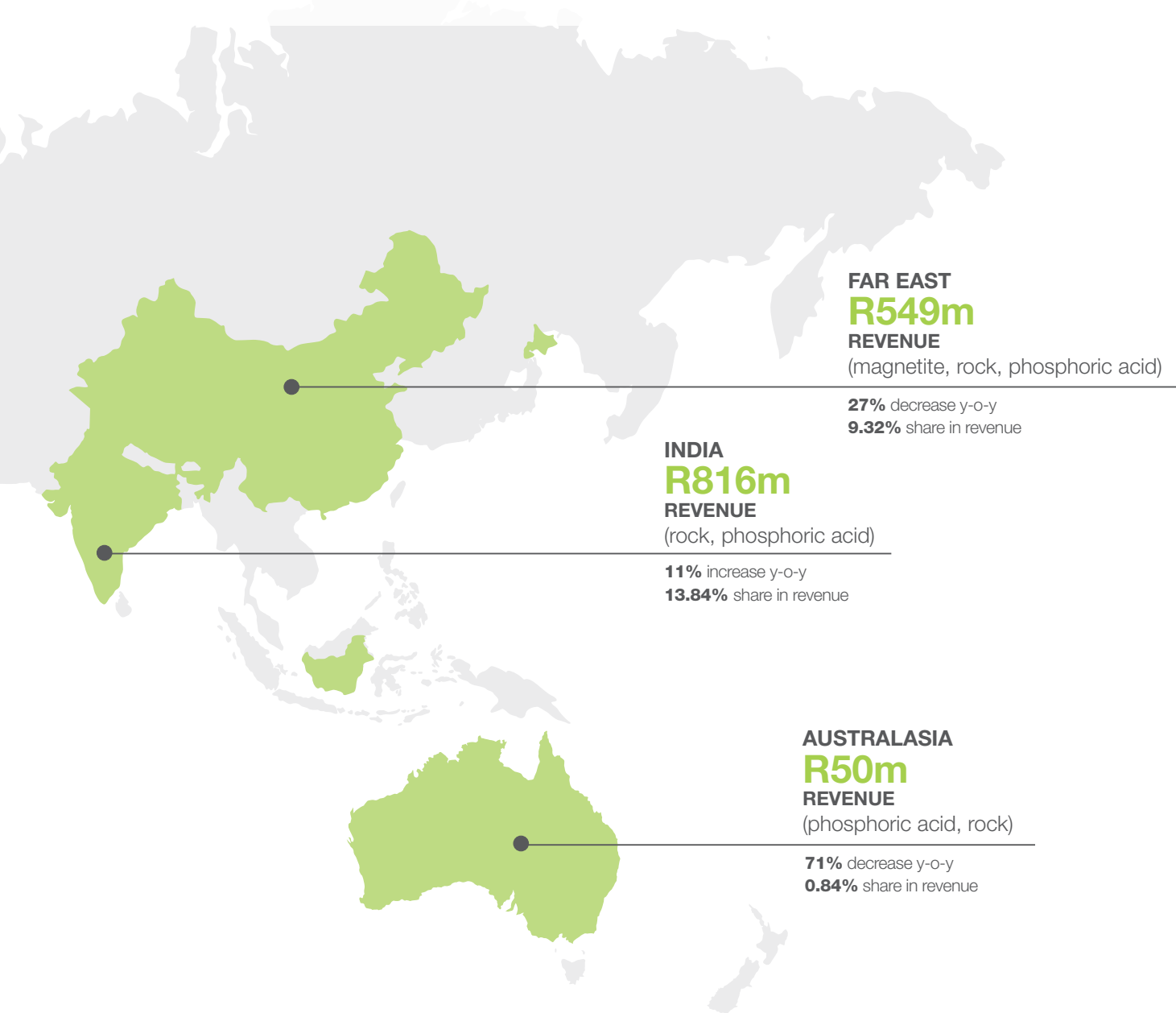


ACID DIVISION
 Richards Bay, KZN

506 

- **PHOSPHORIC ACID**
 Sales volume: 267kt
 Contribution of product to revenue: 36%
- **GRANULATION**
 Sales volume: 406kt
 Contribution of product to revenue: 37%
- **OTHER PRODUCTS**
 Contribution of product to revenue: 2%

 = employees



OUR VALUES

To deliver on our customer promise we demonstrate **resolve**, act **responsibly**, earn **respect** and show **recognition** through shared rewards.



Demonstrating **resolve** means we are determined to continually improve in everything we do.



Showing **recognition** means we believe in shared reward



Acting **responsibly** means that we believe in being held responsible to ourselves, our shareholders, our communities and our environment.



Earning **respect** means we believe that we will excel as a team by respecting diversity.

HOW WE CREATE VALUE

We **create and sustain value** through **mining phosphate ore,**



that forms an input into the production of **phosphoric acid** and granular **fertiliser products.**

The manner in which we create value is in terms of our values and our governance structures.

The relationships with our stakeholders (internal and external) also have an impact in our ability to create and sustain value.

The key stakeholders that are part of our value chain are suppliers of rail transport (Transnet Freight Rail) for our rock to Richards Bay and Maputo; as well as utility providers (municipalities) who provide us with electricity and water that is critical for our production process. Also there are other stakeholders which are important such as our suppliers/contractors, communities, government departments, financial institutions, etc.

Our business model incorporates a wider view of our value-creating activities and incorporates the six capitals in inputs and resources, processes, outputs and measurable outcomes.



CAPITAL CAPABILITIES

CAPITALS

WHAT IT MEANS IN TERMS OF OUR BUSINESS

MANUFACTURED



Our manufactured capital is the investment of capital expenditure at our operations that are used in the generation of value. The equipment and plant that we use is monitored for its impact on the environment. The outputs of production are as a result of investments made in manufactured capital.

FINANCIAL



Financial capital is the source of our capital, debt and equity, and our ability to raise funding externally at an optimal cost and generate cash from internal operations. Financial capital is preserved through returns from earnings and cost control.

NATURAL



Our natural capital is from our mineral reserves at our mine in Phalaborwa. The ore we mine is used in the production of phosphate rock. Preservation of our licence to operate, environmental management and rehabilitation of the earth are important in our ability to create value.

HUMAN



The experience and diversity of our staff and the development of their skills is vital in the efficient conversion of our natural capital to manufactured capital. The wellbeing of our staff is our number one priority to produce our outputs with minimal harm to our staff and our environment.

SOCIAL AND RELATIONSHIP



Maintaining our relationships with all our stakeholders is essential in our assessment of our economic, social and environmental impact as a responsible part of society.

INTELLECTUAL



The combination of the technical skills of our staff with our technology generates value. Our strategy dictates the investment made in the research and development of new technology and products to sustain and grow value.

OUR BUSINESS MODEL

Our business model incorporates a wide view of our value-creating activities and incorporates the six capitals in inputs and resources, procedures, outputs and measurable outcomes.

INPUT



MANUFACTURED CAPITAL

Investing R4bn in capital expenditure. Major investment in extending the life of the mine and asset replacement programme at both divisions.



FINANCIAL CAPITAL

Investing over R6bn of shareholder and debt capital.



NATURAL CAPITAL

We mined 32.8mt of phosphate ore and have 1.36bn tons of mineral reserves. Magnetite by-product.



HUMAN CAPITAL

1 357 of our permanent staff are qualified and appropriately skilled.



SOCIAL AND RELATIONSHIP CAPITAL

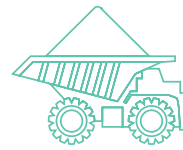
Maintaining our operating licences and achieving our transformation and social responsibility goals.



INTELLECTUAL CAPITAL

Achieving our strategic objectives through the application of our scarce skills and utilisation of independent specialised skills.

MINE AND BENEFICIATE



MINING

DRILLING AND BLASTING



LOADING AND HAULING



PRIMARY CRUSHER



PRIMARY STOCKPILE



SECONDARY AND TERTIARY CRUSHER



FINE ORE STOCKPILE



CONVEYOR BELT

Drilling and blasting is required to extract ore deposits from the igneous complex.

Haul trucks are loaded with the rocks (up to 1.2 metres in diameter) which are transported to the crushers.

Crushers are used to grind large rocks of phosphate-bearing ore into smaller pebbles (to about 13mm).

Conveyor belts transport the crushed ore to the mills.

COMMINATION AND CONCENTRATION

ROD MILLING



FLOTATION → TAILINGS



THICKENER



FILTRATION



PHOSPHATE STOCKPILE



DRYING



DISPATCH



PHOSPHATE ROCK

The mills grind the pebble-sized phosphate ore to sand particles. Slurry, formed by mixing water and sand, is then pumped to the flotation circuits.

Flotation: Reagents are added to the slurry to separate phosphates from the other minerals in the ore.

Waste materials or **tailings** are collected and pumped into either the Southern or the Selati tailings dam.

Phosphate concentrates recovered from the flotation circuits are pumped through **thickeners** and excess water is drained.

The thickened rock concentrates (in fine powder form) are conveyed to the coal-fired **drying kilns** to make a sand-like finished product.

OUR MARKETS



TRANSPORT

RAIL TRANSPORT

Rock, magnetite to Richards Bay and Maputo

ROAD TRANSPORT

Rock, magnetite granular fertiliser and phosphoric acid

SHIPPING

Rock, magnetite P₂O₅ and granular exports

REACT AND CONCENTRATE



SULPHURIC ACID PRODUCTION

SULPHUR BURNING

SULPHUR DIOXIDE

CATALYTIC CONVERSION

SULPHURIC ACID

Sulphur is burnt to form sulphur dioxide. This gas is converted to sulphur trioxide in a steam boiler and is then mixed with water to form sulphuric acid.

PHOSPHATE ROCK

SLURRY PRODUCTION

REACTED WITH SULPHURIC ACID

SLURRY P₂O₅

FILTRATION

CONCENTRATION

HIGH GRADE P₂O₅

AMMONIA AND PHOSPHORIC ACID REACTORS

GRANULATION AND ROTARY DRYING

GRANULAR FERTILISER

MAP/DAP

Phosphate rock concentrate from the Mining Division is treated with sulphuric acid and recycled phosphoric acid to form weak phosphoric acid in slurry form. This is then filtered to remove gypsum particles as a waste product. After filtration, concentrated high-grade phosphoric acid is produced by boiling off excess water.

Ammonia and Sulphuric acid are mixed with phosphate under controlled conditions to produce either MAP or DAP slurry, which is then granulated and dried to deliver the desired product.

By adding zinc to the MAP reaction, MAP zinc is produced.

OUTPUT

PHOSPHATE ROCK

SULPHURIC ACID

PHOSPHORIC ACID

MAP & DAP

OUTCOMES



MANUFACTURED CAPITAL

- Rock production 2.141mt (3% above target)
- Acid production 453kt (8% below target)
- Granulation production 357kt (3% below target)
- Acid production efficiency 89% (on target 89%)



FINANCIAL CAPITAL

- Cost of borrowings R209m (28% higher than 2017)
- Cash utilised from operations R344m (202% higher than 2017)
- Free cash flows R1.16bn negative (340% worse than 2017)
- R71m opex savings to budget
- EBIT loss R903m (26% lower than 2017)
- Debt facilities increased from R1.1bn to R1.5bn



NATURAL CAPITAL

- Mined 32.84m tons of ore (2017: 28.62m tons)
- Energy consumption decreased by 9%
- Fresh water consumption decreased by 0.2%
- Focus on CO₂ green house gas emissions



HUMAN CAPITAL

- Staff turnover reduced from 9% to 5%
- LTIFR for Mining 0.14 and Acid 0.44
- Zero fatality
- Good relationship with trade unions maintained



SOCIAL AND RELATIONSHIP CAPITAL

- Maintained our licence to operate
- Mining Charter and BEE compliance
- Value added to stakeholders R883m



INTELLECTUAL CAPITAL

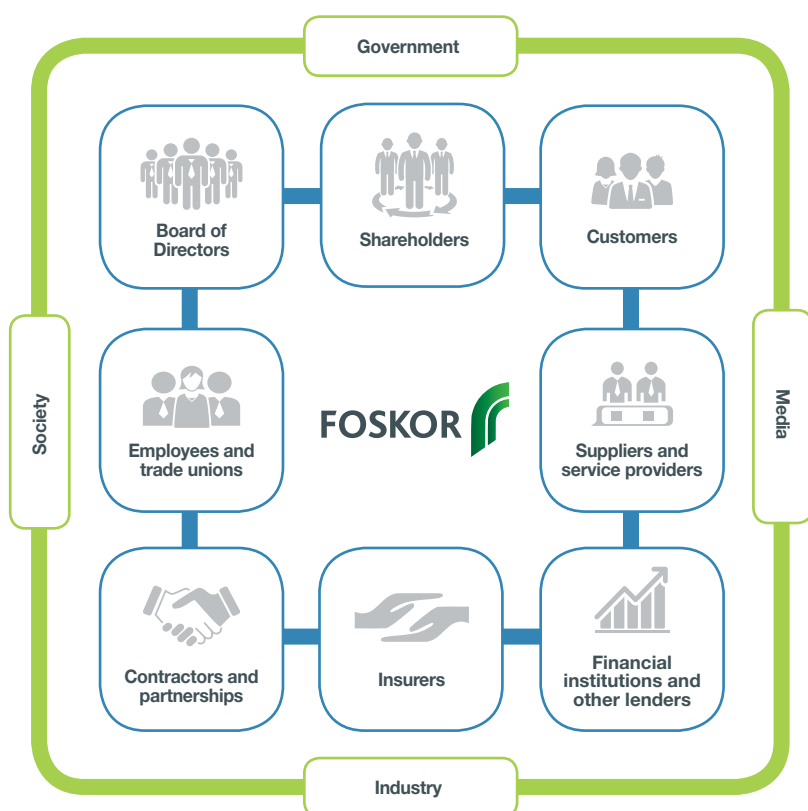
- Continued focus on skills development and retention

OUR KEY STAKEHOLDERS

Foskor defines its stakeholders as people or entities who are affected by its operations or who can affect the production or delivery of our products and services.

We seek to engage all our stakeholders productively and proactively and deliver on all our commitments.

OUR KEY STAKEHOLDERS ARE:



The stakeholders on the outer circle represent the macro environment in which we operate such as regulators; the communities in which we operate and in which our employees reside and the industry in which we operate. The media also operates in the macro environment.

ENGAGING WITH STAKEHOLDERS

Opportunities for dialogue are created through meetings, forums, surveys, briefings, interviews and our website.

Other internal and external communication channels are also available for stakeholders to engage with the Company. We use these channels to inform stakeholders of the Company's activities and get feedback from them.

Our stakeholder engagement programme has been specifically designed to:

- continually update our understanding of our operating environment, to better identify and define the risks facing the Company and allocate resources to seeking solutions;
- learn about market developments and social dynamics and feed this knowledge into product enhancements;
- build trusting relationships and educate the public as to the importance of our business; and
- give Corporate Social Investment (CSI) recipients a voice in the decision-making processes and tailor initiatives to their needs.

Feedback from our stakeholders is collected through our Corporate Affairs department for employees, communities, environmental interest groups, directors and shareholders. The Marketing department receives feedback from customers, the Procurement department from suppliers, and the Finance department from insurers and financial institutions. The heads of the various departments would then prioritise the feedback and present to the Board.

We have good relations with our stakeholders. We try our utmost best to meet the basic expectations of our stakeholders. In instances where we cannot meet their expectations, we communicate efficiently and make our position clear.

The activities undertaken as part of stakeholder engagement were not specifically undertaken as part of the report preparation process, these activities occur through the normal course of business throughout the period.

KEY STAKEHOLDERS AND OUR STRATEGIC RESPONSES IN ENGAGING THEM

STAKEHOLDER	HOW WE COMMUNICATE WITH THEM	WHAT MATTERS TO THEM	WHAT CONCERNS THEM	HOW WE RESPOND TO THEIR CONCERNS
<p>EMPLOYEES AND TRADE UNIONS</p> <p>Total number of employees 1 976 (including contractors) of which 1 684 belong to one of seven trade unions</p>	<ul style="list-style-type: none"> • Staff alerts from the CEO's desk • General notices from the Communications desk • Intranet • Women in Mining/ Manufacturing Forums • Monthly staff briefings • Departmental meetings • Daily business area meetings • Notice boards • Performance reviews • Internal communications campaigns and events • Company "Focus" magazine Notice via email • One-on-one conversations/ meetings 	<ul style="list-style-type: none"> • Fair remuneration and benefits • Training and mentoring • Safety • Employee wellness programmes • Community issues including HIV/AIDS, housing and job creation • Communication strategy 	<ul style="list-style-type: none"> • Transformation • Recruitment of scarce skills • Opportunities for advancement • Succession planning • Training and development • Job security 	<ul style="list-style-type: none"> • Employee assistance programmes • Substantive amount spent on HIV/AIDS and wellness programmes and women development initiatives • Safety and Environmental Awareness Days • Maintaining ISO 9001, ISO 14001, OHSAS 18001, SANS 451:2008 and SANS 16001 certifications • Bursaries and study assistance • Group incentive scheme • Training and E-Learning programmes • Skills transfer programme • Talent management strategy • Internships, learnerships and on the job coaching • Policies and procedures • Career pathing • Employee share ownership plan
<p>BOARD OF DIRECTORS</p> <p>12 Directors (Four independent and one executive Director)</p>	<ul style="list-style-type: none"> • Board meetings • Board sub-committee meetings • Memos • Annual reports • Board strategy sessions 	<ul style="list-style-type: none"> • Profit • Sustainable growth • Driving transformation • Job creation • Contribution to economic growth 	<ul style="list-style-type: none"> • Cyclical nature of business • Escalating costs • Competition • Narrowing margins • Commodity prices • Employment • Financial stability and debt structure 	<ul style="list-style-type: none"> • Discharging duties through committee meetings • Requiring regular feedback on executive management's execution and delivery on key performance indicators • Risk management • Internal controls • Policies and procedures
<p>SHAREHOLDERS</p> <p>The IDC, BEE shareholders, two India- based shareholders</p>	<ul style="list-style-type: none"> • Shareholders' meetings • Letters • Annual reports 	<ul style="list-style-type: none"> • Dividends • Sustainable profits • Capital growth 	<ul style="list-style-type: none"> • Cyclical nature of business • Narrowing margins 	<ul style="list-style-type: none"> • Making profits • Generating positive cash flow
<p>CUSTOMERS</p> <p>Fifty-three percent of revenue from local customers and forty-seven percent from foreign customers</p>	<ul style="list-style-type: none"> • Meetings • Site visits • Business associations • Conferences and seminars 	<ul style="list-style-type: none"> • Customer service • Quality products • Competitive prices • Timely deliveries • Reliability of supplies 	<ul style="list-style-type: none"> • Availability of stock • Logistics • Sustainability of customer relationships 	<ul style="list-style-type: none"> • Stockpiling rock • Alternative rail logistics routes • Improving operational efficiency and output • Improve customer relations • Maintain competitive pricing • External storage

STAKEHOLDER	HOW WE COMMUNICATE WITH THEM	WHAT MATTERS TO THEM	WHAT CONCERNS THEM	HOW WE RESPOND TO THEIR CONCERNS
<p>CONTRACTORS, PARTNERSHIPS AND SHARING AGREEMENTS</p> <p>Includes key third parties</p>	<ul style="list-style-type: none"> • Meetings • Written communications • Contact on operational issues • Reports • Contract negotiations 	<ul style="list-style-type: none"> • Equitable income distribution • Key safety, health, environment and quality strategies 	<ul style="list-style-type: none"> • Work stoppages • Industrial action • Continued partnerships 	<ul style="list-style-type: none"> • Contractor safety, health and environmental management plans • Safety agreements
<p>SUPPLIERS AND SERVICE PROVIDERS</p> <p>Approximately 2 700 suppliers on our supplier database and 93.4 percent of our procurement spend is with BEE suppliers</p>	<ul style="list-style-type: none"> • Meetings • Site visits • Tenders and supply contracts • Company website • Business associations • Performance reviews and audits • Conferences and seminars 	<ul style="list-style-type: none"> • Input costs • Payment terms • Duration of contracts • Vendor information and training 	<ul style="list-style-type: none"> • Enterprise development • Preferential procurement terms • BEE ratings • Timely payment 	<ul style="list-style-type: none"> • Foskor has more than 2 700 vendors in its supplier database. The following services are offered to them: <ul style="list-style-type: none"> – Vendor training – Favourable supplier payment terms – R4.16 billion spent on BEE suppliers – Focus on providing opportunities for local SMMEs
<p>COMMUNITIES AND COMMUNITY LEADERS</p> <p>Communities around Phalaborwa and Richards Bay</p>	<ul style="list-style-type: none"> • Public and personal meetings • CSI initiatives through the operational budget and the Community Trust • Quarterly meetings with local authorities • Community open days • Integrated development plan and economic development forums • Social and Labour Plans to direct the spending on Local Economic Development • Grievance and conflict resolution processes • Ad hoc communications such as letters and meetings • Community trust meetings 	<ul style="list-style-type: none"> • Sustainable socio-economic development • Transformation • Developing a talent pool of locals through learnerships • Corporate social investment initiatives • Pollution, safety and health matters • Consultation on proposed new projects and significant changes to existing operations • Employment of local labourers 	<ul style="list-style-type: none"> • Land claims and cultural heritage • Inability to source scarce skills • Enterprise development and local procurement 	<ul style="list-style-type: none"> • R3.7 million spent on CSI initiatives, including social labour plans and local economic development • Community trusts • Monthly sessions with stakeholders • Community events, namely, F21 marathon • Community upliftment initiatives • Upgrading roads
<p>GOVERNMENT AND REGULATORY BODIES</p> <p>Departments of Mineral Resources; Environmental Affairs; and Water and Sanitation</p> <p>National Nuclear Regulator</p> <p>Competition Commission</p>	<ul style="list-style-type: none"> • Meetings • Written communications • Presentations • Audits • Business associations • Attending workshops 	<ul style="list-style-type: none"> • Statutory and legal compliance • Transparent and full disclosures of Group's structures and activities • Safety • Local Economic Development • Transformation 	<ul style="list-style-type: none"> • Safety • Legal compliance to all relevant pieces of regulation 	<ul style="list-style-type: none"> • Statutory compliance enforced through the Legal and Compliance Department • Regular meetings and presentations to departments and government bodies • The estimated costs for scheduled and unscheduled mine closure is estimated at R589 million and R684 million respectively

STAKEHOLDER	HOW WE COMMUNICATE WITH THEM	WHAT MATTERS TO THEM	WHAT CONCERNS THEM	HOW WE RESPOND TO THEIR CONCERNS
<p>MEDIA</p> <p>Mainly media in Limpopo and KZN</p>	<ul style="list-style-type: none"> • Networking and briefing sessions • Press releases • Telephonic and other interviews • CSI/LED project handover invitations • Event invitations 	<ul style="list-style-type: none"> • Company news • New developments • Safety incidents • Job advertisements • Tenders 	<ul style="list-style-type: none"> • Work stoppages • Stability of operations • Environmental or any other impact due to accidents 	<ul style="list-style-type: none"> • Regular face-to-face contact, briefings and networking • Written communications to answer queries based on facts and integrity
<p>FINANCIAL INSTITUTIONS AND OTHER LENDERS</p> <p>Transactional bankers and providers of debt capital and trade facilities</p>	<ul style="list-style-type: none"> • Meetings • Letters • Emails 	<ul style="list-style-type: none"> • Liquidity position • Risk management and exposure • Gearing ratio • Interest cover 	<ul style="list-style-type: none"> • Negative cash flows • Other debt obligations • Ability to service debt • Profitability • Shareholder support • Financial risk management 	<ul style="list-style-type: none"> • Prudent liquidity risk management, maintaining sufficient cash and marketable securities, managing cash flows and raising adequate borrowing facilities • Continuous business update meetings
<p>INSURERS</p> <p>Machinery breakdown and business interruption</p> <p>Credit insurance providers</p>	<ul style="list-style-type: none"> • Meetings • Site visits • Reports 	<ul style="list-style-type: none"> • Adequate risk management • Internal controls 	<ul style="list-style-type: none"> • Ageing equipment and technology 	<ul style="list-style-type: none"> • Rigorous maintenance and regular inspections limit insurance claims
<p>SPECIAL INTEREST GROUPS AND PEER GROUPS</p>	<ul style="list-style-type: none"> • Business body memberships • Meetings • Industry initiatives • Conferences and seminars 	<ul style="list-style-type: none"> • Safety and health • Environmental matters • Regulatory changes • Economic drivers 	<ul style="list-style-type: none"> • Environmental management • Safety • Nationalisation 	<ul style="list-style-type: none"> • Member of the following forums and associations: <ul style="list-style-type: none"> – International Fertiliser Association – Fertiliser Society of Southern Africa – KZN Growth Coalition – Zululand Chamber of Commerce and Industry – Richards Bay Clean Air Association – Umhlathuze Pipeline Forum – Umhlathuze Emergency Planning Forum – Olifants River Water Catchment Forum – Transnet's Environmental Forum Meeting in accordance with the Environmental Management Plan for Port Operations – Kruger National Park Environmental Management Forum

VALUE ADDED STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

Value added is defined as a measure of the wealth created by the Group and its employees. This statement shows the total value created and how it was distributed.

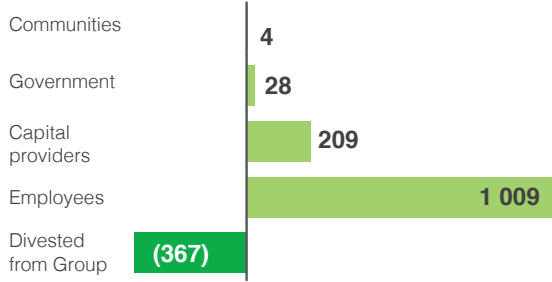
	NOTES	2018		2017	
		Rm	%	Rm	%
Revenue		5 893		5 614	
Paid to suppliers for products, materials and services		(5 125)		(4 714)	
Value added from trading operations		768	87	900	92
Finance income		34	4	22	2
Other income		82	9	55	6
Total value created		883	100	977	100
Wealth distribution:					
Employees	1	1 009	114	1 015	104
Capital providers		209	24	163	17
Dividends to Foskor Shareholders		–		–	
Finance cost		209		163	
Government	2	28	3	23	2
Communities (corporate social investment)		4	–	5	1
Reinvested in the Group to maintain and develop operations		(367)	(42)	(230)	(24)
Depreciation and amortisation		355		368	
Retained profit		(549)		(173)	
Deferred taxation		(173)		(425)	
		883	100	977	100
VALUE ADDED RATIOS					
Number of employees ^a		1 677		1 689	
Revenue created per employee (R'000) ^b		3 514		3 324	
Value created per employee (R'000) ^b		527		578	
NOTES					
1. Employees					
Salaries, wages, overtime payments, commissions, bonuses and allowances, employer contributions		1 009		1 015	
		1 009		1 015	
2. Government					
Tax – normal, royalties, dividend withholding		12		7	
Rates and Taxes paid to local authorities		7		7	
Skills Development Levy		9		9	
		28		23	

^a Number of employees at the end of the year.

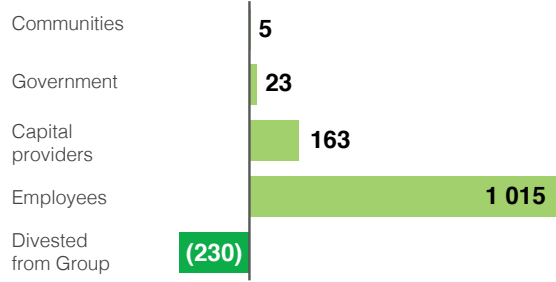
^b Based on the number of employees at the end of the year.

WEALTH DISTRIBUTION (Rm)

FY 2018 EVA distribution: R883m



FY 2017 EVA distribution: R977m



OUR STRATEGIC APPROACH

In financial year 2017/18, the external market conditions were extremely challenging; phosphoric acid prices for the first three quarters were lowest in the past decade, there was abnormal increase in the sulphur prices in the second and third quarter and South African currency strengthened significantly in the last quarter.

Increase in phosphoric acid prices in the last quarter brought some relief. It is expected that prices will remain positive for the financial year 2018/19.

In 2017/18, our strategy was to achieve operational excellence and financial sustainability through maintenance programmes in both Acid Division and Mining Division, asset replacement programmes, reprioritisation of strategic projects.

Most of the critical initiatives identified in achieving operational excellence were successfully implemented during the 2017/18 which resulted in improvement in almost all the operational parameters such as efficiency, production volumes, cost of production in both the divisions.

The initiative of Hot Seat Changeover was successfully implemented in mining division which had helped significantly in achieving operational excellence. Prior to implementing the initiative, operation used to lose around two hours of production time at each shift change and it used to result in inconsistent operation, production and efficiency loss.

During the year, there were some peak achievements which are best in the recent history. However, due to negative market conditions these achievements couldn't be converted into positive financial outcome.

TO ACHIEVE OPERATIONAL AND FINANCIAL SUSTAINABILITY AND GROWTH

OUR STRATEGIC FOCUS AREAS:

1

Market diversification to enhance sales margins

2

Stretch and sustain **optimised operation**

3

Improve treasury and ensure positive cash flow

4

Achieve and maintain **SHEQ compliance**

5

Augment **procurement efficiency**

6

Confine logistic cost

7

Strengthen audit services

8

Enhance performance management

9

Expand strategy, R&D, continuous improvement and project development

10

Develop and grow people

Over next few years, the major focus will be on risk-based maintenance and implementation of key asset replacement programmes to retain the current improvements and enhance operation further. Implementation of cost saving initiatives and continuous improvement will remain integral part of our business.

Furthermore, substantial efforts will be directed towards market diversification to get premium prices, augmenting procurement efficiencies to get better quality, cost and delivery of product and services and confine logistic costs.

A considerable attention will be given to the new project development and research and development activities. An expansion plan will be developed for these areas.

It is envisaged that the achievement of our strategic priorities will enable us to be a mid-size, integrated and efficient producer of phosphate rock, phosphoric acid and granular fertiliser at maximum capacity.

OUR STRATEGY AT OPERATIONAL LEVEL

The Acid Division will continue improving production, efficiency and availability of the plant while sustaining the achievement so far. It will be accomplished mainly through risk-based maintenance and asset replacement/refurbishment programme. The division will be supported by Human Capital with re-structuring and strengthening on maintenance and projects department, fulfilling required training and development requirements, establishing proper succession planning and instilling performance driven culture. There are several initiatives identified and are under implementation which will enhance efficiency and reduce cost of production. Ensuring compliance with changes in legislation is vital area in the division.

The Mining division will continue to improve availability and utilisation of plant and equipment, improve efficiency and implement cost saving initiatives to reduce cost of production. The mine fleet replacement programme and other key asset replacement programmes are under implementation.

While implementing our strategy SHEQ will remain a priority. Distinct efforts will be taken to ensure SHEQ compliance. We believe that our staff are critical to the success of business strategic objectives, and a values-driven performance culture will be instilled in the Company going forward.

We plan to diversify our market to get premium prices for better quality of our products to improve margins and our financial performance.

We aim to increase procurement efficiencies and limit the logistics costs.

To maintain positive cash flow in the business will remain a major focus area. To deal with exchange rate fluctuation we have implemented hedging policy. Its effectiveness will be improved over near future.

Community development, implementation of B-BBEE initiatives and enterprise development will remain a vital part of our agenda.

MEDIUM- AND LONG-TERM OBJECTIVES

PRODUCTION

Our primary focus is to achieve operational excellence to get our mine and acid plant to efficiently produce at the required capacity in the medium-term.

DIVERSIFICATION

While operating excellence is being achieved, we aim to continue to diversify our product range into high value products. Few beneficiation projects have been identified and will be progressed in the coming years.

We are planning to expand our strategy, R&D, new project development and continuous improvement division to achieve business improvements and diversification objectives.

CAPITAL RESOURCES REQUIRED TO EXECUTE STRATEGY

The funding approved by our shareholders and funding from forecasted cash flow will be sufficient to enable us to complete the identified Capex projects for the next three years.

It is our aim to generate sufficient cash flow from our operation over next few years to support future growth and sustainability projects.

“

We are on our way to operational stability and financial sustainability.

”

CHAIRMAN'S STATEMENT



NEW CHALLENGES AND OPPORTUNITIES

From a production output and efficiency as well as cost containment perspective it was an excellent year for Foskor at both the Phalaborwa Mine and Richards Bay Acid Plant. However, the relatively strong rand, weak international phosphoric rock and acid prices and abnormally high input cost of imported sulphur resulted in a significant loss being incurred overall for the year.

Over the last seven years Foskor has undertaken a programme of renewal, refurbishment and upgrading of its operating plants at Phalaborwa and Richards Bay, both of which endure the very harsh, aggressive and corrosive environments of igneous rock mining and crushing and phosphoric acid production and have necessitated ongoing maintenance and capex of R2.7 billion and R3.4 billion respectively, over the last five years of which R1.3 billion was spent this year. Funding for this expenditure, has come from internally generated cash flows, external borrowings and capital raising through increased shareholders equity, Management has advised that it will take another two years to complete the current programme.

Our majority and controlling shareholder, The Industrial Development Corporation, of South Africa (IDC) has notified the Board of Foskor that they now wish to seek and introduce a new Strategic Equity Partner (SEP) through a tender process for the expression of interest in acquiring a substantial part of the IDC'S current shareholding. A target for the completion of this process has been set for the 31 March 2019 and the IDC have advised that they will manage the overall SEP process which will see a significant dilution of the IDC'S shareholding, however the IDC still intend to retain a strategic shareholding in Foskor.

The Board of Foskor has welcomed this initiative and along with the IDC believes that the introduction of an appropriate SEP with the ability to enhance operations, improve operating margins and cash flows and able to inject significant capital into the business is now required given the current financial and operating challenges facing Foskor.

The Board also acknowledges the substantial contribution to funding that the IDC has made to Foskor over the past five years as well as the technical support that has been made available by Shareholder Coromandel International Limited over this period.

THE ECONOMIC OUTLOOK

In its present form Foskor is a price taker not a price maker and is bound by the vagaries of commodity markets and prices, it follows that both local and international GDP growth are important considerations in reviewing its performance.

Global growth in 2017 of 3.8% has been the highest since 2011. Global growth is expected to increase slightly to 3.9% rate in both 2018 and 2019. Growth in emerging market and developing economies is projected to improve, with continued strong growth in emerging Asia and Europe and a modest increase in commodity exporters. China's medium-term outlook is for lower average growth, whilst the outlook is mixed across emerging market and developing economies.

The South African economy grew by 1.3% in 2017. The fourth quarter experienced the highest growth rate of 2017, with the economy expanding by 3.1% quarter-on-quarter. The strengthening in economic activity over 2017 was partly driven by an agriculture industry bouncing back from one of the worst droughts in recent history. Mining industries also contributed positively to GDP growth in 2017. The forecast growth rate for 2018 and 2019 is between 1.5% and 2.2%. This signals a move away from several years of declining growth, however, the projected growth is not sufficient to make any inroads into reducing unemployment, poverty and inequality. After growing by 3.1% in the fourth quarter of 2017, the South Africa economy stumbled in the first quarter of 2018, declining by 2.2% quarter-on-quarter. Agriculture, mining and manufacturing were the main contributors to the slowdown. This decline is the largest quarter-on-quarter decrease since the first quarter of 2009.

The outlook for sub-Saharan Africa, a major export destination for South African manufacturers, has been revised marginally up to 3.7% for 2018, based largely on a slight increase in commodity prices.

Projected growth, globally, in South Africa and sub-Saharan Africa provides opportunities for potential focus areas for Foskor predominantly in diversification and the ability to operate in a low commodity price environment. Foskor's plans and strategies over the last few years have been geared towards this and Foskor is now able to start benefitting from these plans. The decline in GDP during the first quarter of 2018 is concerning, however, the improvements in the international markets in which Foskor operates are likely to offset the negative effects of this decline.

OPERATIONAL PERFORMANCE

The operational performance continued the positive trend from last year with significant improvement in production output and efficiency. Phosphate rock volumes were up by 22%, whilst Granular fertilizer volumes increased by 10% compared to the previous year. Phosphoric acid production volumes had to be curtailed due to the unexpected increase in sulphur prices during the year. Production Efficiency at the Acid plant improved from 85% in 2017 to 89% in 2018, whilst Mining Recoveries increased from 72% to 74%, an indication that the efforts made to improve performance in the plant has started to show positive results.

FINANCIAL PERFORMANCE

The strong exchange rate and subdued international market prices resulted in the Company posting another loss. The majority shareholder continues to support Foskor. It has provided additional working capital facilities to assist the company during these difficult trading conditions, over and above the facilities previously made available for the upgrade and improvement to plant and equipment. Because of the negative performance, an impairment of assets of R229 million had to be incorporated into the financial results as the impact of the future cash flows resulted in a lower valuation of the company compared to the value of its assets.

FUTURE PROSPECTS

Phosphoric Acid prices have increased by USD130 per ton since the start of the 2018 calendar year. This, together with the significant operational improvements made in the last few years is very positive for the business. The improved pricing is expected to continue in the medium-term, thus providing a significant base for the business to improve its financial performance. The company will continue to focus on efficiency and production improvements together with cost saving initiatives to further improve financial performance.

Foskor will also explore opportunities to further benefitiate its products and diversify its income streams. Opportunities continue to present themselves in the African continent, where the use of phosphate as fertiliser is still very low. These and other opportunities will be further progressed in the year ahead.

ACKNOWLEDGEMENT

I would like to thank the CEO, Foskor management team and staff who continue to show commitment to the Company, despite the challenging operating environment. Thank you to the board members for their continued support during this very challenging period and the shareholders for continuing to have faith in the company.

In finishing I would like to acknowledge the support, contribution and achievement of Geoffrey Qhena during his 10-year tenure as Chairman of Foskor.



John Barton
Chairman

29 June 2018

CEO'S REVIEW



UFIKILE KHUMALO

Chief Executive Officer

The 2018 financial year was characterised by some significant achievements in the internal operating environment. These included the following:

- SHEQ Performance -No fatalities & LTIFR is far better than industry average in both the divisions;
- Mining Production (excluding PMC stream) is highest in past decade (2.14 million tons);
- Mining Overall Recovery is highest in the known history (74%);
- Reduction in production cost per ton of rock, down to 2015 financial year levels;
- Granulation (MAP) production is highest in the history (357 286 tons);
- Phosphoric acid plant efficiency of 89%, the highest in the last five years;
- Reduction in production cost per ton for phosphoric acid & MAP, down to 2015 financial year level;
- Quantity of rock railed is the highest in the last decade (2.19 million tons);
- Export rock sales volume achieved is one of the highest in the last decade (789 447 tons);
- Sulphuric acid sales volume is highest in the known history (1 17 540 tons).

Despite these major achievements, the financial performance proved to be a major challenge during the year. The phosphate market conditions have remained depressed over the year and this together with the strengthening of the Rand against other major currencies, contributed to the operating loss of R903 million. The loss is however 26% lower than the previous financial year. The strategy, in response to the challenges faced, entailed maximising production and efficiencies in operations, improved maintenance and cost containment. The internal factors once again as per the previous year showed positive improvements in the business, indicating the effectiveness of efforts made in this regard, however, most of the external market conditions continued to contribute negatively to the overall financial performance. Production volumes and efficiencies at both the Acid Division and Mining Division, as well as cost per ton of production, showed significant improvement from the prior year. With the increased pricing from the last quarter of the financial year continuing to increase into the new financial year, the business is now in a good position to take advantage of the improvements made during the last two years. There will still be further efforts to make additional improvements in both production and efficiency levels, whilst also ensuring that the business improves its cost-competitiveness without sacrificing on pro-active maintenance. We continue

to evaluate and make progress with beneficiation opportunities to further diversify the operations and to create value for our customers while improving our operating margins through new opportunities in the downstream value chain.

Magnetite prices continued to decline, whilst the distribution and hauling costs exceeded the international selling prices. Sales of magnetite were accordingly stopped during parts of the year.

PERFORMANCE HIGHLIGHTS

As a result of the increases in phosphate rock, granular and phosphoric acid sales volumes, the overall revenue increased by 5% to R5.9 billion (2017: R5.6 billion). This was notwithstanding the Rand/US Dollar average exchange rate strengthening from R14.25 in 2017 to R13.04 for the 2018 financial year.

The EBIT loss reduced to R903 million compared to loss of R1.2 billion mainly due to the strengthening of the exchange rate and the increase in raw material prices. Production of phosphoric acid had to be curtailed as a result of Sulphur prices increasing by almost 150% during the year.

The future cash flows from the business were negatively impacted and an impairment of R229 million had to be recognised in relation to the carrying value of property, plant and equipment.

With regards to operational performance, the Mining Division produced 2.141 million tons (2017: 1.687 million tons) of phosphate rock which is 454 000 tons higher than the previous year. Higher production was a result of improvement in equipment reliabilities and in particular of the Primary Crushers and Overland Conveyors, improved production efficiencies and the implementation of a "hot seat" changeover shift system at the Mining and Crusher Departments. The overall processing efficiency of 73.53% was an improvement compared to the 2017 achievement of 71.90%.

At the Acid Division, the phosphoric acid plant produced 452 526 tons (2017: 449 697 tons) and the granulation plant produced 357 286 tons (2017: 324 020 tons). Plant efficiency improved from 84.67% in 2017 to 88.83% in 2018. These improvements are attributable to continuous focus on implementation of the asset replacement programme as well as focussing on effective plant maintenance.

STRATEGIC INITIATIVES

The strategy for 2018 was to achieve operational excellence and financial sustainability through maintenance programmes in both the Acid and Mining Division, asset replacement programmes and reprioritisation of strategic projects.

Most of the critical initiatives identified in achieving operational excellence were successfully implemented during the 2017/18 financial year which resulted in improvement in almost all the operational parameters such as efficiency, production volumes, cost of production in both the divisions. During the year, there were some peak achievements which are best in the recent history. However, due to negative market conditions these achievements could not be converted into positive financial outcomes.

In the medium-term, the primary focus is to achieve operational excellence to get our mine and acid plant to efficiently produce at the required capacity. While operating excellence is being achieved, we aim to continue to diversify our product range into high value products. A few beneficiation projects have been identified and will be progressed in the coming years.

FOCUS ON EFFICIENCIES AND THROUGHPUT

The focus at the acid plant continues to be on production improvements in a cost-effective manner and without compromising on maintenance.

In order to capture market share in the local market, we have a target increase of 4% from 357 286 tons to 370 000 tons of granular fertilizer.

A further 10% increase in production volumes to 500 000 tons for phosphoric acid is expected in the 2019 financial year. The level of plant efficiency improved from 85% to 89%. Further improvements are expected to be made to increase efficiencies to 91% in the year ahead.

At the Mining Division, the focus will continue to be on:

- improved mining and production efficiencies;
- further cost optimisation; and
- replacement of the ageing mining fleet.

PROCUREMENT AND LOGISTICS

Even though we have secured sulphur and ammonia through strategic procurement arrangements, the Group was exposed to commodity price volatility. The average delivered sulphur purchase price increased from US\$101 per ton in 2017 to US\$137 in the current year and the average ammonia prices increased from US\$323 per ton to US\$352 per ton. The impact of the increase in sulphur prices was limited due to the decision to scale back on production during the year. Further losses would have been incurred had this not been done.

On the positive side, with our export rock facilities (Richards Bay and Maputo) facilities in place, we have managed to export over 789 447 tons of export rock (2017: 520 434 tons). These facilities are secured for 2018/2019 and will provide the base for the projected export volumes. Foskor remains concerned that there still appears to be contradictory freight pricing between destinations to Richards Bay and Maputo and we will continue with our efforts in negotiating these rates down to improve margins in the next financial year.

We continue to maintain our excellent relationship with Transnet Freight Rail which has ensured us having capacity available for export sales volumes committed to our customers.

During the financial year ended March 2018, the Richards Bay Division has achieved an average of 41.36% (2017: 35.15%) while Phalaborwa Division achieved an average of 23.77% (2017: 24.55%) spend on black ownership. Foskor Group has achieved an average of 26.80% (2017: 27.22%) spend on black ownership. The special nature of Foskor's operation, which is a hazardous manufacturing operation, and remote mining operations, results in certain services only sourced from certain suppliers such as OEM's and these are mainly not B-BBEE certificated. In particular, raw material products not available in the country, have to be imported, thereby negatively affecting the total B-BBEE spend.

The Richards Bay Division spend on black woman-owned suppliers achieved an average of 15.06% (2017: 13.74%) and the Phalaborwa Division has achieved an average of 7.98% (2017: 8.86%). The overall Foskor Group achieved an average of 9.02% (2017: 10.09%).

This area of focus is critical to achieve in the medium- to long-term going forward, as it directly talks to the Mining charter.

In Phalaborwa Foskor has spent at least 59.65% (2017: 62%) with suppliers in the province where the Company operates, and in Richards Bay Foskor has spent at least 36.61% (2017: 64%) with suppliers in the province where the Company operates which is a good reflection on the efforts on preferential procurement.

The financial report indicates that Foskor has achieved an average of 12.96% (2017: 13.74%) on SMMEs for the total Group spend. Supplier/ Enterprise development programmes are in place to assist SMMEs with capacity building.

BENEFICIATION

Our plans on the magnetite beneficiation plant is progressing as planned and we are expecting to produce beneficiated magnetite during the 2019/2020 financial year which will bring improvement in margins and will also provide the opportunity for diversification outside of the phosphates business.

PRUDENT MANAGEMENT OF FINANCES

With the decline of commodity prices, we focused initiatives to control operating expenses during the financial year and concentrated on the capital expenditure programmes that were required for sustaining the business and improving on efficiencies. We also focused on ideal inventory levels and reduced our level of stock holding of raw materials and finished products.

The majority shareholder, IDC continued to provide financial support to the business for both working capital and the Capex programme. We also secured additional funding and mining rehabilitation guarantee facilities during the year.

ENVIRONMENT, HEALTH AND SAFETY

Mining Division

The Mining Division remains committed to a ZERO harm safety approach. Consultation with regards to safety and health with organised labour is an ongoing process through the agreed Safety Committee structures as required by the Mine Health and Safety Act. The DMR conducted 19 SHEQ audits of which four resulted in Section 54 site- specific stoppages. None of these stoppages affected production. Our positive relationship with the DMR and regular inspections and recommendations has supported safety improvement initiatives. Four lost-time injuries were recorded during the year compared to the six in 2017. Other minor injuries were slightly down from 31 in 2017 to 27 in 2018. Other leading safety indicators, i.e. vehicle-related incidents were down from 34 in 2017 to 33 in 2018. The division retained the OSHAS 18001 Safety Management certification. The health of our employees remains a high priority and therefore the focus on annual medical surveillance.

No major environmental incidents were reported in year. The division retained the ISO 9001 Quality and ISO 14001 Environmental certifications.

The Mining Division's issued water use license is valid until 2026. Water seepage is an unavoidable aspect of open-cast mining. In order to regulate the impact of our mining activities on underground water, continuous monitoring of underground water resources

is done. All plant surface run-off water is captured and stored for re-use in the onsite Van Rysen catchment dam. The Selati Tailings Dam project was completed in March 2018 and ensures the successful dewatering and recovery of water from the dam for re-use in the processing plants.

The Mining Division is issued with an Air Emission Licence that expires in 2021. Capital of R30 million has been allocated in 2019 to reduce dust emissions from tailings dams.

The Mining Division remains committed to reducing its carbon footprint and has initiated and implemented various initiatives to support this.

Foskor will continue to demonstrate responsible mining to limit the impact on the environment.

Acid Division

The lost-time injury frequency rate (LTIFR) for the year was 0.44 as compared to 0.22 last year as a result of an increase in injuries to contractors working on-site. We are confident that the safety programmes and the systems we have in place, will further reduce our health and safety risks and reduce our LTIFR in future.

All the licences and permits have been applied for and are valid. Verification of plant compliance to terms of permits and licenses are conducted and checked monthly by our environmental personnel. We operate with an air quality license issued by the King Clhatswayo District Municipality. We are fully compliant with the current permit.

The annual DEKRA audit was performed at the Acid Division and we maintained the Five Star Shield award and were also recommended for certification in terms ISO 9001, ISO 14001, and OHSAS 18001.

Monthly SHREQ system training, awareness campaigns, inspections and audits are performed in order to maintain standards. Both business and task-based risks are considered to assess worker and plant safety. Our employees are provided with free annual medical examinations at the on-site clinic (CLINIX) to detect, prevent and treat any ailments resulting from occupational health risks and exposure in the work environment. Occupational surveys and monitoring are conducted to determine employee risk exposure to hazards such as chemicals, dust and other.

There were six Section 24 incidents reportable to Department of Labour in terms of the OHS Act 85 of 1993.

There were no fatalities in the division during the year.

We used the Greenhouse GAS(GCG) (GCG) Protocol Corporate Accounting and Reporting Standard methodology to establish a carbon footprint baseline against which to measure future progress.

The carbon footprint monitoring system has been established throughout the division and more accurate emissions have been obtained thus far especially for Scope 1 and Scope 2. Nevertheless Scope 3 emissions still need attention since all the downstream and upstream emissions need to be considered.

The ever-rising cost of, and demand for, energy in South Africa requires that we look at innovative initiatives to improve our energy efficiency. Carbon reduction is largely dependent on the effective use of turbine generator and heat energy efficiency.

The Acid Division endeavours to reuse and recycle water from within the site and from other industries wherever practically possible and we are working with the authorities to monitor and reduce water usage as part of the water allocation reduction plan

instituted as per the drought plan by the Department of Water and Sanitation (DWS). Foskor and other industries in the Richards Bay area are under Level 4 (15%) water restrictions, instituted by the Department of Water and Sanitation. In January 2018, the water restrictions were lifted to Level 3 since there was an improvement in water levels to 36.23%.

A storm water dam situated on the south-east boundary of the site collects the majority of storm water run-off from the site. The water is re-issued in our two phosphoric acid plants. We also have an agreement with a neighbouring facility to recycle their storm water as additional water supply to our municipal raw water intake.

HUMAN CAPITAL

While the Group still faces the challenge with the employment of physically challenged individuals, we have managed to achieve an employment equity target of 91.4% against a target of 90%. Significant strides have been made in the appointment of people living with disabilities. Currently, the Company has 28 employees in the Group against the target of 2% of the total workforce which should be 36. Foskor has managed to progressively achieve appointments of women to account for 18% of the total workforce in the group. The Group has refocused its approach on succession planning and lots of progress has been made in this regard, and the company is at an advanced stage in an effort of strengthening the talent bench. Our labour turnover reduced from 9% in 2017 to 5% in 2018 due to the current company financial situation which comprises job security. Our labour turnover for the 2018 year has improved to 5.4% (2017: 9%), however, it is slightly above the target of 5%.

Employee health and wellness remains a priority in the divisions, thus the annual wellness days that are conducted successfully. The industrial relations climate at both divisions can be described as calm and satisfactory. The trade union and the entire workforce are aware of the challenges and are determined to make every effort to support the Company.

Training is one of the key ways we maintain and improve our intellectual capital, and the quality of an organisation's training affects its value

CORPORATE SOCIAL INVESTMENT

Even in these tough economic conditions, our Corporate Social Investment teams in both divisions continue to be part of different initiatives in the communities where we can make a positive impact.

Our programmes are aimed at the improvement of quality of life of the recipients and promoting education, rural development and poverty alleviation.

The Community Trusts in Phalaborwa and Richards Bay have implemented the identified community projects with the available dividends.

TRANSFORMATION

Our current B-BBEE status is at Level 5 and we have plans in place to improve it to at least Level 2 as part of our long-term key performance initiatives. The Employment Equity forums meet monthly as scheduled and the suggested proposals are taken up with management for implementation. The B-BBEE turnaround plan strategy has been approved for implementation in an attempt to improve the current level.

The Company continues to put interventions in place to ensure that we recruit more women in our operations and we currently have 21% of women employed in the Group. Development of women at Foskor is seen as an imperative towards sustainable development.

We continue with our attempts to bring people with disabilities on board and we will continue in the process of making structural changes to accommodate people living with disabilities at our workplace.

We have geared our procurement systems to support the local SMMEs through our preferential procurement policy to ensure that we have a positive impact in our local host communities in both divisions.

OUTLOOK

The Indian government announced it will increase the nutrient based subsidy by 16% y/y in 2018/19, while a raised maximum retail price has also been announced in India. This has seen the price of Phosphoric Acid increase by \$163 per ton during the first half of the 2018 calendar year. MAP Producers in China have been hit hard by stringent environmental legislation reforms. This is likely to have an impact on exports to India, whilst demand in India is likely to remain high. This demand/supply imbalance is likely to provide support for prices in the short to medium term.

In the longer term, the demand from emerging phosphate user markets are expected to increase significantly, thereby resulting in a tighter supply/demand situation. This is likely to provide upward pressure on prices into the future.

Sulphur prices have reduced from the peak that was seen in 2018. These prices are expected to continue to decline in 2019, but at a reduced rate.

These positive market fundamentals are expected to contribute positively to the business in the short to medium term, whilst the new beneficiation projects provide further opportunities into the long term.

The management team has once again worked extremely hard to guide the Company through the poor external market conditions experienced in the last few years. It is committed to continuing this focused effort to work with all our employees and other stakeholders to make the Phosphates business sustainable into the future. The platform for transforming the business has been laid and given the improved market fundamentals, the future looks positive.

ACKNOWLEDGMENTS

I am thankful to our executive team and staff for their continued commitment in these trying times. I extend my gratitude to the outgoing Chairperson, Mr Geoffrey Qhena for his leadership and support during his tenure as Chairman of the Board and welcome the opportunity to work with the newly appointed chairman, Mr John Barton. I take this opportunity to thank the Board of Directors for their guidance, insight and support. I also extend my appreciation to all our staff for their contribution during this difficult year.



U Khumalo
Chief Executive Officer

29 June 2018

DETERMINING OUR MATERIAL ITEMS

CONTENT AND BOUNDARY

The content of this report covers our operations based in South Africa, including our subsidiaries and investments where we have significant influence as listed in the annual financial statements. We have no operations outside of South Africa.

An overview of our operations can be found in the “where we operate and sell” to section on pages 6 and 7, and a review of our operational performance from pages 68 to 95. The process of defining the report content has been informed by, amongst other things, expectations and consultation of our key stakeholders, our risk management process, and the governance and reporting standards disclosure requirements.

“

We continuously manage these material items to ensure we achieve our strategic objectives.

”

PROCESS OF DEFINING MATERIAL ISSUES

We define our material issues as those that could substantially affect our ability to create value in the short-, medium- and long-term. An issue is considered material if it could substantially influence our stakeholder’s assessment of our ability to create value.

In determining whether an issue is material or not, we consider the following:

- We identify relevant matters that could be material when we conduct our strategic review, update our strategic risk registers, and we also consider matters discussed at and reported to the Board.
- The importance of the matters identified is determined based on its known and potential effect on value during the risk management process where matters are evaluated for likelihood and impact.
- As part of the evaluation we consider qualitative and quantitative factors.
- We then prioritise the matters as can be seen in our risk map, and the prioritisation and inclusion of matters in the risk map is done in consultation with the Board.
- We then disclose those matters that we consider to materially affect Foskor’s performance, and are also considered material for readers to understand how we create value.

The material issues identified after following the process above have been presented in the “our material issues” section of this report on page 32 and their context has been added in order for readers to understand their potential impact. The material issues are prioritised in terms of the strategic risk registers approved by the executive management and the Board. We manage the material issues through the mitigation strategies on pages 32 to 35 and monitoring of previously determined outcomes and key performance indicators. Not all the risks in the strategic risk register are reported as material items, only the risks in the top 10 as they represent the material issues. We continuously manage these material issues to ensure we achieve our strategic objectives. The results of how we have managed the material issues are included in the Material Issues Scorecards on pages 32 to 35.

The Board will then validate the material issues by assessing whether the integrated report provides a reasonable and balanced view of our performance. The material issues are material within Foskor Proprietary Limited, and not the subsidiaries or associate investments. After the report is published, we will then review it in preparation for the next reporting cycle, taking into account feedback received from our stakeholders, and these findings are incorporated into the next reporting cycle.

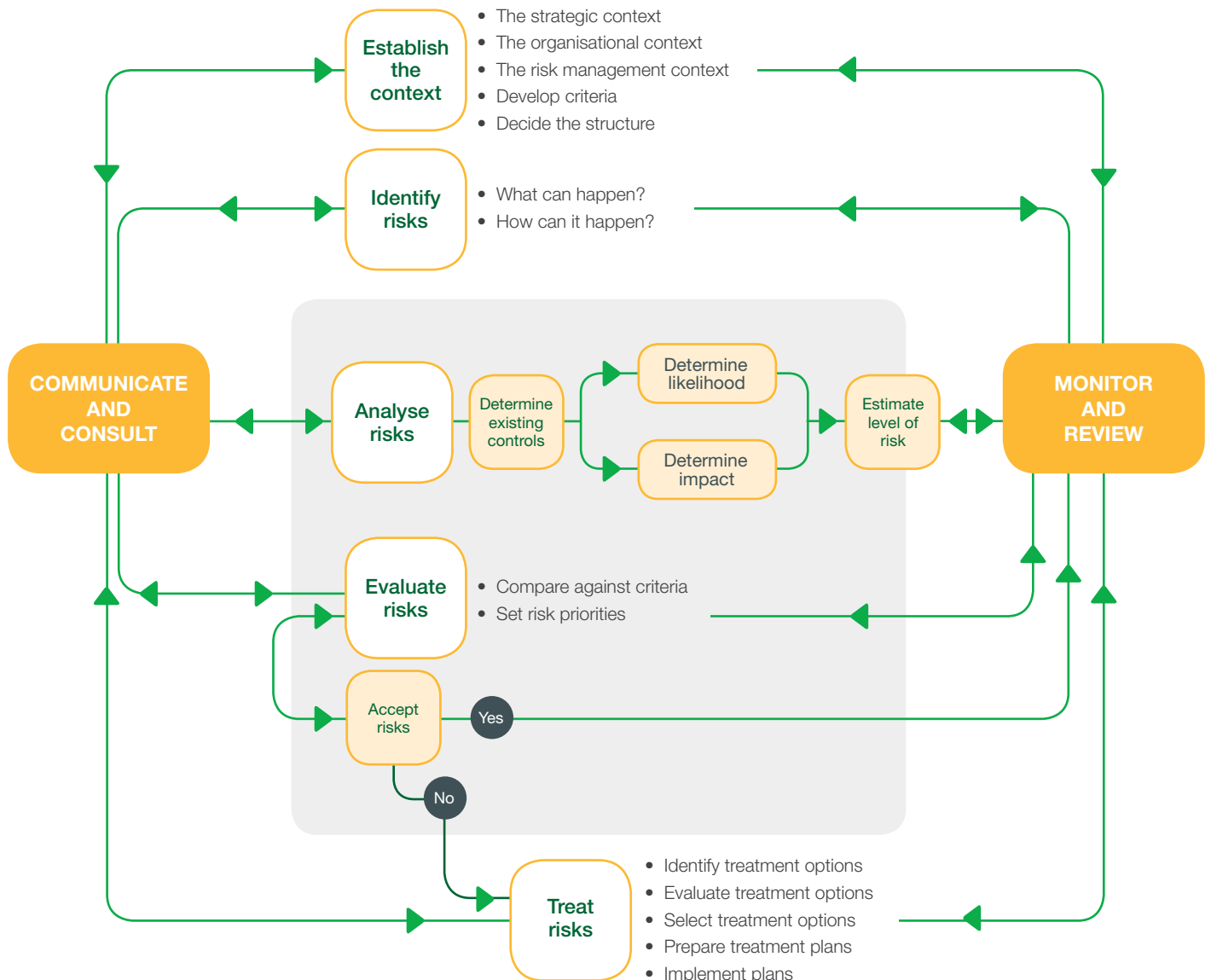
HOW WE MANAGE RISK

In order to achieve our strategic objectives we continuously analyse and manage business threats that could negatively affect our ability to achieve our objectives, whilst continuously identifying opportunities to enhance our objectives.



Our risk management strategy aims to provide an early warning system to avoid or mitigate any potential business losses.

OUR RISK MANAGEMENT PROCESS



Our risk and opportunity management process is based on the Enterprise Risk and Opportunity Management (ER & OM) framework which provides a structured approach to effectively and proactively identify, analyse, evaluate and mitigate such events, providing us with reasonable assurance that our objectives will be met.

Our ER & OM framework is aligned with ISO 31000 (2009), Committee of Sponsoring Organisations (COSO), King IV Report on Corporate Governance (2017) and generally accepted good practice. All Group business units, divisions, subsidiaries and processes are subject to our ERM policies.

Strategic, operational, process and project risk profiles are utilised in the risk and opportunity management process. We assess and update each profile and its possible related actions on a quarterly basis.

Internal and external threats to the business are incorporated in the annual Board strategy planning and formulation. Opportunities have been grasped to ensure sustained revenue generation streams through strategic partnerships and joint ventures, as well as further research and development of other related final products.

Divisional and operational, process and project risks are reported up to Group level to ensure they are managed in line with the Group's strategic objectives. Opportunities for continuous improvement and learning are sought by Divisional management through their risk assessment process.

We have secured appropriate property damage, business interruption and liability insurance cover at commercial premiums and terms. Regular reviews of our insurance strategy are fed back into the ERM framework.

Whilst, a formal risk appetite and tolerance framework and methodology exists, risk tolerance breaches were not formally reported on for the financial year. This was due to the risk appetite and tolerance levels not formally being approved by the Board of Directors, although several deliberations by the Board were held on the matter. The matter was further exacerbated by changes to the Board composition and Chairperson during the course of the year. The formal annual approval of the 2018/19 risk appetite and tolerance levels have been placed on the agenda for the Board meeting to be held during June 2018.

The ER & OM policy and framework was amended to reflect the King IV risk governance principles as contained in the King IV Report on Corporate Governance (2017). These documents were approved for implementation by the Board during November 2017. The policy and framework will help enable Foskor to achieve the desired risk culture and risk maturity level.

Whilst the risk management continuum has shown steady progress in achieving the desired company objectives outlined above, we will continue to refine our ERM processes, systems and reporting to ensure risk and opportunity management can achieve and sustain its desired value as a business enabler. Our risk maturity within the organisation is on an upward trend as we further embed the ERM processes and initiatives within the organisation. We are also striving to ensure that our ERM processes and activities are aligned and integrated with Foskor's strategy, operations and business processes.

OBJECTIVES ACHIEVED THROUGH OUR FRAMEWORK

Aligning risk appetite and strategy

Management considers the risk appetite of both the Group and divisions, as determined by the Board, in evaluating alternatives, setting objectives, and developing mechanisms to manage risks.

Enhancing risk response decisions

A framework is provided for management to identify and select alternative responses to risk.

Reducing operational losses

The framework has enhanced management's ability to identify potential risks, establish appropriate responses by implementing effective controls and reduce associated costs and losses.

Capitalising on opportunities

Regular consideration of a full range of potential events helps management identify and capitalise on opportunities.

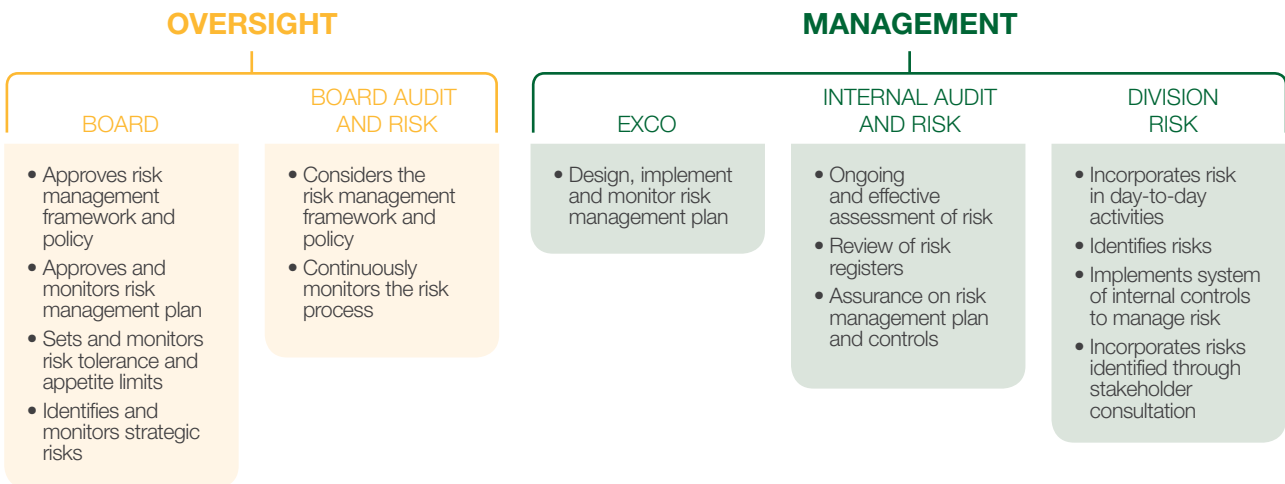
Improving allocation of capital

Reliable risk information allows management to assess overall capital needs, enhancing capital allocation.

Ensuring compliance with laws and regulations

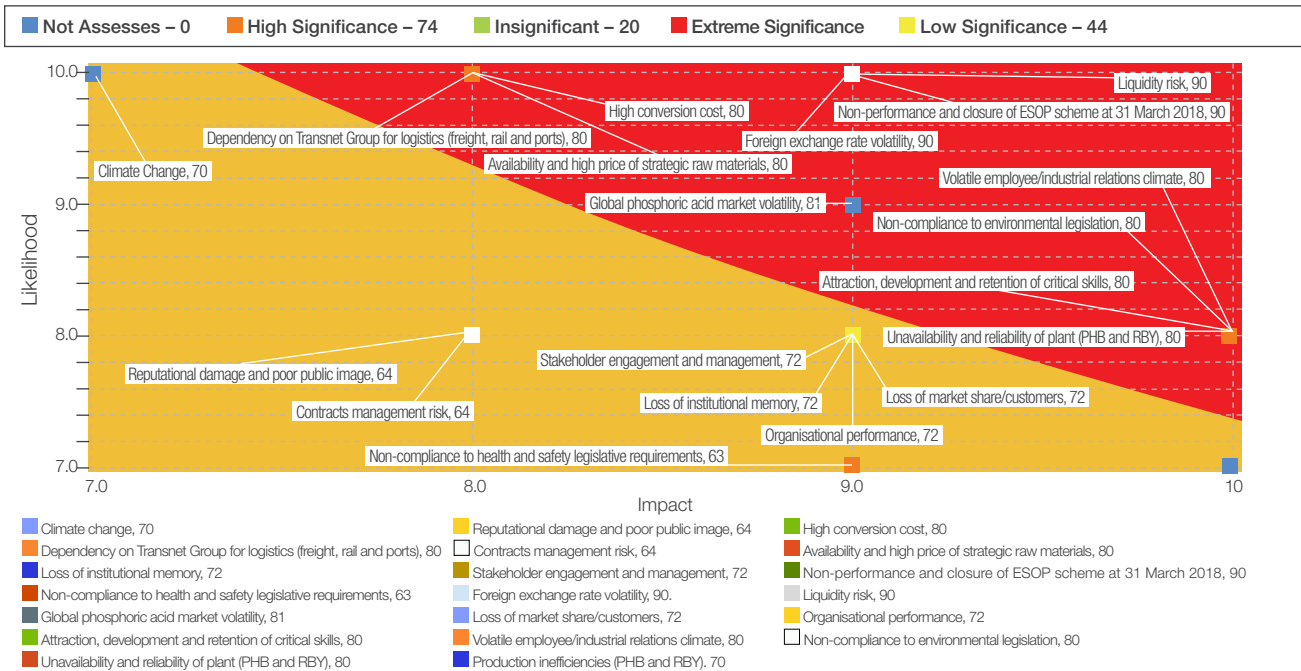
Regular regulatory forecasting, impact assessments and reviews of applicable laws and regulatory changes reduce compliance risks.

RISK GOVERNANCE PROCESS



RISK HEAT MAP

Strategic Risk heat map: Inherent Risk



Risk Management's focus for the ensuing financial year is to enable the achievement of our strategic objectives through:

- monitoring of our strategic risk appetite and tolerance levels to enable effective management decision making by seeking further opportunities as well as ensure effective risk mitigation;
- reviewing our business continuity management arrangements and readiness with operations management;
- further development and implementation of Key Risk Indicators (KRI'S) at operations and divisional level to enable effective monitoring by management;
- monitoring and reporting on critical risks mitigation plans, emerging risks and effective control monitoring; and the
- effective utilisation of the CURA ERM system and risk management tools by the dedicated risk champions.

OUR KEY RISKS AND OPPORTUNITIES

The key opportunities identified for our business is sustainable cash generation and liquidity through:

- an upturn in the commodity cycle which will have a positive impact on our performance as the selling prices of our products will increase;

- cost containment and optimised production efficiencies which will reduce our cost per ton thereby improving our profits and cash flow;
- the implementation of innovative risk-based maintenance strategies to ensure increased plant availability, equipment reliability and enhanced asset and maintenance cost management;
- securing niche markets and customers to generate higher profit margins;
- success of our strategic partnerships and joint ventures;
- compliance with relevant legislation to ensure our social license to operate is maintained; and
- enhanced stakeholder engagement and management.

Our key risks are the strategic risks that have been identified in our risk management process, and have been approved by the Board as the Company's strategic risks.

The strategic risks are presented in the heat map above.

The top 10 strategic risks have then been prioritised as the top priority material issues and form the thread of the report.

RISK DESCRIPTION	CONTEXT	MITIGATING STRATEGIES	MATERIAL ISSUE LINK	STRATEGIC PRIORITY	OUTCOME MANAGED
1 GLOBAL PHOSPHORIC ACID VOLATILITY	<p>Foskor is a price taker in the global phosphoric acid market. The commodity selling prices are set by the market. The sensitivities to movements in these prices are significant for our business and can cause major fluctuations in performance.</p>	<ul style="list-style-type: none"> Minimise dependency on phosphoric acid market, products and customers Grow local market presence and granular fertiliser sales Further downstream beneficiation Magnetite sales and beneficiation projects 	<p>Sustainability of phosphates business</p>	<p>Customer value and cash generation</p>	<ul style="list-style-type: none"> EBITDA upliftment Development of new markets Development of new products
2 EMPLOYEE SHARE OPTION (ESOP) SCHEME	<p>The ESOP trust had the options to start selling their vested units from 1 July 2016 until 30 March 2018. The scheme to be finalised by 30 March 2018. The scheme has not generated sufficient asset values to extinguish the liability.</p>	<ul style="list-style-type: none"> Review mechanisms for closure of existing scheme Implement new ESOP scheme 	<p>Improved operational performance</p>	<p>Operational excellence</p>	<ul style="list-style-type: none"> EBITDA upliftment Employee retention Industrial relations
3 FOREIGN EXCHANGE RATE VOLATILITY	<p>The fluctuation in the value of the rand against the US dollar and other currencies have a material adverse effect on the Company's business, financial condition or results of operations.</p>	<ul style="list-style-type: none"> Effective treasury policy to be in place Forward cover and other hedging options Implementation of treasury system Use of outsourced specialists 	<p>Funding and liquidity</p>	<p>Cash generation</p>	<ul style="list-style-type: none"> EBITDA upliftment Cash flow and liquidity Cost control of imports and other costs
4 LIQUIDITY RISK	<p>Our sustained existence and growth is highly dependent on our ability to generate funds internally and externally. The volatility of the market and fluctuation in performance requires us to have sufficient funds to sustain operations in the downward cycle.</p>	<ul style="list-style-type: none"> Sourcing additional funding EBITDA upliftment Restructuring to improve profits and cash Cash flow management and cash generation 	<p>Funding and liquidity</p>	<p>Cash generation</p>	<ul style="list-style-type: none"> EBITDA upliftment Sourcing funding Cash flow and liquidity Cost control
5 PHOSPHORIC ACID PRICING MECHANISM	<p>Our pricing strategy in the local market is based on international prices plus margin.</p>	<ul style="list-style-type: none"> Seeking legal advise Agreeing pricing mechanism for local market pricing 	<p>Sustainability of phosphates business</p>	<p>Customer value and cash generation</p>	<ul style="list-style-type: none"> EBITDA upliftment Development of new pricing mechanism

RISK DESCRIPTION	CONTEXT	MITIGATING STRATEGIES	MATERIAL ISSUE LINK	STRATEGIC PRIORITY	OUTCOME MANAGED
6 HIGH CONVERSION COSTS	In order for us to remain competitive in the market we need to produce at a competitive cost. Some of the inputs such as water, electricity, diesel and gas contribute to high conversion costs thus impacting on profit margins.	<ul style="list-style-type: none"> • EBITDA upliftment – operational cost reduction • Improvement of shift changeover to increase production output • Energy saving devices installed in the plant • Diesel hedging strategy in place • Review and negotiate service providers contract agreements 	Cost control	Operational excellence	<ul style="list-style-type: none"> • Operational cost savings • EBITDA upliftment
7 PLANT RELIABILITY AND AVAILABILITY	The availability and reliability of our plants is key to ensuring that we deliver on our production objectives required to meet our customer needs.	<ul style="list-style-type: none"> • Implementation of proactive maintenance strategy • Implementation of quality control management systems • Minimising unplanned plant stoppages • Asset replacement programme 	Improved operational performance	Operational excellence	<ul style="list-style-type: none"> • Minimise plant downtime • Production performance • Production efficiency
8 HEALTH AND SAFETY LEGISLATION NON-COMPLIANCE	Due to the nature of our business our staff is exposed to a variety of hazardous materials and operational hazards. The health and safety of our employees is a key concern. We are also required to comply with stringent health and safety legislation for our Mining and Acid production facilities.	<ul style="list-style-type: none"> • Improving health and safety target ratios and performance • Reducing the occurrence of occupational diseases • Zero fatalities • Retaining ISO certifications 	Employee wellbeing	People	<ul style="list-style-type: none"> • Occupational health and safety targets • Compliance to laws and regulations • Maintaining licence to operate
9 VOLATILE INDUSTRIAL RELATIONS CLIMATE	Management needs to manage the relationship with the employees and their representation, as well as proactively deal with employee issues that could lead to industrial action.	<ul style="list-style-type: none"> • Improving engagement with labour unions and their members • Regular assessment of remuneration and employee benefits • Improved employee wellbeing 	Employee wellbeing	People	<ul style="list-style-type: none"> • Staff turnover • Safety and health performance • Industrial relations
10 DEPENDENCY ON TRANSNET FREIGHT RAIL FOR RAIL LOGISTICS	We are overly reliant on TFR's railway line for the transport of our rock. The line suffers from capacity constraints, resulting in performance variability and high prices.	<ul style="list-style-type: none"> • Ensure that we have alternative rail corridor in place for exports • Improved relationship with transnet • Review and negotiate rates on regular basis 	Improved operational performance Cost Control	Operational excellence	<ul style="list-style-type: none"> • Movement of raw materials • Cost control

OUR MATERIAL ISSUES

The material issues are the main focus and thread throughout our report. These material issues represent what our Board is most concerned about and hence their link to the strategic risks.



We continuously manage these issues in order to achieve our objectives, and have incorporated them into our performance management process by developing measurable key performance objectives for the Group.

MATERIAL ISSUE	KEY PERFORMANCE INDICATOR	PERFORMANCE AGAINST KPI*	FUTURE KPI**	LONG-TERM KPI***
1 SUSTAINABILITY OF THE BUSINESS	Increase percentage of local sales to reduce dependence on global markets and pricing	Local sales 2018: 53% Local sales 2017: 53%	Local sales for 2019: 60%	Local sales: 60%
	Magnetite sales as product diversification to offset fluctuation in phosphate-related selling prices • Magnetite sale volumes: 1.5m tons	• Magnetite sale volumes: 970k tons	• Magnetite sale volumes: 1.5m tons	• Magnetite sale volumes: to be defined based on future prices
	Magnetite beneficiation Joint Venture	Agreement signed	Beneficiation plant construction – 70%	Start producing concentrated magnetite from August 2019
	Rare Earth Oxide (REO) Extraction Project	Initial test work completed. Feasibility to follow subject to funding	Project approval	Project commences

* KPI achievement for the year ended 31 March 2018.

** Target for financial year ending March 2019.

*** Target for 2020 financial year and beyond.

OUR STRATEGIC RESPONSE

Material issues scorecards.

The material issues scorecard is a summary of our key performance indicators and our performance against those indicators.



The scorecard measures our progress against our strategy and the management of our material issues. The targets (key performance indicators) set are financial and non-financial, and we continuously monitor these KPIs throughout the period and revise them where necessary.

MATERIAL ISSUE	KEY PERFORMANCE INDICATOR	PERFORMANCE AGAINST KPI*	FUTURE KPI**	LONG-TERM KPI***
2 FUNDING AND LIQUIDITY	Acquire additional short-term funding facilities	Short-term funds utilised during the year and increased at year-end by R74m	Additional funding facilities	Additional funding facilities
	Additional trade finance facilities	Additional R150m acquired	Additional facilities	Additional facilities
	Cash flow management targets <ul style="list-style-type: none"> • Cash generated from operations: R224m negative • Free cash flow: R1.158bn negative 	Cash flow management targets <ul style="list-style-type: none"> • Cash generated from operations: R400m negative • Free cash flow: R1.157bn negative 	Cash flow management targets <ul style="list-style-type: none"> • Generated from operations: R321m • Free cash flow: R507m negative 	Cash flow management targets <ul style="list-style-type: none"> • Generated positive cash flow from operations • Free cash flow to be positive
	Net debt by March 2018: R2.1bn	Net debt at March 2018: R1.24bn	Net debt at March 2019: R1.65bn	Obtaining target Debt/Equity ratio

MATERIAL ISSUE	KEY PERFORMANCE INDICATOR	PERFORMANCE AGAINST KPI*	FUTURE KPI**	LONG-TERM KPI***
3 EMPLOYEE WELLBEING	Safety indicators: <ul style="list-style-type: none"> • Fatalities: 0 • LTIFR: <1 	Safety indicators: <ul style="list-style-type: none"> • Fatalities: 0 • LTIFR: 0.14 (Mining) • LTIFR: 0.44 (Acid) 	Safety indicators: <ul style="list-style-type: none"> • Fatalities: 0 • LTIFR: <1 	Safety indicators: <ul style="list-style-type: none"> • Fatalities: 0 • LTIFR: <1
	Retain: <ul style="list-style-type: none"> • OHSAS 18001 • SANS 16001 	Retain: <ul style="list-style-type: none"> • OHSAS 18001 • SANS 16001 	Retain: <ul style="list-style-type: none"> • OHSAS 18001 • SANS 16001 	Retain: <ul style="list-style-type: none"> • OHSAS 18001 • SANS 16001
	Staff turnover: 5%	Staff turnover: 5.4%	Staff turnover: less than 5% of headcount	Staff turnover: less than 5% of headcount
	Zero strikes/industrial action	Zero strikes/industrial action	Zero strikes/industrial action	Zero strikes/industrial action

* KPI achievement for the year ended 31 March 2018.
 ** Target for financial year ending March 2019.
 *** Target for 2020 financial year and beyond.

MATERIAL ISSUE	KEY PERFORMANCE INDICATOR	PERFORMANCE AGAINST KPI*	FUTURE KPI**	LONG-TERM KPI***
4 IMPROVED OPERATIONAL PERFORMANCE	Capital expenditure programme budget: R934m for 2018 financial year	Capital expenditure programme to date: R731m	Capital expenditure programme: R828m	Capital expenditure programme as per plan
	Phosphoric acid production efficiency: 89%	Efficiency: 88.83%	Efficiency: 91%	Efficiency: 91%
	Plant breakdown indicators: <ul style="list-style-type: none"> Number of unplanned downtime hours (Acid Division): 0 Duration of planned shutdowns: 50 days (2 shutdowns) 	Unplanned shutdown: 136 days Sulphuric plant. The impact was minimal due to spare capacity in the other two plants <ul style="list-style-type: none"> Duration of planned shutdown: 105 days Number of shutdowns: 2 	Unplanned downtime hours: 0 <ul style="list-style-type: none"> Duration of planned shutdown: 60 days Number of shutdowns: 2 	Unplanned downtime hours: 0 <ul style="list-style-type: none"> Duration of planned shutdown: 30 days Number of shutdowns: 1
	Rock logistics moved: <ul style="list-style-type: none"> 10 rock trains to all location per week (incl. exports) Railed to Richards Bay: 1.8m tons (incl.exports) Exported through Maputo: 250k tons 	<ul style="list-style-type: none"> Trains to all locations per week: 9 Railed to Richards Bay: 1.72m tons Exported rock through Maputo: 447k tons 	<ul style="list-style-type: none"> 10 rock trains to all locations per week Railed to Richards Bay: 1.86m tons Export rock through Maputo: 315k tons 	<ul style="list-style-type: none"> 11 rock trains to all locations per week
	Planned production output: <ul style="list-style-type: none"> Rock: 2.07m tons Phosphoric acid: 490k tons Granular fertiliser: 370k tons 	Production: <ul style="list-style-type: none"> Rock: 2.14m tons Phosphoric acid: 453k tons Granular fertiliser: 357k tons 	Production: <ul style="list-style-type: none"> Rock: 2.31m tons Phosphoric acid: 500k tons Granular fertiliser: 370k tons 	Production: <ul style="list-style-type: none"> Rock: 2.4m tons Phosphoric acid: 550k tons Granular fertiliser: 370k tons

MATERIAL ISSUE	KEY PERFORMANCE INDICATOR	PERFORMANCE AGAINST KPI*	FUTURE KPI**	LONG-TERM KPI***
5 COST CONTROL	Cost savings from: <ul style="list-style-type: none"> Approved opex 2018 budget Logistic costs budget 	Cost savings achieved: <ul style="list-style-type: none"> Group opex savings 2.44% of 2018 budget Actual distribution costs 15% below budget 	Cost savings from: <ul style="list-style-type: none"> Approved 2019 opex budget Logistic costs budget 	Cost savings from: <ul style="list-style-type: none"> Approved opex budget Logistic costs budget
	Commodity input costs within budget	Commodity input costs: <ul style="list-style-type: none"> Sulphur cost per ton 34% above budget Ammonia cost per ton 8% above budget 	Commodity input costs within budget	Commodity input costs within budget
	Distribution costs within budget: <ul style="list-style-type: none"> Maputo Richards Bay 	Distribution costs to: <ul style="list-style-type: none"> Richards Bay 4% below budget Maputo 15% below budget 	Distribution costs within budget: <ul style="list-style-type: none"> Maputo Richards Bay 	Distribution costs within budget: <ul style="list-style-type: none"> Maputo Richards Bay
	Production cost per ton within budget: <ul style="list-style-type: none"> Rock Phosphoric acid 	Production cost per ton: <ul style="list-style-type: none"> Rock cost per ton 4% below budget Phosphoric acid cost per ton 1% below budget 	Production cost per ton within budget: <ul style="list-style-type: none"> Rock Phosphoric acid 	Production cost per ton within budget: <ul style="list-style-type: none"> Rock Phosphoric acid

* KPI achievement for the year ended 31 March 2018.
** Target for financial year ending March 2019.
*** Target for 2020 financial year and beyond.

MATERIAL ISSUE	KEY PERFORMANCE INDICATOR	PERFORMANCE AGAINST KPI*	FUTURE KPI**	LONG-TERM KPI***
6 OPERATING LICENCE	Retain: • ISO 14001 • ISO 9001	Retained: • ISO 14001 • ISO 9001	Retain: • ISO 14001 • ISO 9001	Retain: • ISO 14001 • ISO 9001
	Targeted compliance: Zero incidence of non-compliance and fines	Zero incidence of non-compliance and fines	Targeted compliance: Zero incidence of non-compliance and fines	Targeted compliance: Zero incidence of non-compliance and fines
	Maintain/renew licences to operate and legal compliance • Water • Air • Mining	Maintained licences to operate and legal compliance • Water usage • Air quality • Mining	Maintain/renew licences to operate • Water • Air • Mining	Maintain/renew licences to operate • Water • Air • Mining
	Mining Charter compliance	Achieved Mining Charter compliance	Mining Charter compliance	Mining Charter compliance
	Mine rehabilitation compliance	Mine rehabilitation trust and guarantees in place	Mine rehabilitation compliance	Mine rehabilitation compliance
	B-BBEE Transformation compliance – Level 3 target	B-BBEE Level 5	B-BBEE Level 4 target	B-BBEE Level 2 target
	Stakeholder engagement	Stakeholder engagements, CSI, LED, Community Projects	Stakeholder engagement to be improved and feedback monitored	Not applicable



GOVERNANCE AND REMUNERATION

GOVERNANCE

GOVERNANCE FRAMEWORK

The Board is committed to applying the principles of corporate governance and it recognises that good corporate governance is essential in protecting the interests of all stakeholders.

The governance structures and processes are regularly reviewed and updated to accommodate internal developments and reflect best practice.

The Board is accountable and responsible overall for the performance of the Company. Its role includes the establishment, review and monitoring of strategic objectives, approving major transactions, and oversight over the Group's systems of internal control, governance and risk management. The Board is also responsible for ensuring compliance with all relevant laws, regulations and codes. The Board's role is related to all economic, environmental and social impacts. The detailed description of the Board's responsibilities is contained in the Board Charter. New directors are informed of their duties through a formal induction process. Directors' training is held at least once a year to keep the directors updated with regards to their responsibilities and economic, environmental and social topical issues. The independence of directors is regularly assessed in accordance with Companies Act guidelines, half the Board is made up of independent directors while the other half represent the shareholders.

The Board delegates certain functions to the Board Committees and management to assist in properly discharging its duties.

The Board committees are the Audit and Risk; Human Capital and Nominations; Technical; and Social and Ethics committees. The Board committees are then supported by the Executive Committee and a number of executive sub-committees namely the Internal Audit and Risk; Fraud Prevention and Ethics; ICT Steering Committee; Remuneration; and Compliance.

The Board selects and appoints the Company Secretary and recognises the pivotal role that this person plays in entrenching good corporate governance. All directors have unlimited access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are adequately followed.

The Board has adopted a comprehensive delegation of authority matrix aimed at clarifying the various limits of authority in place within the Group. The overall responsibility of management rests with the Chief Executive Officer and he gives regular reports about the achievement of Group objectives to the Board.

An externally conducted independent Board effectiveness evaluation was concluded in 2014 and actions are being developed in response to the outcomes of the evaluation.

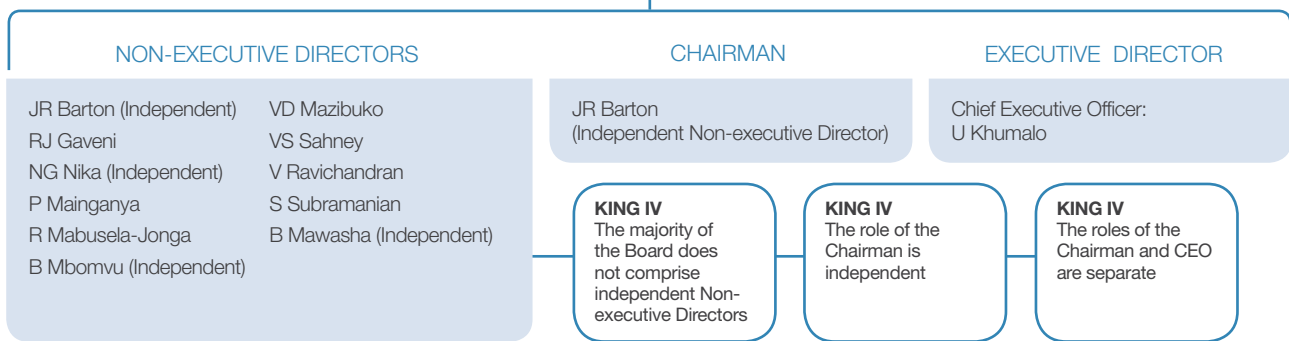


We apply the principles of good corporate governance.

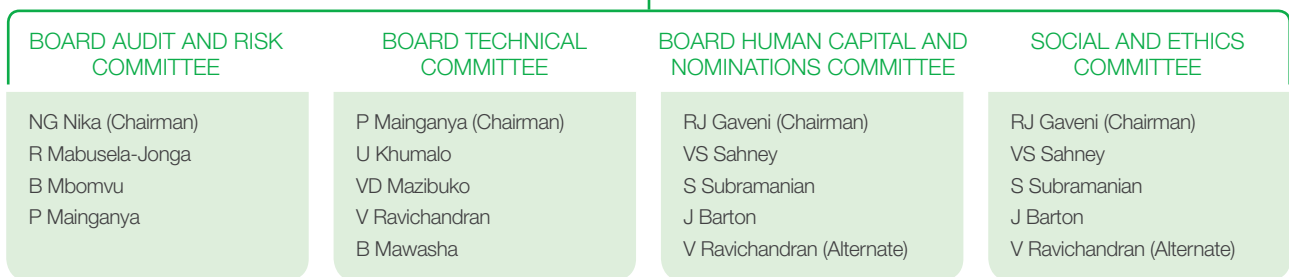


THE BOARD AND ITS GOVERNANCE STRUCTURES

BOARD OF DIRECTORS



BOARD COMMITTEES



MANAGEMENT



POLICIES AND GUIDELINES

Board and Committee Charters
 Terms of reference/ Delegation of Authority/ Code of Ethics
 Board-approved policies

THE ROLE AND FUNCTION OF THE BOARD

Attendance of scheduled and ad hoc meetings

The Board members are required to attend all scheduled meetings of the Board and endeavour to also attend ad hoc and special meetings.

Attendance register

BOARD MEMBER	SCHEDULED BOARD MEETINGS		SPECIAL BOARD MEETINGS		AUDIT AND RISK		HUMAN CAPITAL AND NOMINATIONS		SOCIAL AND ETHICS		TECHNICAL	
MG Qhena ¹	C1	4/4	C1	1/1			M	3/3	M	3/3		
U Khumalo		5/5		1/2	I	4/4	I	4/4	I	4/4	M	4/4
RJ Gaveni		5/5		2/2			C	4/4	C	4/4		
G van Wyk ¹		4/4		1/1	M	3/4	M	3/3	M	3/3		
A Vellayan ¹		0/4		0/1			M	0/3	M	0/3		
JR Barton	C2	4/5	C2	2/2							M	3/4
N Medupe ²		4/4		1/1	M	3/3						
NG Nika		5/5		1/2	C	4/4						
DS Phaho ¹		4/4		1/1							C	3/3
VS Sahney		5/5		2/2			M	3/4	M	1/3		
VD Mazibuko		5/5		2/2							M	4/4
V Ravichandran		4/5		2/2			AD	0/4	AD	0/4	M	1/4
L Sennelo ³		2/2		1/1	M	2/2						
B Mawasha		3/5		2/2							M	3/4
R Mabusela-Jonga ⁴		3/3		1/1	M	2/2						
B Mbomvu ⁵		1/1		1/1	M	1/1						
P Mainganya ⁵		1/1		1/1	M	1/1						
S Subramanian ⁵		1/1		1/1								

C: Chairman M: Member I: Invitee A: Acting Chairman AD: Alternate Director
 C1: Resigned as Chairman 1 February 2018 C2: Appointed as Chairman 1 February 2018

¹ Resigned 1 February 2018.

² Resigned 31 December 2017.

³ Resigned 5 October 2017.

⁴ Appointed 5 October 2017.

⁵ Appointed 1 February 2018.

The special Board meetings were convened to address the difficult trading conditions.

The Board is satisfied that the committees have effectively carried out their responsibilities according to their charters and terms of reference. A brief summary of the responsibilities of the committees, membership and their key focus areas during the year are summarised below:

COMMITTEE	MEMBERS	AREA OF RESPONSIBILITY	KEY FOCUS FOR THE YEAR
AUDIT AND RISK COMMITTEE	NG Nika (Chairman) R Mabusela-Jonga B Mbomwu P Mainganya	<p>The Board Audit and Risk Committee assists the Board in carrying out its responsibilities to stakeholders in respect of the Company's accounting, auditing, internal control and reporting practices.</p> <p>The committee is authorised by the Board to examine any internal audit report and financial information it wishes to, and can instruct the management of Foskor, the internal auditors or the external auditors to conduct any investigation it considers necessary. Both the internal and external auditors have unrestricted access to the committee.</p>	<ul style="list-style-type: none"> • Approved and monitored the external audit plan • Assessed the independence of the external auditor • Obtained an unqualified audit opinion on the financial statements and recommended their approval to the Board • Recommended the approval of the integrated annual report to the Board • Approved and monitored the internal audit plan • Obtained assurance over effectiveness of internal controls • Oversight over the successful closure of the ERP Implementation project • Monitored ICT governance implementation • Monitoring of the implementation of the risk management plan • Monitoring the implementation of compliance risk management process
HUMAN CAPITAL AND NOMINATIONS COMMITTEE	RJ Gaveni (Chairman) VS Sahney S Subramanian J Barton V Ravichandran (Alternate)	<p>The Human Capital and Nominations Committee considers, for recommendation to the Board, the general remuneration policy of Foskor and proposed adjustments to the policy. The committee is also responsible for the approval of the remuneration packages and incentives of executives as delegated to the committee by the Board, and for determining the remuneration package and incentives for the CEO. The committee also considers the composition of the staff complement, staff transformation/ diversity and succession planning.</p> <p>The committee reviews the human capital policies and any other matters related to human capital management referred to it by the Board.</p>	<ul style="list-style-type: none"> • Reviewed the performance objectives for the period and recommended their approval to the Board • Reviewed the achievements of performance objectives, annual salary increases and incentives payable • Approved the mandate for annual increases and the three-year agreement for the bargaining-unit employees • Reviewed the executive contracts up for renewal
SOCIAL AND ETHICS COMMITTEE	RJ Gaveni (Chairman) VS Sahney S Subramanian J Barton V Ravichandran (Alternate)	<p>The Social and Ethics Committee has oversight over the Company's strategy and achievement of its targets for employment equity and broad-based black economic empowerment. The committee also ensures that Foskor aspires to be a good corporate citizen, including the Company's promotion of equality, prevention of unfair discrimination and reduction of corruption.</p> <p>The committee is also responsible for the environment, health and public safety, including the impact of the Company's activities and of its products and services, consumer relationships, including the Company's advertising, public relations, and compliance with consumer protection laws labour and employment, including the Company's employment relationships, and its contribution to the educational development of its employees.</p>	<ul style="list-style-type: none"> • Monitor Employment Equity and B-BBEE Acts Compliance • Approved code of ethics booklet • Monitored the Company's employment relationships and the educational development of its employees

COMMITTEE	MEMBERS	AREA OF RESPONSIBILITY	KEY FOCUS FOR THE YEAR
TECHNICAL COMMITTEE	P Mainganya (Chairman) U Khumalo VD Mazibuko V Ravichandran B Mawasha	The Board Technical Committee advises the Board on technical, safety, health and environment issues as well as the risks relating to the production processes and projects. The committee has no executive management responsibility but provides guidance and support to help management maintain the Company's sustainability and success.	<ul style="list-style-type: none"> • Evaluation of expansion, sustaining and stay-in-business projects to assist operations in making justified long-term and operationally sound decisions relating to capital expenditure • Monitoring of operational excellence from health, safety, performance and quality point of view. This would include monitoring of rehabilitation processes and provisions, and any other environmental potential liability • Evaluation of propositions relating to acquisition and organic growth Foskor might be considering, either for the purpose of horizontal or vertical integration for business sustainability • Guidance in terms of stakeholder engagement on technical liaison with neighbouring businesses, suppliers and customers • Evaluation of operational strategy relating to equipment replacement options and funding options

INTERNAL AUDIT

In accordance with the International Standards for the Professional Practice of Internal Auditing, it is the policy of Foskor to maintain a centralised independent internal auditing function, called Foskor Group Audit Services (FGAS).

The role of the FGAS is to assist the Board Audit and Risk Committee and management personnel at all levels in the effective exercise of their responsibilities through the provision of analyses, appraisals, recommendations, advice and information. The FGAS is therefore responsible for providing independent assurance to the Board Audit and Risk Committee regarding the effective management of any risk which may have an impact on the Company's business objectives.

The Board Audit and Risk Committee established the FGAS and defined its responsibilities. The Group Internal Audit Manager reports administratively to the Chief Executive Officer, and functionally to the Chairperson of the Board Audit and Risk Committee.

FRAUD PREVENTION AND ETHICS

It is an accepted fact that, no matter how stringent fraud prevention measures within an organisation are, there is no guarantee that fraud and unethical behaviour will not occur. Fraud, by its very nature, involves deception. New ways of circumventing controls in order to facilitate the perpetration of fraud are continually being devised. It is accordingly important that Foskor be prepared to respond to a crisis in an effective manner to limit losses.

Management is responsible for detecting fraud, theft and other irregularities. Each member of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility and be alert for any indication of irregularity.

The Company expects its employees to conduct all aspects of business at the highest level of professionalism and conduct excellence in line with established organisational values and code of conduct; a culture embedded within the Company's organisation, reporting and quality systems.

The Fraud Prevention and Ethics Committee is responsible for addressing investigations of unethical conduct and playing a leading role when incidents of fraud and corruption have occurred within Foskor thereby allowing more transparency in the investigation process.

WHISTLE-BLOWING

Foskor is committed to the highest standards of openness and accountability. An important aspect of accountability and transparency is a mechanism to enable staff to report concerns in a responsible and effective manner. Where an individual discovers information which they believe shows serious malpractice or wrongdoing within the organisation, then this information should be disclosed internally without fear of reprisal.

Foskor recognises that employees, suppliers, business partners, local communities and other stakeholders have a strong preference to be associated with organisations that value and practice ethical conduct. As a means of reinforcing Foskor values, the whistle-blowing policy serves to build employee, supplier and business partner loyalty through identifying and eliminating unethical practices. The whistle-blowing policy provides a confidential means of conveying information and does not replace existing lines of communication.

The policy is intended to encourage and enable staff to raise concerns within Foskor rather than overlooking a problem or blowing the whistle through inappropriate channels.

SUPPLIER/EMPLOYEE RELATIONSHIPS

The Company expects its employees and suppliers to conduct all aspects of business at the highest level of professionalism and excellence in line with established organisational values; a culture embedded within the Company's organisation, reporting and quality systems.

All employees and suppliers are obliged to report suspicions of fraud, corruption, theft or unethical or similar illegal behaviour within Foskor. These types of allegations will be investigated by FGAS. The entities and individuals to be blacklisted will be dependent on the evidence gathered. Any employee found guilty of unethical conduct or who resigns prior to a disciplinary hearing will not be allowed to perform work for Foskor as a vendor and will not be permitted to be included on the Foskor vendor list.

MECHANISMS FOR COMMUNICATION TO THE HIGHEST GOVERNANCE BODY

Shareholders are represented on the Board and have an opportunity to provide recommendations and direction at the annual general meeting.

Employees are encouraged to raise issues of concern and interest via the formal and informal structures in place, including the Human Capital and Corporate Affairs Department, line management and union structures.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

The Group ICT Department continues to progress on the journey outlined by the King Report on Corporate Governance for South Africa 2009 (King IV). The Board is responsible for ICT governance and ensuring that ICT strategy is aligned with the Group's strategic objectives, and adopting and implementing an ICT control framework. The Group ICT Steering Committee ensures the development and monitoring of sound information and communication (including all forms of telecommunication) technology policies and procedures in accordance with the applicable regulatory framework of South Africa and incorporating global best practices for the Group and its operating divisions. These will include amongst others transparent, efficient, effective and uniform information and communication technology application and services required for the proper functioning of Foskor business and making all attempts to maximise the benefit from applying information and communication technology. The Group ICT Steering Committee which meets quarterly and reviews the adherence to the various policies and procedures and recommends improvements to the Executive Committee and the Board.

Foskor Group ICT department has adopted the Control Objectives for Information Technology ("COBIT"), as an ICT governance framework and assesses the maturity of the ICT processes against COBIT regularly. The ICT Disaster Recovery Policy and Disaster Recovery Plan have been defined, documented and aligned with the Foskor Group Business Continuity Policy. The Group ICT Department is constantly reviewing its current technology and investigating opportunities to utilise technology and integrate it into its strategy and processes. A comprehensive review and testing process to ensure that the Group ICT department is maintaining an adequate and effective ICT system is carried out on an ongoing basis by both management and Internal Audit.

REGULATORY AND LEGISLATIVE COMPLIANCE

Compliance with regulatory and legislative requirements is of strategic importance to Foskor and a critical component in Foskor's day-to-day management of its operations. The compliance strategy

and objectives contained in the compliance policy provides a path aimed at embedding a culture that supports compliance within the organisation as a whole. The achievement of the organisation's compliance strategic objectives enables structured direction and continuous enhancement of compliance processes that supports the concepts of continuous improvement and best practice application.

Compliance governance is regulated by a set of policies, roles, responsibilities, and processes that guide, direct and control how Foskor complies with regulatory and legislative compliance. Foskor's effective compliance governance strategy anticipates the needs and goals of the organisation and ensures that business performance is not hampered and opportunities that exist within the current regulatory framework are capitalised on.

The Board is ultimately responsible for compliance with all applicable regulatory and legislative requirements within the organisation. The Foskor Group Compliance Committee is established as a sub-committee of the Executive Management Team and is authorised in terms of its mandate from the Executive Management Team to exercise control of the overall governance and compliance process within Foskor. Divisional Compliance Committees ensure that compliance requirements are tailored to the divisional needs and unique regulatory and legislative requirements.

The Board is kept abreast of developments through formalised reporting structures, ongoing communication with management and Board meetings. The responsibility to facilitate compliance throughout Foskor has been delegated to the appointed Group compliance officer and manager who supervise the compliance function.

Key areas of focus were identified through Foskor's compliance risk management methodology. The Key areas of focus during the reporting period were in respect of legislation related to safety, health and environment. Future focus will remain on legislation related to safety, health and environment with the inclusion of competition legislation.

The effectiveness of Foskor's compliance management was monitored in accordance with Foskor's compliance risk management methodology. The outcomes of the monitoring conducted were reported internally at various committees with management providing action plans to address any non-compliances identified.

Compliance Risk Methodology

The economical and efficient management of the compliance risks that Foskor is exposed to is dependent on the development and implementation of a Group-wide risk-based process and procedure to manage and mitigate the company's compliance risks. The Compliance Risk Methodology provides for a visible (to regulators, shareholders, clients), formalised and structured risk-based process and procedure to manage and reduce the compliance risks to a level acceptable to Foskor.

Foskor's Compliance Risk Methodology aligns with the requirements of the Generally Accepted Compliance Practice Framework, as issued by the Compliance Institute Southern Africa. The framework consists of principles, standards and guidelines that act as a benchmark for compliance best practice for Southern African organisations.

COMPLIANCE RISK METHODOLOGY

Phase 1

Compliance Risk Identification



Involves the determination of the compliance risks to which Foskor and its business are exposed to, i.e. to identify the regulatory requirements applicable to Foskor. The technique of control self-assessment is used to identify the compliance risks Foskor are exposed to.

Phase 2

Compliance Risk Prioritisation



Involves the measurement (product of impact/seriousness and probability) and prioritisation of the compliance risks, based on information and data supplied by both management and the compliance function on a consensus basis. Prioritisation forms the foundation for the management of the compliance risks, ensuring that the areas posing the greatest risks are the areas focused on.

Phase 3

Compliance Risk Management



Involves the determination of the status of the identified and prioritised compliance risks by documenting the specific compliance risks the business is exposed to and the control environment mitigating such risks in Compliance Risk Management Plans.

Phase 4

Compliance Risk Monitoring



Involves the determination of the status of the regulatory control environment.

Phase 5

Compliance Risk Reporting



Involves the provision of regular, reliable, valued and timely information regarding Foskor's level of compliance with applicable regulatory requirements and the compliance risks exposed to.

APPLICATION OF THE KING REPORT OF CORPORATE GOVERNANCE (KING IV)

The Board is satisfied with its efforts to apply all material aspects of King IV during the year. Below is a summary of where there is currently partial compliance or non-compliance; the principles not reported are where full compliance has been achieved.

CODE OF GOVERNANCE PRINCIPLE			COMPLIANCE	EXPLANATION FOR NON-COMPLIANCE
CHAPTER 2: BOARD OF DIRECTORS	The Board should comprise a balance of power, with a majority of Non-executive Directors. The majority of Non-executive Directors should be independent.	The majority of the Non-executive Directors should be independent.	X	Four of the 12 Directors are independent.
		Every Board should have a minimum of two Executive Directors one of whom should be the CEO and the other the director responsible for finance.	X	The CFO has been appointed as a member at the March 2018 Board of Directors' meeting and this appointment is effective from 1 April 2018.
CHAPTER 8: STAKEHOLDER RELATIONSHIPS	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	The Board should consider disclosing in the integrated annual report the number and reasons for refusal of requests of information that were lodged with the Company in terms of the Promotion of Access to Information Act, 2000.	X	No requests were received during the period under review.

CODE OF GOVERNANCE PRINCIPLE	COMPLIANCE	EXPLANATION FOR NON-COMPLIANCE
<p>PART 5.4: GOVERNING FUNCTIONAL AREAS – COMBINED ASSURANCE</p> <p>40. The governing body should assume responsibility for assurance by setting the direction concerning the arrangements for assurance services and functions. The governing body should delegate to the audit committee, if in place, the responsibility for overseeing that those arrangements are effective in achieving the following objectives:</p> <ul style="list-style-type: none"> a. Enabling an effective internal control environment. b. Supporting the integrity of information used for internal decision-making by management, the governing body and its committees. c. Supporting the integrity of external reports. 	X	<p>The Combined Assurance Plan has not been developed due to resource capacity constraints and no subject matter expert inhouse.</p> <p>The Combined Assurance Plan will be developed in the 2018/19 financial year with the assistance of IDC Internal Audit.</p> <p>The Combined Assurance Plan will include a road map with milestones to ensure that all the KING IV Code requirements are complied with.</p>
<p>41. The governing body should satisfy itself that a combined assurance model is applied which incorporates and optimises the various assurance services and functions so that, taken as a whole, these support the objectives for assurance.</p>	X	<p>The Combined Assurance Plan has not been developed due to resource capacity constraints and no subject matter expert inhouse.</p> <p>The Combined Assurance Plan will be developed in the 2018/19 financial year with the assistance of IDC Internal Audit.</p> <p>The Combined Assurance Plan will include a road map with milestones to ensure that all the KING IV Code requirements are complied with.</p>
<p>42. The governing body should oversee that the combined assurance model is designed and implemented to cover effectively the organisation's significant risks and material matters through a combination of the following assurance service providers and functions as is appropriate for the organisation:</p> <ul style="list-style-type: none"> a. The organisation's line functions that own and manage risks. b. The organisation's specialist functions that facilitate and oversee risk management and compliance. c. Internal auditors, internal fraud examiners and auditors, safety and process assessors, and statutory actuaries. d. Independent external assurance service providers such as external auditors. e. Other external assurance providers such as sustainability and environmental auditors, external actuaries, and external forensic fraud examiners and auditors. f. Regulatory inspectors. 	X	<p>The Combined Assurance Plan has not been developed due to resource capacity constraints and no subject matter expert inhouse.</p> <p>The Combined Assurance Plan will be developed in the 2018/19 financial year with the assistance of IDC Internal Audit.</p> <p>The Combined Assurance Plan will include a road map with milestones to ensure that all the KING IV Code requirements are complied with.</p>

CODE OF GOVERNANCE PRINCIPLE	COMPLIANCE	EXPLANATION FOR NON-COMPLIANCE
<p>PART 5.4: GOVERNING FUNCTIONAL AREAS – COMBINED ASSURANCE (continued)</p>	<p>43. The governing body and its committees should assess the output of the organisation’s combined assurance with objectivity and professional skepticism, and by applying an enquiring mind, form their own opinion on the integrity of information and reports, and the degree to which an effective control environment has been achieved.</p>	<p>X</p> <p>The Combined Assurance Plan has not been developed due to resource capacity constraints and no subject matter expert inhouse.</p> <p>The Combined Assurance Plan will be developed in the 2018/19 financial year with the assistance of IDC Internal Audit.</p> <p>The Combined Assurance Plan will include a road map with milestones to ensure that all the KING IV Code requirements are complied with.</p>
<p>PART 5.4: GOVERNING FUNCTIONAL AREAS – ASSURANCE OF EXTERNAL REPORTS</p>	<p>44. The governing body should assume responsibility for the integrity of external reports issued by the organisation by setting the direction for how assurance of these should be approached and addressed.</p>	<p>X</p> <p>The Combined Assurance Plan has not been developed due to resource capacity constraints and no subject matter expert inhouse.</p> <p>The Combined Assurance Plan will be developed in the 2018/19 financial year with the assistance of IDC Internal Audit.</p> <p>The Combined Assurance Plan will include a road map with milestones to ensure that all the KING IV Code requirements are complied with.</p>
	<p>45. The governing body’s direction in this regard should take into account legal requirements in relation to assurance, with the following additional considerations:</p> <ul style="list-style-type: none"> a. Whether assurance should be applied to the underlying data used to prepare a report, or to the process for preparing and presenting a report, or both. b. Whether the nature, scope and external assurance are suited to the intended audience and purpose of a report. c. The specification of applicable criteria for the measurement or evaluation of the underlying subject matter of the report. 	<p>X</p> <p>The Combined Assurance Plan has not been developed due to resource capacity constraints and no subject matter expert inhouse.</p> <p>The Combined Assurance Plan will be developed in the 2018/19 financial year with the assistance of IDC Internal Audit.</p> <p>The Combined Assurance Plan will include a road map with milestones to ensure that all the KING IV Code requirements are complied with.</p>
	<p>46. The governing body should satisfy itself that the combined assurance model is effective and sufficiently robust for the governing body to be able to place reliance on the combined assurance underlying the statements that the governing body makes concerning the integrity of the organisation’s external reports.</p>	<p>X</p> <p>The Combined Assurance Plan has not been developed due to resource capacity constraints and no subject matter expert inhouse.</p> <p>The Combined Assurance Plan will be developed in the 2018/19 financial year with the assistance of IDC Internal Audit.</p> <p>The Combined Assurance Plan will include a road map with milestones to ensure that all the KING IV Code requirements are complied with.</p>

CODE OF GOVERNANCE PRINCIPLE	COMPLIANCE	EXPLANATION FOR NON-COMPLIANCE
<p>PART 5.4: GOVERNING FUNCTIONAL AREAS – ASSURANCE OF EXTERNAL REPORTS (continued)</p>	<p>47. External reports should disclose information about the type of assurance process applied to each report, in addition to the independent, external audit opinions provided in terms of legal requirements. This information should include:</p> <p>a. a brief description of the nature, scope and extent of the assurance functions, services and processes underlying preparation and presentation of the report; and</p> <p>b. a statement by the governing body on the integrity of the report and the basis for this statement, with reference to the assurance applied.</p>	<p>X</p> <p>The Combined Assurance Plan has not been developed due to resource capacity constraints and no subject matter expert inhouse.</p> <p>The Combined Assurance Plan will be developed in the 2018/19 financial year with the assistance of IDC Internal Audit.</p> <p>The Combined Assurance Plan will include a road map with milestones to ensure that all the KING IV Code requirements are complied with.</p>
<p>PART 5.4: GOVERNING FUNCTIONAL AREAS – INTERNAL AUDIT</p>	<p>60. The governing body should ensure that external, independent quality review of the internal audit function is conducted at least once every five years.</p>	<p>X</p> <p>The Group Internal Audit Manager embarked on a process of updating the internal audit methodology and all related documents to ensure alignment and compliance with the International Standards for the Professional Practice of Internal Auditing and the Quality Assurance and Improvement Programme.</p> <p>The external quality assurance review is scheduled for completion in the 2018/19 financial year.</p>
	<p>61. The governing body should obtain confirmation annually from the Chief Audit Executive (CAE) that internal audit conforms to a recognised industry code of ethics.</p>	<p>X</p> <p>Quality assurance reviews were not conducted for all audit projects and for the internal audit activity to ensure compliance with the Institute of Internal Auditors (IIA) Code of Ethics. As a result, there was no formal/detailed reporting to the governing body on whether internal audit function conforms with the IIA Code of Ethics or not.</p> <p>A Quality Assurance and Improvement Programme providing guidelines and requirements including reporting requirements has been developed. The internal QAR will be conducted annually and results regarding the conformance of the department to the IIA Code of Ethics will be reported to the governing body. The Internal Audit Charter has also been updated to outline this reporting requirement.</p> <p>The Group Internal Audit Manager shall now report annually to the BARC whether the internal audit conforms to a recognised industry code of ethics.</p>

WHO LEADS US

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIRMAN



John Barton (70)

FCMA, CGMA, AMP (Harvard)

Appointed as chairman: 1 February 2018

Appointed as director: 3 February 2012

Board committees: HC, S&E

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER



Ufikile Khumalo (52)

BScEng, MScEng, AMP (INSEAD), MAP (WBS), EDP (Harvard)

Appointed: 1 April 2016

Board committees: TC

INDEPENDENT NON-EXECUTIVE DIRECTORS



Nkosemntu Nika (60)

BCompt (Hons)/CTA, CA(SA), AMP (INSEAD)

Appointed: 3 February 2012

Board committees: A&R



Billy Mawasha (40)

BSc (Eng), ADP, MDP (GIBS),GCC

Appointed: 1 June 2016

Board committees: TC



Bongiwe Mbomvu (51)

BSoc Sc., LLB, LLM

Appointed: 1 February 2018

Board committees: A&R

A&R: Audit and Risk Committee
S&E: Social and Ethics Committee

HC: Human Capital and Nominations Committee
TC: Technical Committee

NON-EXECUTIVE DIRECTORS



Josephine
Gaveni (46)

BAdmin (Hons), MSc (HR Management)

Appointed: 7 February 2013

Board committees: HC, S&E



Phakamile
Mainganya (44)

Higher Diploma in Tax Law, BCom, BAcc, CA(SA)

Appointed: 1 February 2018

Board committees: A&R, TC



Vusi
Mazibuko (61)

BCom (Hons), AMP (Harvard)

Appointed: 18 June 2015

Board committees: TC



Rebone
Mabusela-Jonga (40)

BCom (Hons), CA(SA), EMBA Columbia Business School (New York), London Business School (London)

Appointed: 5 October 2017

Board committees: A&R



Sankara
Subramanian
(48)

BSc, ICWA

Appointed: 1 February 2018

Board committees: HC, S&E



Vikramjit Sahney
(56)

MA, MBA

Appointed: 18 June 2015

Board committees: HC, S&E



Venkatachalam
Ravichandran (62)

BE (Hons), AICWA, PGDM, ACS

Appointed: 18 June 2015

Board committees: TC

A&R: Audit and Risk Committee
S&E: Social and Ethics Committee

HC: Human Capital and Nominations Committee
TC: Technical Committee

WHO LEADS US

EXECUTIVE COMMITTEE

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER



Ufikile Khumalo (52)

BSc Eng, MSc Eng, AMP (INSEAD), MAP (WBS), EDP (Harvard)

CHIEF FINANCIAL OFFICER



Ashraf Dindar (48)

BCom, BAcc, CA(SA), GEDP (GIBS)

VICE-PRESIDENT: LOGISTICS AND PROCUREMENT



Khumbulani Cele (46)

BCom (Hons), IEP (INSEAD)

SENIOR VICE-PRESIDENT: MINING OPERATIONS, CORPORATE AFFAIRS AND HUMAN CAPITAL

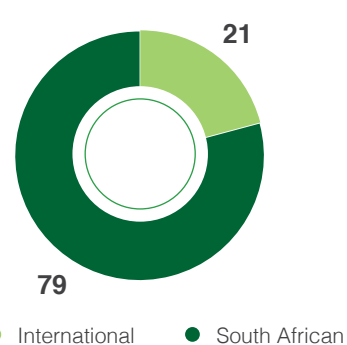
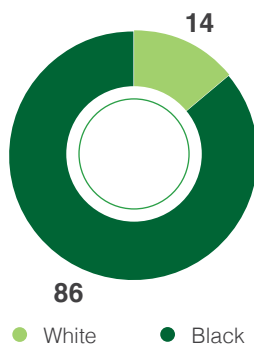
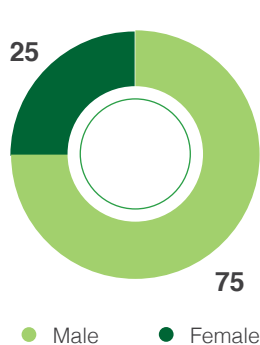


James Morotoba (48)

BSc Eng (Min), MMC, MDP, AMP, MBA

BOARD DIVERSITY

(%)



**VICE-PRESIDENT:
LEGAL AND RISK**

**VICE-PRESIDENT:
ACID**

**COMPANY
SECRETARY**



**Similo
Sibisi (53)**

BA, LLB, AMP (INSEAD)

**Dinesh
Singh (49)**

*BE Chemical, MBA, MA
Economics*

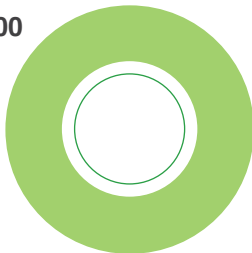
**Amagugu
Khanyile (42)**

BProc

EXECUTIVE DIVERSITY

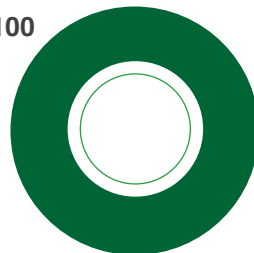
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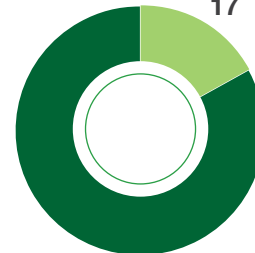
● Male ● Female

100



● White ● Black

17



83

● International ● South African

REMUNERATION



We aim to offer fair and competitive remuneration.



REMUNERATION PHILOSOPHY

In order to attract and retain qualified personnel, we aim to offer fair and competitive remuneration packages. Our remuneration structure provides a job grading system and a salary range for each grade. The remuneration structure is consistent with the Company's economic requirements and commensurate with those of the communities in which we operate.

We strive to obtain the highest possible degree of employee performance, morale and loyalty through:

- administering remuneration fairly and equitably;
- ensuring internal equity and consistency within and between all departments;
- providing an effective means of controlling payroll costs;
- providing a standard method of establishing and applying remuneration package rates;
- facilitating the employment, classification and promotion of employees; and
- ensuring that Foskor's remuneration policy is competitive both nationally and globally.

These goals are achieved by:

- establishing remuneration package ranges that reflect the value of the various occupations;
- establishing and maintaining justifiable differentials between job levels;
- ensuring that pay rates and benefits are equal to those offered by other;
- employers providing similar employment; and
- adjusting remuneration package ranges when warranted by changing economic and competitive factors.

EMPLOYEE BENEFITS

Foskor aims to attract and maintain a healthy workforce. It provides affordable and effective healthcare, death and disability benefits to all employees and their dependants. Medical care is provided by a well-recognised medical aid providers. Employees have freedom of choice in the level of healthcare taken up, and the Company pays a portion of their contribution.

Three months fully paid maternity leave and one-month unpaid benefits are provided to permanent female employees who have been with the company for more than one year.

Insurance is provided by an insurance company and covers death, permanent and temporary disability and the death of the spouse or partner of the employee. Funeral cover for employees and their dependants and mortgage protection can also be accessed.

Permanent employees must be members of the Company's retirement fund, which is registered with the Financial Services Board and the South African Revenue Service.

The defined benefit fund was closed in 1995, with a total liability as at 31 December 2017 of R52.9 million. Personnel employed after 1995 are members of the defined contribution fund. The Company contributes to the fund on behalf of the employees every month and individuals can select the level of their own contributions.

Temporary and part-time employees do not qualify for benefits provided to full-time employees such as medical aid, retirement funds, death, permanent or temporary disability insurance covers.

STRUCTURE OF REMUNERATION ACROSS ALL LEVELS

We have implemented a total guaranteed package approach for management staff and a cost-to-company approach for other levels of staff. These structures rest on three fundamental pillars: internal equity, structuring flexibility and external market competitiveness. These in turn contain and define the total cost of employment, empower employees to structure competitive packages and ensure remuneration that is both equitable and defensible.

Remuneration comprises the following elements:

	GUARANTEED REMUNERATION			PERFORMANCE-BASED INCENTIVES		OTHER
	Notional cost of employment	Benefits	Allowances	Short-term incentives	Long-term incentives	
BARGAINING CATEGORY EMPLOYEES	Cost-to-company package	Retirement benefits medical aid death and disability insurance	Housing Transport	Divisional performance – production, safety, costs	Not applicable	Circumstantial remuneration consists of allowances and emoluments specific to an individual's job, plus any arising from skills scarcity. Additional to this are emoluments rewarding specific skills or qualifications deemed necessary for employment in a legal capacity. This allowance is applicable to all levels of employees.
	All Company contributions to retirement funds, Group life and disability insurance are included in the package. Employees can structure packages to their own needs.		All bargaining unit employees are paid monthly housing and transport allowances, irrespective of their position. The monetary amount of the transport allowance depends on the distance from the employee's residence to the workplace.	For staff in the bargaining unit comprise two components: a quarterly component and an annual component based on quarterly/annual achievement of production, safety and cost targets.		
MANAGEMENT CATEGORY EMPLOYEES	Total guaranteed package	Retirement benefits medical aid death and disability insurance	Not applicable	Company, divisional and individual performance	Company – Long-term strategic projects, ROCE Not applicable for middle management	Employee Share Ownership Plan units were awarded to employees who had been at Foskor up to 2013. Units vest over five years. Dividends are received when declared by Foskor. Units were awarded to all employees. The sale of the units was restricted until 2016.
	This takes into account individual performance, external competitiveness, internal equity and affordability. The package includes contributions to retirement funds, medical aid, Group life and disability insurance. Employees can structure their own package to their own needs.			Performance assessment based on short-term goals determined annually. The targets are mainly: earnings, cash, production, safety, cost and transformation.	The criteria for long-term incentives include the achievement of particular ROCE targets, product diversification measures, human capital criteria include employee wellbeing, talent management and culture.	
NON-EXECUTIVE DIRECTORS	Attendance fees per meeting			Not applicable	Not applicable	
	Approved by the shareholders annually. Executive Directors are not paid Directors' fees.			Not applicable	Not applicable	

Remuneration comprises the following elements:

REMUNERATION ELEMENTS	MANAGEMENT CATEGORY EMPLOYEES				BARGAINING CATEGORY EMPLOYEES
	Executive management	General management	Senior management	Middle management	
GUARANTEED REMUNERATION	Notional cost of employment	Annual total guaranteed package			Annual cost-to-company package
	Guaranteed allowances	Not applicable			Housing Transport
	Benefits	<ul style="list-style-type: none"> Employer retirement fund contributions Employer medical aid contributions Employer contributions to Group life and disability insurance 			
	Circumstantial remuneration	<ul style="list-style-type: none"> Job-specific Skills scarcity Legal appointments 			
VARIABLE REMUNERATION	Short-term incentives	Performance-based			
		<ul style="list-style-type: none"> Company Divisional Individual 			Divisional
	Long-term incentives	Performance-based		Not applicable	Not applicable
		<ul style="list-style-type: none"> Company Individual 			

GUARANTEED REMUNERATION

Employees in management are remunerated on a total guaranteed package. This takes into account individual performance, external competitiveness, internal equity and affordability. Included in the package are all company contributions to retirement funds, medical aid and Group life and disability insurance. Individuals can structure packages to their own needs.

Employees in the bargaining unit are remunerated on a cost-to-company package. All company contributions to retirement funds and Group life and disability insurance are included in the package.

Individuals can structure packages to their own needs.

GUARANTEED ALLOWANCES

All bargaining unit employees are paid monthly housing and transport allowances, irrespective of their position. The monetary amount of the transport allowance depends on the distance from the employee's residence to the workplace.

BENEFITS

Both the employer and employee contribute to the employee's medical aid scheme.

Contributions to the Foskor Pension Fund and Chemical Industries National Pension Fund (CINPF) are made by both the employer and employee. Contributions to the Foskor Provident Fund are only made by the employer, though the employee may decide on the level of contribution.

Contributions to the Group life and disability insurance are made by the employer.

VARIABLE REMUNERATION

Circumstantial remuneration

Circumstantial remuneration consists of allowances and emoluments specific to an individual's job, plus any arising from skills scarcity. Additional to this are emoluments rewarding specific skills or qualification deemed necessary for employment in a legal capacity.

SHORT-TERM INCENTIVES

Short-term incentives for managers are payable annually after the financial year-end audit has been finalised. Incentives are calculated on company, divisional and individual performance.

The short-term incentive scheme for staff in the bargaining unit comprise two components: a quarterly component which is payable every quarter based on the preceding quarter's performance and an annual component calculated on the preceding financial year's production, cost and safety targets.

LONG-TERM INCENTIVES

A long-term incentive scheme was implemented in 2008 to attract, retain and motivate senior, general, executive and director level management personnel who, in the opinion of the Board of Directors, are able to influence the performance of the Company in alignment with management's interests and those of the Company's shareholders.

The criteria for long-term incentives include, for example, the achievement of particular Return on Capital Employed (ROCE) targets, product diversification measures. In terms of human capital, criteria include employee wellbeing, talent management and culture.

EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

All Foskor employees (including executive management) are entitled to receive units in the Employee Share Ownership Plan Trust (ESOP) which holds 6% of Foskor's share capital through a special purpose vehicle. The initial allocation of the units was made in June 2011 to employees who had been employed with the Company on 1 April 2009, and a second allocation was made to employees engaged after 1 April 2009 but still in service on 30 June 2011. The allocated number of units per employee is based on their total cost to the Company.

The units from the initial allocation (employees present at 1 April 2009) has vested over a period of three years from 1 April 2012 to 1 April 2014.

The subsequent allocation units has vested over a period of three years from the third anniversary of the allocation date.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive Directors' remuneration is approved by the shareholders annually at the annual general meeting, and is based on attendance of directors at Board and committee meetings. Executive Directors are not paid Directors' fees. Directors' fees for Industrial Development Corporation representatives accrue to the IDC and not to the Directors individually.

Directors fees for the CIL representatives are paid to the directors.

Director fees for Manyoro Consortium is shared equally between the directors and shareholders.

REMUNERATION AND STRATEGIC OBJECTIVES ACHIEVEMENT

The remuneration of the staff is linked to the achievement of strategic objectives and key performance indicators. The short-term incentive performance is based on targets that are achievable

in one year, including agreed milestones for the longer-term strategic projects. The long-term incentive performance is based on financial returns, implementation of strategic projects meant for beneficiation, expansion or growth and other agreed projects. There are no stretch targets.

The assessment of achievement is carried out by the Board Human Capital and Nominations Committee and they recommend the payment percentages to the Board. The payment of the incentives is at the full discretion of the Board. The short-term incentives are applicable for all levels of staff. Top and senior management are eligible for the long-term incentive scheme.

The Employee Share Ownership Plan (ESOP) pays out dividends to employees in relation to the number of units held when dividends have been declared; the sale of the units was restricted until 2016, the scheme ends on 31 March 2018. The ESOP is administered through a Trust that holds 6% of Foskor's equity through a special purpose vehicle. All employees who were employed at 1 April 2009 were allocated the initial units that vested in April 2014. All employees who joined the Company between 1 April 2009 and March 2013 were allocated the subsequent units which vest over a period of five years from the allocation date.

The valuation of the units at the time of sale will be performed by an independent valuation expert as the shares of the Company are not listed. Their value will be derived from the Foskor company valuation.

Remuneration policies on sign-on bonuses and termination payments are approved by the Human Capital and Nominations Committee.

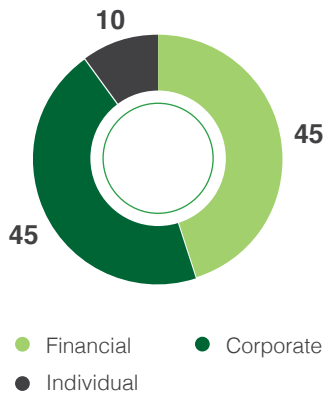
EXECUTIVE PAY COMPOSITION

The performance objectives of the short-term and long-term incentive plans are derived with the strategy of the Company in mind. The strategic criteria for both plans are listed below and linked to the strategic priorities from our strategy.

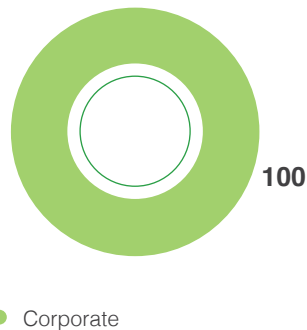
SHORT-TERM INCENTIVE CRITERIA		Strategic priority
Financial objectives	<ul style="list-style-type: none"> Earnings before interest and tax Free cash flow 	<ul style="list-style-type: none"> Improve EBIT Improve cash generation
Corporate objectives	<ul style="list-style-type: none"> Production targets Cost per ton Logistics (product railed) Strategic projects Safety Employee wellbeing Transformation 	<ul style="list-style-type: none"> Operational excellence Baneficiation projects Zero harm Good industrial relations
Divisional objectives	<ul style="list-style-type: none"> Divisional costs Customer service Divisional projects Internal processes 	<ul style="list-style-type: none"> Operational excellence Customer value
LONG-TERM INCENTIVE CRITERIA		Strategic priority
Corporate objectives	<ul style="list-style-type: none"> Return on capital employed Strategic long-term projects Human capital projects 	<ul style="list-style-type: none"> Improve EBIT Beneficiation and capacity improvement People engagement

The following graphs are for illustrative purposes to show the composition of the remuneration packages of the Chief Executive Officer and the executive management, as well as demonstrate the proportion of income for guaranteed and non-guaranteed income when targets are 100% achieved.

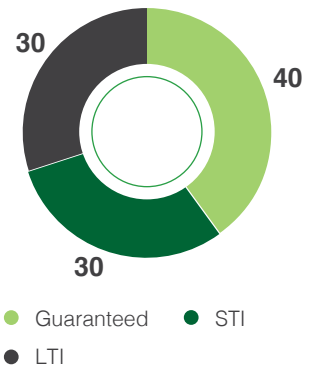
CEO WEIGHTINGS – SHORT-TERM INCENTIVE (%)



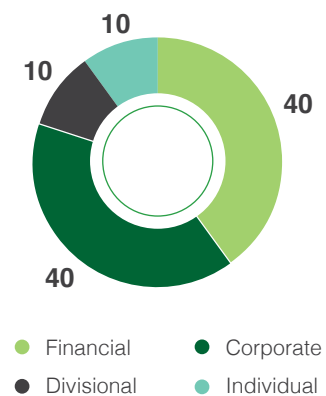
CEO WEIGHTINGS – LONG-TERM INCENTIVE (%)



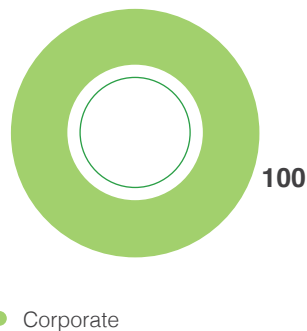
CEO WEIGHTINGS – ON 100% ACHIEVEMENT (%)



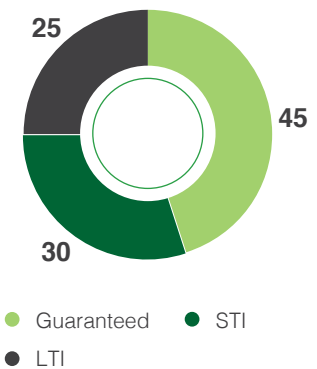
EXECUTIVE WEIGHTINGS – SHORT-TERM INCENTIVE (%)



EXECUTIVE WEIGHTINGS – LONG-TERM INCENTIVE (%)



EXECUTIVE WEIGHTINGS – ON 100% ACHIEVEMENT (%)



NON-EXECUTIVE DIRECTORS

Non-executive Directors' fees for the year were as follows:

Director	Appointed with effect from	Resigned with effect from	Directors' fees 2018 (R)	Directors' fees 2017 (R)
MG Qhena ¹		1 February 2018	471 478	714 672
RJ Gaveni ¹			300 498	363 466
JR Barton (Chairman)			299 951	317 066
NG Nika			292 671	354 132
VD Mazibuko ²			275 895	311 180
VS Sahney ³			268 511	318 280
G van Wyk ⁵		1 February 2018	236 789	338 243
DS Phaho		1 February 2018	232 115	298 023
N Medupe		31 December 2017	213 751	142 560
B Mawasha			175 088	131 738
R Mabusela-Jonga ⁶	5 October 2017		162 951	–
V Ravichandran ⁴			159 877	218 051
L Sennelo ²		5 October 2017	112 944	167 645
B Mbomvu	1 February 2018		62 144	–
S Subramanian ⁴	1 February 2018		54 317	–
P Mainganya ¹	1 February 2018		15 654	–
A Vellayan ⁴		1 February 2018	–	–
Total			3 334 634	3 675 056

¹ IDC Representative – fees accrue to the shareholder.

² Manyoro Consortium representative – half of the fees accrue to the directors and half to the shareholders.

³ Sun International – fees accrue to the director.

⁴ CIL representatives – fees are paid to the directors.

⁵ IDC representative – fees accrue to SCAW.

⁶ Half of the fees accrued to AWCA and half to shareholders Manyoro Consortium representative.

FINANCIAL PERFORMANCE

CFO'S REPORT



ASHRAF DINDAR
Chief Financial Officer

FINANCIAL OVERVIEW

There were a number of significant improvements made at an operational level. These included the highest recorded production volumes of phosphate rock and granular fertilizer. Efficiencies at the acid division increased from 85% to 89%, whilst recoveries at the mine increased to a record high of 74%.

Despite these improvements, the continued low commodity prices of phosphates and phosphate based fertilizers coupled with the uncharacteristic increase in the price of the main raw material, sulphur, continued to place significant strain on the financial performance of the company. Sulphur prices which started the year at US\$90 per ton increased unexpectedly to US\$220 per ton, resulting in Foskor having to reduce its phosphoric acid production volumes for the year, so as to limit the losses arising therefrom.

The strengthening of the rand against the US Dollar by an average of 9% over the previous comparative period further impacted on revenue and earnings for the year.

Although the hedging activities helped to limit the impact of the stronger exchange rate, the business had to cut back on magnetite sales as the resulting price in Rands was lower than the distribution costs associated with such sales, this despite a 19% increase in the average magnetite prices in USD terms.

The majority shareholder, IDC continued to provide financial support to the business for both working capital and the Capex programme aimed at further improving production performance and efficiencies. This support provided much needed cashflow support for the business.

REVENUE↑ **5%**TO **R5.9bn**
(2017: R5.6 billion)**LOSS FOR
THE YEAR**↓ **14%**TO **(R779m)**
(2017: R902 million)**EXCHANGE
RATE**↓ **9%**Contributing **R382m**
to loss for the year**PRODUCTION
COSTS****ACID** ↓ **17%****MINING** ↓ **10%**

KEY DRIVERS

Foskor's earnings are highly sensitive to commodity prices and exchange rate movements. The consequences of movements in these key drivers can be expressed as follows:

Sensitivity analysis

KEY DRIVER	MOVEMENT	EBIT IMPACT
Exchange rate	R1 per US dollar	R316 million
Phosphoric acid	\$10 per ton	R26 million
Granular	\$10 per ton	R50 million
Rock export	\$10 per ton	R76 million
Magnetite export	\$10 per ton	R191 million
Sulphur	\$10 per ton	R56 million
Acid plant efficiency	1%	R32 million

Management has developed plans and strategies to deal with any significant changes in these key drivers. These are continuously being reviewed to mitigate the risk.

Exchange rates

Our earnings are largely impacted by the average ZAR/USD exchange rate as most of our products' selling prices and raw material costs are in US Dollars. The Group uses forward contracts and options to hedge or cover foreign exchange exposure, in addition to the natural hedging that takes place between our exports and imports.

During the year, the Rand averaged R13.04 to the USD; this is 9% weaker than the average of R14.25 recorded in 2017. The Rand strengthened towards the end of the financial year and closed at R11.82 (2017: R12.93).

Commodity prices

Selling prices

The highly volatile trading conditions that were demonstrated by commodities markets during 2017 continued into the current year. This negatively impacted our export magnetite, phosphate rock, phosphoric acid and granular revenues. Although the average magnetite export prices experienced an increase of 19% per ton from US\$22 per ton in 2017 to US\$26 per ton, the net margin's was impacted by increase in distribution costs. The average phosphate rock export price decreased from US\$116 per ton to US\$100 per ton in the current year. Average granulation prices increased by US\$17 per ton from US\$389 per ton to US\$406 per ton, while the average phosphoric acid export price decreased by 2% from US\$552 per ton to US\$540 per ton in the current year.

Raw material input costs

The Acid Division imports large quantities of sulphur and ammonia from international suppliers, exposing the Group to international commodity price volatility. The average delivered sulphur purchase price increased from US\$101 per ton in 2017 to US\$137 in the current year and average ammonia prices increased from US\$323 per ton to US\$352 per ton.

Efficiencies

Production efficiency

The cost of producing phosphoric acid and granular is highly sensitive to the acid plant's production efficiency rate. The higher the efficiencies, the lower the cost of production and *vice versa*. With various improvement projects being completed and commissioned, the production efficiency improved from 85% to 89%.

FINANCIAL PERFORMANCE

Extracts from the statement of comprehensive income*

	2018	2017	% CHANGE
Revenue	5 893	5 614	5
Cost of sales	(5 125)	(4 714)	(9)
Gross profit	768	900	(15)
Distribution costs	(1 263)	(1 324)	5
Administrative expenses and other income	(178)	(257)	31
Earnings before extraordinary items	(673)	(681)	1
Impairment of assets	(229)	(520)	56
Loss on disposal of investments/assets	-	(23)	98
Earnings before interest and tax (EBIT)	(903)	(1 224)	26
Net finance expense	(175)	(141)	(24)
Share of loss from an associate	(5)	(2)	(199)
Net foreign exchange gain	130	40	223
Loss before tax	(952)	(1 327)	46
Income tax credit	173	425	(59)
Loss for the year	(779)	(902)	14
EBITDA	(319)	(336)	5

Revenue

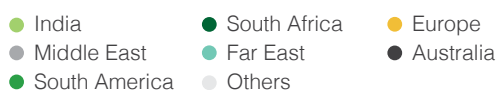
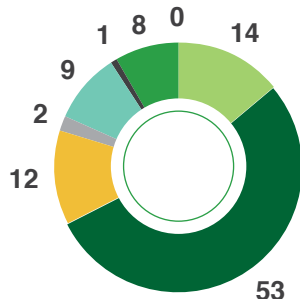
Group revenue increased by 5% to R5.9 billion (2017: R5.6 billion). The increase is as a result of increase in magnetite prices, phosphate rock export prices as well as granular sales prices. This was partly offset by negative exchange rate fluctuations as well as higher volumes available from the phosphate rock and granular production available for sale.

Phosphoric Acid accounted for 36% (2017: 38%) of revenue, Granular accounted for 37% (2017: 34%) of total revenue, while rock contributed 19% (2017: 17%) towards total revenue. Magnetite's contribution towards total revenue decreased from 10% in 2017 to 6% in 2018. Other sales comprising Sulphur, Sulphuric Acid accounted for 2% (2017: 1%).

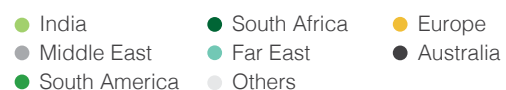
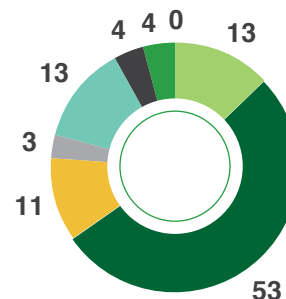
Exports accounted for 47% of the Group's revenue in the current year, same as in 2017.

The composition of revenue by geographic location is set out below:

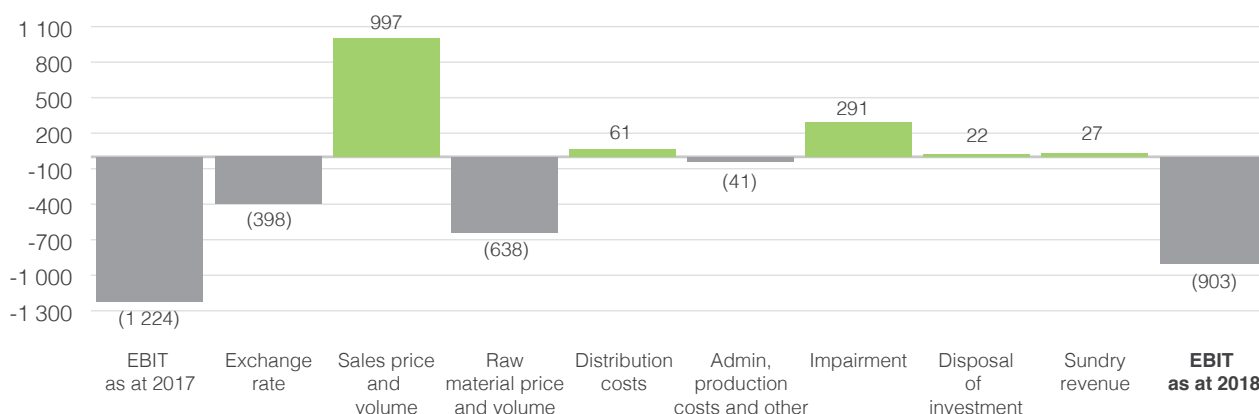
2018 GEOGRAPHIC REVENUE SEGMENTATION (%)



2017 GEOGRAPHIC REVENUE SEGMENTATION (%)



CHANGE IN OPERATING PROFIT – YEAR ON YEAR (R MILLION)



Production costs

The Acid Division production costs decreased by US\$142 per ton from US\$819 to US\$677 per ton. The decrease in production costs is mainly due to improved efficiencies which results in lower raw material usage per ton of production.

The Mining Division production costs per ton reduced by US\$9 per ton from US\$92 to US\$83 per ton in the current year. This is largely due to higher production of 2.141 million tons as compared to the previous years production of 1.687 million tons. However, mining cost of sales was negatively impacted by the increased usage of rock stockpile to fulfil sales commitments during the year.

During the year the Acid Division imported additional 46 700 tons granulation (2017: 33 000 tons) to meet our customers' needs. The value of these imports were R245 million (2017: R177 million).

Impairment

The Group recognised an impairment loss of R229 million relating to property, plant and equipment as the future cash flows from these assets is lower than the carrying value of the assets.

Finance costs

Net finance costs increased from R141 million to R175 million in the current year as a result of the increase in the average debt levels compared to the previous financial year.

Foreign exchange

The net gains resulting from foreign exchange increased from R40 million to R130 million in the current year. This profit resulted mainly from hedging instruments to cover export sales as well as settlement of import purchases at a lower exchange rate as compared to invoicing rate.

Loss for the year

The net loss for the year decreased from R902 million to R779 million mainly due to higher revenue, lower impairment charge, foreign exchange profits and deferred income tax credits which were partly offset by higher cost of sales as compared to the previous year.

FINANCIAL POSITION

Summary statement of financial position*

	2018	2017	% CHANGE
Assets	8 328	8 431	(1)
Equity	4 376	4 789	(9)
Liabilities	3 952	3 642	8

Equity

During the year the Company issued 170 class B preference shares valued at R1 million per share. The Company also issued 283 class D shares valued at R705 088 per share. The shares have a preferential right to dividends over ordinary shares and the required rate of return is an after tax IRR of 10.5%.

Funding

	2018	2017	% CHANGE
Long-term loans	(956)	(630)	(52)
Short-term loans	(558)	(484)	(15)
Bank	276	664	(58)
Net debt (R'm)	(1 239)	(450)	(175)

The IDC funding facility of R4 billion is still in place and it is made up of a R700 million working capital loan, R2.3 billion capital expenditure loan and a R1 billion equity injection. As at 31 March 2018, the R700 million working capital loan and R256 million of capital expenditure facility had been utilised. IDC loans are subordinated to the Group's debt providers and creditors.

The Group entered into a debtors' factoring agreement with ABSA in 2016 whereby Foskor debtors book (excluding foreign debtors) was ceded to ABSA. ABSA provides a facility of R350 million in this regard. The facility is valid for a period of 12 months and renewable annually at the discretion of the bank.

Foskor has short-term facilities of R580 million (2017: R683 million) available from commercial banks.

Working capital

	2018	2017	% CHANGE
Inventory	1 169	1 577	(26)
Trade and other receivables	1 105	687	61
Trade and other payables	(1 219)	(1 222)	-
Working capital requirement	1 056	1 041	1

Working capital increased by 1% from R1.04 billion in 2017 to R1.06 billion in the current year. This is largely due to a R408 million decrease in inventory and R418 million increase in trade and other receivables. The decrease in inventory is due to selling phosphate rock from the stockpile during the year and the increase in Trade and other receivables is due to various export sales that took place in March 2018. Our working capital requirements were financed through cash on hand and short-term funding facilities.

CASH FLOW

Cash flow statement extracts*

	2018	2017	% CHANGE
Cash (utilised by)/ generated from operations	(344)	336	(202)
Cash (utilised by)/ generated by operating activities	(400)	248	(226)
Cash used in investing activities	(757)	(510)	(48)

The R344 million in cash utilised by operations compared to the previous year is mainly due to reduction in Inventory offset by increase in trade receivables. Trade receivables increased from R489 million in 2017 to R969 million in 2018 due to various export sales at year-end. Phosphate Rock reduced by R210 million from R404 million in 2017 to R195 million in 2018. Finished goods reduced by R159 million from R504 million in 2017 to R345 million in 2018. As part of working capital management, we also reduced the Raw Materials from R228 million to R159 million by reducing stock levels kept at the Acid Division on Rock, Sulphur and Ammonia. Cash utilised by operating activities reduced from a cash generation of R248 million to R400 million utilisation due to trade receivable increase in the current year. Cash used in investing activities increased by R247 million to R757 million mainly due to investment in capital expenditure incurred in the current year.

Outlook

The first quarter of the 2019 financial year has started with phosphoric acid prices being approximately USD163 per ton higher than the price of the previous year. There has also been an improvement in phosphate rock and granular fertiliser prices, whilst the high sulphur raw material prices have started to decline.

Further improvements continue to be made with regard to production volumes of all products, efficiencies at the acid plant and recoveries at the mine. These improvements are also associated with plans to reduce the overall cost per ton of production of the various products.

The improved pricing outlook coupled with the improved production initiatives bodes well for a further turnaround in the 2019 financial year. The further beneficiation and diversification opportunities continue to receive significant attention.

2019 is likely to show further improvement over 2018 and will provide a good platform to deliver on the long term sustainability of the business

* For a full set of consolidated financial statements please refer to www.foskor.co.za

SUMMARY OF FINANCIAL STATEMENTS

The summarised consolidated financial results have been approved by the Board of Directors and were signed on their behalf by the Chairman, Mr JR Barton and Chief Executive Officer, Mr U Khumalo.

This document provides a summary of the information contained in Foskor's annual consolidated financial statements, which are available on our website.

The summarised consolidated financial results are not the Group's statutory accounts and do not contain sufficient information to allow for as complete an understanding of the results and state of affairs of the Group as that provided by the full set of Group consolidated annual financial statements.

BASIS OF PREPARATION

The information in these audited summarised consolidated annual financial statements of the Group have been extracted from the Group's audited annual financial statements which have been prepared in accordance with IAS 34, Interim Financial Reporting and the South African Companies Act of 2008, as amended. They do not include all the information required for the full annual financial statements and should be read in conjunction with the consolidated annual financial statements for the Group as at the year ended 31 March 2018. The financial statements have been prepared under the historical cost convention, except for certain items including the revaluation of available-for-sale investments and financial assets and liabilities at fair value through profit or loss. The summarised consolidated results are prepared on a going-concern basis.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in the summarised consolidated annual financial statements are the same as those applied by the Group in its full set of consolidated annual financial statements as at and for the year ended 31 March 2018.

KEY ESTIMATES AND AREAS OF JUDGEMENT

The preparation of the summary annual financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these summary consolidated annual financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the consolidated annual financial statements as at the year ended 31 March 2018.

The presentation and functional currency of Foskor (Pty) Limited is the South African Rand (R) and all monetary amounts are rounded to the nearest thousand.

Mr MA Dindar CA(SA), Chief Financial Officer is responsible for this set of financial results and has supervised the preparation thereof.

INDEPENDENT AUDIT BY THE AUDITORS

The Group's 2018 consolidated annual financial statements and these summarised consolidated annual financial statements have been audited by the Group's joint external auditors, Ngubane & Co (Johannesburg) Inc and SizweNtsalubaGobodo Grant Thornton Inc. The individual auditors assigned to perform the audit are Ms N Ashom and Mr M Hafiz.

AUDIT REPORT OPINION

The unqualified audit report on the full set of annual financial statements, as well as the unqualified audit report on this set of summary financial statements is available at the Company's registered office.

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	NOTES	GROUP	
		2018 R'000	2017 R'000
ASSETS			
Non-current assets			
Property, plant and equipment		5 187 556	5 132 422
Intangible assets		7 218	22 303
Investment in joint venture		25	25
Investment in associate		–	4 589
Financial investments		231 255	200 658
Deferred tax assets		316 956	142 003
		5 743 010	5 502 000
Current assets			
Inventories	1	1 169 220	1 576 576
Trade and other receivables		1 105 236	686 686
Derivative financial instruments		34 096	1 801
Cash and cash equivalents	2	275 956	664 214
		2 584 508	2 929 277
Total assets		8 327 518	8 431 277
EQUITY AND LIABILITIES			
Equity attributable to owners			
Ordinary shares		3 385 502	3 015 962
Share premium		132 013	132 013
Retained earnings		554 543	1 337 324
Share-based payment reserve		303 914	303 914
Total equity		4 375 972	4 789 213
Liabilities			
Non-current liabilities			
Finance lease liability		7 029	8 852
Environmental rehabilitation liability		1 006 977	1 086 076
Employee share-based payment liability		2 113	25 772
Long-term interest-bearing loans		956 419	630 000
Retirement benefit obligations		137 282	129 776
		2 109 820	1 880 476
Current liabilities			
Trade and other payables		1 218 564	1 221 789
Short-term interest-bearing loans		558 292	484 052
Current tax liability		659	419
Finance lease liability		1 823	1 823
Derivative financial instruments		5 640	7 304
Provisions		56 748	46 201
		1 841 726	1 761 588
Total liabilities		3 951 546	3 642 064
Total equity and liabilities		8 327 518	8 431 277

ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME AS AT 31 MARCH 2018

	GROUP	
	2018 R'000	2017 R'000
Revenue	5 892 981	5 614 459
Cost of sales	(5 125 175)	(4 714 458)
Gross profit	767 806	900 001
Distribution costs	(1 262 889)	(1 323 971)
Administrative expenses	(283 556)	(313 150)
Share-based payment expense	23 659	802
Impairment of assets	(229 000)	(520 467)
Other income	81 609	55 027
Loss on disposal of property, plant and equipment	(490)	(22 730)
Operating loss before interest and tax	(902 861)	(1 224 488)
Finance income	33 572	22 041
Finance costs	(208 703)	(163 171)
Share of loss from investment in associate, net of tax	(4 589)	(1 519)
Net foreign exchange profit	130 128	40 250
Loss before taxation	(952 453)	(1 326 887)
Income tax credit	173 302	425 203
Loss for the year	(779 151)	(901 684)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefit obligation, net of tax	(3 630)	(1 776)
Share of other comprehensive income/(loss) of associate, net of tax	-	15
Other comprehensive loss for the year, net of tax	(3 630)	(1 761)
Total comprehensive loss for the year	(782 781)	(903 445)

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

GROUP	SHARE CAPITAL R'000	SHARE PREMIUM R'000	RETAINED EARNINGS R'000	SHARE- BASED PAYMENT RESERVE R'000	TOTAL R'000
Balance at 31 March 2016	2 185 962	132 013	2 240 769	303 914	4 862 658
Class B shares issued	830 000	–	–	–	830 000
Loss for the year	–	–	(901 684)	–	(901 684)
Other comprehensive income					
Post-employment benefit obligation remeasurements	–	–	(2 467)	–	(2 467)
Deferred tax	–	–	691	–	691
Share of other comprehensive loss of associate	–	–	15	–	15
Total comprehensive loss for the period	–	–	(903 445)	–	(903 445)
Balance at 31 March 2017	3 015 962	132 013	1 337 324	303 914	4 789 213
Class B shares issued	170 000	–	–	–	170 000
Class D shares issued	199 540	–	–	–	199 540
Loss for the year	–	–	(779 151)	–	(779 151)
Other comprehensive income					
Post-employment benefit obligation	–	–	(5 041)	–	(5 041)
Deferred tax	–	–	1 411	–	1 411
Share of other comprehensive loss of associate	–	–	–	–	–
Total comprehensive loss for the period	–	–	(782 781)	–	(782 781)
Balance at 31 March 2018	3 385 502	132 013	554 543	303 914	4 375 972

ABRIDGED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2018

	GROUP	
	2018 R'000	2017 R'000
Cash flows from operating activities		
Cash (utilised by)/generated from operations	(343 675)	336 396
Interest received	28 393	13 082
Interest paid	(180 988)	(141 890)
Realised foreign exchange profit	96 169	40 250
Income taxes received/(paid)	–	(332)
Cash (utilised by)/generated from operating activities	(400 101)	247 506
Cash flows from investing activities		
Purchase of property, plant and equipment	(728 143)	(504 286)
Purchase of intangible assets	(2 995)	(7 778)
Proceeds from sale of property, plant and equipment	23	3 552
Purchase of financial investment held in the environmental rehabilitation trust	(10 372)	(6 975)
Financial investment held in Richards Bay Ammonium Consortium	(15 046)	–
Redemption of preference shares investment	–	5 000
Cash used in investing activities	(756 533)	(510 487)
Cash flows from financing activities		
Issue of class B shares and class D shares	369 540	830 000
Repayment of finance lease liability	(1 823)	(1 823)
Proceeds of long-term interest-bearing loan	326 419	–
Proceeds/(repayment) of short-term interest-bearing loan	74 240	(150 188)
Net cash from financing activities	768 376	677 989
Net (decrease)/increase in cash and cash equivalents	(388 258)	415 008
Cash and cash equivalents, beginning of year	664 214	249 206
Cash and cash equivalents, end of year	275 956	664 214

SELECTED EXPLANATORY NOTES TO THE ABRIDGED GROUP ANNUAL FINANCIAL STATEMENTS

	GROUP	
	2018 R'000	2017 R'000
1. INVENTORIES		
Spares and consumables stores	470 802	441 378
Phosphate rock	194 554	403 608
Raw materials	158 815	227 542
Finished goods	345 049	504 048
Total inventories	1 169 220	1 576 576

The value of inventory write down to net realisable value in the current year is Rnil (2017: R18.4 million).

	GROUP	
	2018 R'000	2017 R'000
2. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	275 956	664 214
Cash and cash equivalents	275 956	664 214

	GROUP	
	2018 R'000	2017 R'000
3. COMMITMENTS		
Capital commitments		
Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:		
Property, plant and equipment	201 895	292 139
Total capital commitments	201 895	292 139
Operating lease commitments		
The future minimum lease payments payable under non-cancellable leases are as follows:		
Payable not later than one year	1 200	1 803
Payable later than one year and not later than five years	300	3 608
Total lease commitments	1 500	5 411

OPERATIONAL PERFORMANCE

MINING DIVISION

KEY ACHIEVEMENTS

Improved safety record

- ZERO fatalities
- Lost Time Injury Frequency Rate (LTIFR) of 0.14
- 12.9% reduction in injuries
- 2.9% reduction in vehicle related incidents
- 33% decrease in Lost Time Injuries
- 10.6% reduction in incidents leading to equipment damages

Environmental management

- No environmental incidents occurred

Improved production efficiencies

- Production efficiencies maintained at 73.53% (2017: 71.90%)
- No production loss due to labour strikes, community unrest or DMR

Successful implementation of key strategic initiatives and projects

- Seven new haul trucks delivered in August 2017 as part of mine replacement programme
- North Pit Pushback project nearing completion (June 2018) to extend life of North Pit mine to 30 years

Retained SHEQ integrated management systems

- All Management System Certifications retained (ISO 14001, ISO 9001, OSHAS 18001 and SANS 16001)

Infrastructure and development projects

- Successful completions of new Selati Tailings Dam decant system (Extend life of dam by 25 years)

CHALLENGES

Decreased production

Production Risk

- Lower equipment reliability of the secondary crushers due to age of equipment
- Foskor South Pit haul road closure due to PMC pit subsidence. 1 157 198 tons lower ROM supply (2017: 1 078 201 tons)

OVERVIEW

The Mining Division mines apatite, a phosphate-bearing mineral, at its two open-cast mines and produces sufficient quantities of rock to feed Foskor's phosphoric acid plant at the Acid Division in Richards Bay, supply other local clients and export excess product to international clients.

Despite lower iron ore prices, the Mining Division continues to export magnetite. Recent advances in iron ore smelter technology have increased the demand for magnetite. Although magnetite is no longer present in the pyroxenite ores excavated from the two mines, Foskor has sufficient stockpiled resources to capitalise on the increased demand from China.

MINING PERFORMANCE

Performance per mine

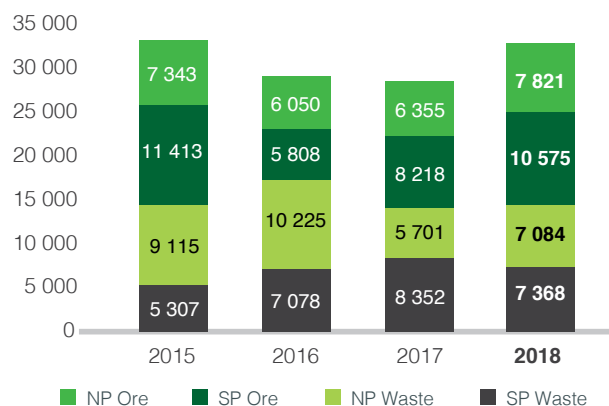
The Mining Division mined a total of 32.84 million tons of material in 2018 (2017: 28.62 million tons), inclusive of the North Pit Pushback Project (NPPB), resulting in 14.45 million tons of waste (2017: 14.05) and 18.39 million tons of ore (2017: 14.57). The processing facility treated 16.04 million tons of ore, 22.3% higher than 2017. Run-of-mine (ROM) feed grades were marginally higher at 6.71% P₂O₅ (2017: 6.69%). Mine development work (NPPB project) is nearing completion (June 2018) and will ensure consistent feed grades in the region of 7% P₂O₅ content going forward and extend North Pit life to 30 years. 7.42 million tons were mined from the North Pit Push Back area (2017: 5.34 million tons).

Production performance

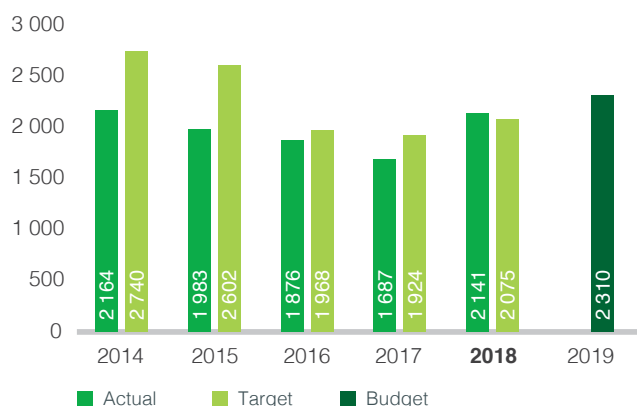
The overall processing efficiency was higher at 73.53% (2017: 71.90%). Total production for 2018 was 26.9% higher than 2017 at 2.141 million tons concentrate (2017: 1.687 million tons). Higher production was a result of improvement in equipment reliabilities and in particular of the Primary Crushers, Overland Conveyor, improved production efficiencies and the implementation of a "hot seat" changeover shift system at the Mining and Crusher Departments.

None of the Section 54 stoppages resulted in any material production lost either.

PERFORMANCE PER MINE (k tons mined)



ROCK PRODUCTION



Product distribution

The division dispatched 2.244 million tons of rock concentrate to the Foskor Acid Division, export and local customers (2017: 2.033 million tons). This is an increase of 10.4% compared to the 2017 dispatches. This is 5.6% higher than the 2018 target of 2.124 million tons. Increased exports compared to 2017 resulted in the higher dispatches from the mine.

Total product railed to the Acid Division was 1.423 million tons (2017: 1.517 million tons) compared to the 2018 target of 1 554 410 tons.

Phosphate railed to Maputo harbour for export was 430 817 tons (2017: 195 697 tons) compared to a 2018 target of 250 000 tons.

Product railed to Richard Bay for export was 325 388 tons (2017: 261 756 tons) compared to a target of 250 000 tons. Phosphate railed to other local customers was 64 254 tons (2017: 58 395 tons) compared to a 2018 target of 69 254 tons.

The magnetite dispatches from the Division decreased by 29.5% to 1 057 404 tons (2017: 1 293 277 tons) compared to a target of 1.5 million tons. Unfavourable iron ore prices resulted in the ceasing of sales during certain periods.

Addressing production challenges

To improve on our performance, we are actively addressing the remaining production challenges and opportunities.

Reliability of the crushing circuits due to age of the infrastructure

The crusher replacement programme initiated in 2015 is ongoing. The process to replacing the first of the secondary crushers has commenced and the Project Department is busy with the cost assessments and Capital Motivation process. It is expected to complete this project within the next three years.

Lower production throughput as a result of a shortfall in hauling capacity and reliability of aging mining fleet

CAPEX to the value of circa R700 million has been approved to replace the aging mining fleet. Delivery of seven (7) haul trucks took place in August 2017. Equipment expected in the 2018/19 financial year include a front-end-loader, two water bowsers, a diesel bowser, a grader, a tyre and a track dozer.

Efficiency improvements

The implementation of initiative to address process instability at the Extension 8 plant has commenced and will be completed in quarter 3 of 2018.

A project to reduce product losses was also initiated and completion is expected in quarter 4 of the new financial year.

Foskor Haul Road Closure (PMC pit subsidence)

Foskor is engaging with Palabora Mining Company to see how best to eliminate the impact of the haul road closure. Foskor has also implemented measures to minimise this impact.

Mine and mineral content quality

Run-of-Mine (ROM) feed grades remained constant at 6.71% P_2O_5 (2017: 6.69%). It is expected that feed grades will remain at this level.

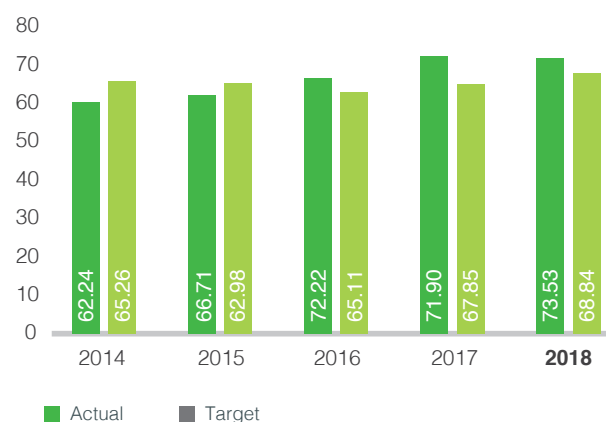
Total weighed phosphate rock recovery for the year was 73.53%, compared to 71.90% in 2017. This is expected to remain the same in the 2018 financial year. Further improvement initiatives have been identified that will be implemented over the next 12 months that should improve efficiencies further.

The combined stripping ratio (the amount of waste material required to be mined in order to extract ore) for the two mines was 0.79 (2017: 0.86). Stripping ratio in the North Pit Push Back (NPPB) development area was 1.52 (2017:1.29).

The North Pit Push Back project (unlocking new reserves and extend life of mine from eight years to 30 years) is ongoing and full integration with the current North Pit mine should be completed within the next 12 months. 7.42 million tons were mined from this area in 2018 (2017: 5.34 million tons).

Overall stripping ratios are expected to remain between 0.8 and 0.85 over the next year before it could stabilise and then reduce to levels of 0.8 and below. The decrease in stripping ratios in 2018 is as a result of more ore emanating from the mine development in NPPB to ensure mining cut off grades (5% P_2O_5) are maintained.

TOTAL P_2O_5 RECOVERY (%)



Per stream performance

Production* performance per stream

STREAM	PRODUCT GRADE % P ₂ O ₅	2016 (tons)	2017 (tons)	2018 (tons)	TARGETED (tons)	% OF TARGET MET
F-Bank concentrate		914 557	775 501	1 052 805	956 492	110.07
DSF concentrate		523 385	505 430	542 143	516 013	105.06
Extension 8 concentrate		420 081	394 460	546 234	491 134	111.22
PMC/PC concentrate		–	–	–	110 989	–
Total Palfos B production		1 858 023	1 675 391	2 141 182	2 074 628	103.21
Palfos R		18 465	11 260	–	–	–
Total production	37.17	1 876 488	1 686 651	2 141 182	2 074 628	103.21

* Calculated weighted production per stream.

Production of final product increased by 26.9% to 2.141 million tons (2017: 1.687 million tons) and compared to the financial year 2017 target of 2.074 million tons.

Occupational health and safety

ZERO fatalities were recorded in the Mining Division during the financial year 2017.

The Department of Mineral Resources (DMR) conducted 19 safety audits of which four resulted in Section 54 stoppages. None affected production. Our positive relationship with DMR and regular inspections and recommendations has supported safety improvement initiatives.

As per the Recognition Agreement with National Union of Mineworkers and requirements in the Mine Health and Safety Act, the Division Safety Steering Committee and Departmental Safety Committees continue to meet quarterly to review and discuss SHE matters.

The number of Minor injuries recorded for the year was 27 (2017: 31). The All Injury Frequency Rate (AIFR) was 1.11 (2017:1.47). Trackless Mobile Machinery (vehicle-related) incidents have reduced to 33 (2017: 34). Four (4) Lost Time Injuries (LTIs) occurred compared to the 6 of 2017. The LTIFR was 0.14 (2017: 0.27) calculated based on the 200 000 man-hour method of calculation.

The division retained the ISO 18001, ISO 9001, OHSAS 18001 and SANS 16001 AIDS management certifications during the annual Management System audits.

The Mining Division remains an active participant in the Limpopo Occupational, Health and Safety Tripartite Forum for open-cast mines that meets quarterly.

SHREQ focus for 2018/19 will be to train and coach small upcoming SMME companies and assist with the implementation of safety systems in their companies.

The occupational health of our employees is high priority and through annual medical surveillance, monitoring employee health status ensures proactive management and reduction of risks. An annual health awareness campaign is held in collaboration with medical insurance providers. Health awareness focus for the new financial year will be on diabetes and hypertension. An increase in chronic illnesses has been observed that can negatively impact employee wellness.

The divisional safety goal remains zero harm to all stakeholders. The safety campaign for 2018 was visible leadership and for 2019 it will be "Visible Change".

Environmental management

Biodiversity and environmental management

The Foskor's Mining Division is situated in the Lowveld of the Limpopo province and borders the Kruger National Park, private nature reserves and the town of Phalaborwa. The Ga-Selati and Olifants Rivers also passes through or borders the mining property.

Foskor is aware of the ecological sensitivity of the surrounding area. Through our commitment to the ISO 14001 requirements, Foskor environmental practices and policies and adherence to relevant environmental legislation, the company ensures responsible mining and processing of material and in doing so prevent incidents harmful to the environment.

The Mining Division has retained both its ISO 9001 Quality and ISO 14001 Environmental certification. Our environmental management system is externally audited on an annual basis. The Mining Division operates with an up to date and approved Environmental Management Program that is reviewed annually for compliance.

We actively participate as members in the following environmental management committees:

COMMITTEE	MEMBERS	AREA OF RESPONSIBILITY	KEY FOCUS FOR THE YEAR
Inter-Company Water and Waste Management Forum	Discusses water and waste management with the Department of Water and Sanitation, other major companies and the Kruger National Park	Department of Water and Sanitation	Quarterly
Phalaborwa Environmental Committee	Discusses air, water and waste management with the Department of Environmental Affairs, other major companies and the Kruger National Park	Department of Environmental Affairs	Six-monthly
Alien Plant Committee	Discusses the management of alien plants in the area	Foskor Palabora Copper	Quarterly
Environmental Community Forum	Discusses basic environmental issues with the community	Foskor Palabora Copper	Six-monthly

Fresh water usage

Fresh water usage

We adhere strictly to the conditions of the water usage licence issued by the Department of Water Affairs. The Mining Division continuously seeks new ways to reduce fresh water intake by increasing the recovery of process water. Fresh water intake is only used to supplement water supplies available onsite.

Water seepage is an unavoidable aspect of open-cast mining. In order to regulate the impact of our mining activities on underground water, continuous monitoring of underground water resources is done. All plant surface run-off water is captured and stored for re-use in the onsite Van Rysen catchment dam. The Selati Tailings Dam project was completed in March 2018 and ensures the successful dewatering and recovery of water from the dam for re-use in the processing plants. Fresh water intake from the river system has subsequently reduced.

Effluent and tailings dams

Serious environmental disasters related to tailings dams the last few years in Brazil and Canada has raised the awareness levels of safely operating tailings dam facilities.

Water levels in all tailings dams are within safe operating margins and the freeboards on the dams are more than adequate to satisfy mandatory requirements. Outer walls are in a good condition and the dam safety status, as measured by industry standards, remained SAFE.

The project to replacement the current temporary pumping system with a permanent penstock/decant system was completed in March 2018 and will ensure the safe dewatering of the dam for the next 25 years.

Air quality

Foskor operates with and approved Air Emission Licence issued by the Department of Environmental Affairs with expiry in 2021. The conditions of the licence are strictly adhered to and monitoring and measurement of emissions is conducted as required. The Mining Division operates within the allowable limits as defined in the Licence. Capital to the value of circa R30 million has been allocated to reduce dust emissions from tailings dams further in the new 2018/19 financial year.

Reportable incidents

There were no reportable environmental incidents during the year.

Sustainability performance data

Performance Data – Human, Natural and Social capital

	2018 ACTUAL	2018 TARGET	2017	2016	2015	2014	LEVEL OF ASSURANCE
People							
Employee numbers	1 381		1 381	1 338	1 311	1 357	
Recruitment	61		44	72	61	44	
Unionised labour	92.5%		93.4%	81.0%	88.1%	88.1%	
Employee turnover	5.4%		6.7%	6.3%	5.5%	11.4%	
Skills development							
Training and development (R)	7 975 035	1 512 308	2 197 744	2 807 017	7 532 399	8 659 835	
Learnerships (number)	183	252	175	147	68	83	
Learnerships (R)	4 325 373	4 109 777	5 090 640	2 110 000	4 189 888	5 114 128	
Bursaries (R)	165 000	750 000	920 000	1 162 864	1 405 832	1 442 729	
Bursaries	3	10	9	15	4	5	
Safety							
Fatalities	–	–	1	–	–	1	High
Lost time injuries	4	–	6	4	10	8	High
Lost Time Injury Frequency Rate (LTIFR)	0.14	<0.4	0.27	0.17	0.37	0.25	High
Occupational diseases (Hearing loss)	9	–	2	3	10	13	High
Man hours without any lost time injury (millions)	0.35	–	0.44	0.6	0.2	0.6	High
Number of Section 54 notices issued by the DMR	4	–	3	–	4	5	High
Greenhouse gases energy consumption (kg of CO₂e)							
Coal (Scope 1) ¹	68 245		52 104	68 929	71 920	56 075	Moderate
Diesel (Scope 1) ¹	41 927		55 557	40 546	45 894	46 881	Moderate
Petrol (Scope 1) ¹	214		269	230	337	322	Moderate
Water (Scope 1) ²	12 199		11 726	11 326	12 036	2 348	Moderate
Electricity (Scope 2) ²	434 666		359 877	375 107	440 057	414 055	Moderate
Total greenhouse gas (CO ₂ equivalent)	557 251		479 533	496 138	570 244	519 681	
Water							
Potable water (Municipal) m ³	369 441		296 219	326 241	262 867	208 588	High
Industrial water (Lepelle) m ³	6 425 600		6 440 240	6 308 640	6 788 198	8 889 168	High
Total fresh water consumption	6 795 041		6 736 459	6 634 881	7 051 065	9 097 756	
Waste management (tons)							
General refuse and waste – registered landfill disposal	550		661	336	380	378	Moderate
Uncontaminated steel – scrap sales disposal	759		1 562	1 560	1 439	1 197	Moderate
Radiation-contaminated steel – stockpiled onsite disposal	650		710	660	746	746	Moderate
Hazardous material – registered Enviroserve landfill disposal	55		65	72	62	150	Moderate
Air quality stations (mg/m²/day)							
Background	142	300	120	115	168	144	High
Residential receptor	166	600	147	160	317	277	High
Industrial receptor	855	1 200	613	464	1 137	871	High
Source monitoring	1 650	2 400	1 243	1 788	2 350	2 300	High
Mine rehabilitation							
Closure costs – scheduled (R millions)	589		565	526	478	458	High
Closure costs – unscheduled (R millions)	684		642	616	596	559	High
Mineral reserves (million tons)	1 356		1 376	1 388	1 405	1 435	High
Mining area (km ²)	23		23	23	23	23	High
Legal compliance							
Fines, penalties and settlements (number)	–		–	–	–	–	Moderate
Fines, penalties and settlements (Rands)	–		–	–	–	–	Moderate
Procurement spend (%)							
Local	60	–	62	59	61	63	High
National	38	–	36	37	38	37	High
International	2	–	2	4	1	–	High
Procurement spend against mining targets (%)							
Local procurement of capital goods	81	40	57	70	30	35	Moderate
Local procurement of services	84	70	72	66	67	41	Moderate
Local procurement of consumables	64	50	31	62	27	44	Moderate
B-BBEE rating level	5	3	3	5	5	4	High

High level of assurance = independent external verification/assurance, report available; Moderate = internally verified by management.

¹Scope 1 = Direct energy consumption.

²Scope 2 = Indirect energy consumption.

MINE RESOURCES AND ORE RESERVES

The Foskor mines are situated within the Phalaborwa Igneous Complex. Foskor operates two open pit mines extracting apatite, the phosphate bearing mineral.

The Foskor Mines are situated within the Phalaborwa Igneous Complex comprising 14 distinct rock types, each with a specific mineral composition. Foskor operates two open pit mines extracting apatite, the phosphate bearing mineral.

The complex is a vertical volcanic pipe, roughly kidney-shaped and measuring between 1.5 and 3.5 kilometres in width and 6.5 kilometres in length. Extensive drilling since 1950 has allowed geologists to develop an accurate three-dimensional geological model of the complex. It consists of three joined lobes – namely the North Pyroxenite, Loolekop and South Pyroxenite areas. High concentrations of apatite mineralisation (expressed as a percentage of phosphoric acid) are present in the foskorite and pyroxenite rock types found across the three lobes. The foskorite and carbonatite rock types found in the Loolekop lobe contains copper, magnetite and apatite.

Our mineral resources and reserves are classified according to the South African Mineral Resource Committee (SAMREC) Code. Present-day calculations suggest that mined ore must contain at least 5% phosphate to be economically viable (cut-off grade). Material with between 4% and 5% P₂O₅ is classified as marginal ore and stockpiled separately.

Foskor has vast phosphate resources and at current mining rates (circa 34 million tons per year) this will ensure life of mine in excess of 100 years.

Resource estimates for the South and North Pyroxenite deposits based on our current geological and resource models shows minerals reserves (proved) as at 31 March 2018:

- **207.2 million tons in the North Pyroxenite deposit (2017: 214 million tons)**
- **1 152.1 million tons in the South Pyroxenite deposit (2017: 1 162 million tons)**

The decline in Reserve Classification is in line with mining tons for 2017/18.

Phosphate-rich tailings have been deposited in the Palaborwa Mining Copper (PMC) active tailings dam since the late 1970s. Foskor owns the rights to the apatite in the tailings. Although not economical viable to mine at present this remains a valuable phosphate resource for the future.

PMC also, from time-to-time, transports high phosphate rock content tailings from their open-cast vermiculite mining area to a stockpile close to Foskor's East Crusher. Since 2006, Foskor has been reclaiming these phosphate tailings from this stockpile on an opportunity basis to supplement run-of-mine from the open pits.

Based on current geological and resource models mine resources and ore reserves are presented in the table below:

Proven and probable mineral reserves and reserves

GEOLOGICAL AREA	RESERVES CATEGORY	2018		2017	
		RESERVES (MILLION TONS)	% P ₂ O ₅	RESERVES (MILLION TONS)	% P ₂ O ₅
North Pyroxenite Pit	Proven	207.2	7.14	214.4	7.13
	Probable	20.1	6.91	20.1	6.91
South Pyroxenite Pit	Proven	1 152.1	6.78	1 162.1	6.78
	Probable	137.8	6.47	137.8	6.47

Mineral resources

GEOLOGICAL AREA	RESOURCES CATEGORY	2018		2017	
		RESOURCES (MILLION TONS)	% P ₂ O ₅	RESOURCES (MILLION TONS)	% P ₂ O ₅
North Pyroxenite Pit	Measured	787.7	7.13	794.9	7.13
	Indicated	690.9	6.94	690.9	6.94
	Inferred	742.1	6.52	742.1	6.52
South Pyroxenite Pit	Measured	2 579.0	6.46	2 589.0	6.46
	Indicated	1 317.1	6.15	1 317.1	6.15
	Inferred	1 713.6	6.11	1 713.6	6.11
PC Active Tailings Dam	Measured	238.3	6.70	238.3	6.70
	Indicated	48.8	6.60	48.8	6.60
	Inferred	9.9	6.40	9.9	6.40

Mining rights

Foskor has been issued all the required mining rights and converted all old order rights as required. Only one new right is still pending approval by the Department of Mineral Resources. Subsequent to various meetings with the DMR during 2017, progress has been made to finalise the remaining Foskor application. The outstanding approvals does, however, not impact the mining operation in the short- to medium-term.

LP30/5/1/2/2/09 MR	New Mining Right to mine the South Pyroxenite mine	Granted September 2009
LP30/5/1/2/2/03 MR	New Mining Right to mine the North Pyroxenite extension	Granted September 2009
LP30/5/1/2/2/22 MR	New Mining Right for the Stripping Area	Granted September 2009
LP30/5/1/2/2/124 CMR	Old Order Used Right Converted to mine the North Pyroxenite mine	Granted January 2013
LP30/5/1/2/2/125 CMR	Old Order Used Right Converted to utilise all existing Stockpiles	Granted January 2013
LP30/5/2/2/126 MR	New Mining Right to include the north-west corner of the North Pyroxenite mine	Approval pending

Mining right application (LP30/5/1/2/2/124 CMR) is pending approval to include the rights for the North-West corner of the North Pyroxenite lobe. In terms of Section 102 of the Mineral and Petroleum Resources Development Act (MPRDA), Foskor has also amended and resubmitted some of the abovementioned applications to include additional minerals. All these submissions are under review by the DMR and we are awaiting approval. Follow up meetings were held with the DMR during 2017 to finalise the matter.

Mine rehabilitation

Foskor has taken cognisance of the changes pertaining to provisions for mine closure cost during active operations and provision for latent defects after closure. Currently a separate environmental rehabilitation trust fund and Bank guarantees are in place to rehabilitate land in the event of either scheduled or unscheduled mine closures. Closure costs are evaluated annually and a full rehabilitation cost study is undertaken every three years. Rehabilitation cost provision is made in line with the requirements of the MPRDA Act, Section 41 and is currently reviewed as per requirements in NEMA Act.

OPERATIONAL PERFORMANCE

ACID DIVISION

KEY ACHIEVEMENTS

Improved safety record

- ZERO fatalities (2017: 0) – target zero
- Lost Time Injury Frequency Rate (LTIFR) of 0.44

Improved efficiency

- Rock conversion efficiency at Acid Division has improved from 84.67% in 2017 to 88.83% in 2018

Maintained quality management

- DEKRA 5 Shield SHE status maintained
- All ISO certifications (14001, 90001, OSHAS 18001 and SANS 15001) retained

Asset replacement programme progressing well

- C1 Phosphoric Acid Tank rebuilt in progress
- Replacement of Belt Filter 3 completion June 2018
- Replacement of molten sulphuric tank completed

CHALLENGES

Major equipment failures

- Level 4 Water Restrictions due to drought conditions
- Failure of Heat Exchange in both the new and old concentration sections
- Failure of Final Absorption Tower in Sulphuric Acid A-plant
- B-Plant Drying Tower failure
- Failure of dryer drum girth gear at granulation plant

OVERVIEW

The Acid Division has three Sulphuric acid plants, two streams of phosphoric acid plants and a granulation plant to make Granular products. Major raw materials used in Richards Bay is rock which is produced from our mining division and transported to Acid Division through rail while sulphur is imported and transported to Richards Bay. Sulphur is converted into Sulphuric acid in Sulphuric acid plant and taken to Phosphoric Acid plant where it is used to process the phosphate rock to convert into Phosphoric Acid. The phosphoric acid is either exported in its acid form, sold locally, or used in the production of granular fertiliser. Granular fertiliser is mainly sold locally.

PRODUCTION

Sulphuric acid

The sulphuric acid plants produced 93% of their target (1 377 881 tons against the target of 1 484 845 tons) for the period ended March 2018. The production was higher in the previous year (2017: 1 411 534 tons) because the phosphoric acid production requirements as well as sulphuric sales requirements were higher.

The sulphuric acid plant's capacity was restricted due to mainly, water restrictions, three (3) shutdowns within the financial year 2017/18 resulting to limited steam supply to the phosphoric acid plant. The risks to the sulphuric acid plant include the original converters and their common stack. The plant ran after start-up with high stack visibility requiring frequent stoppage to clean the troughs on A & B plant stack. The B-plant drying tower failed as a result an unplanned extended shut was taken to conduct the repairs. The shutdown planned for June 2018 was also brought forward and all critical activities were completed. A new cold heat exchanger was installed on the A-plant replacing the old one which was in a poor condition and the Super-heater was replaced on the C-plant. There will be statutory shutdown in 2018 for the A-plant whereby the sulphur burner and B-plant Cold heat exchanger will be replaced.

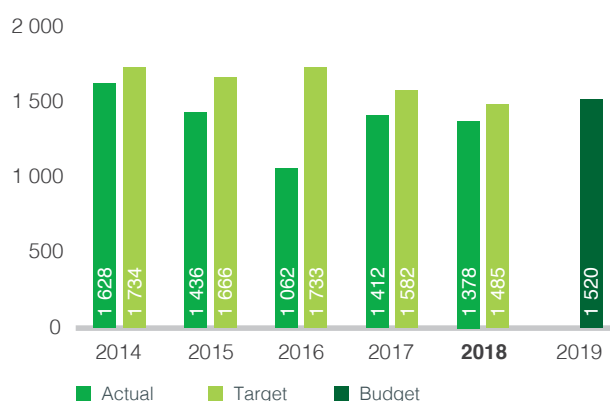
Phosphoric acid

The phosphoric acid plant produced 452 526 tons against a target of 490 000 tons – this represents 92% of the target. In 2016/2017, the plant produced 449 697 tons of phosphoric acid.

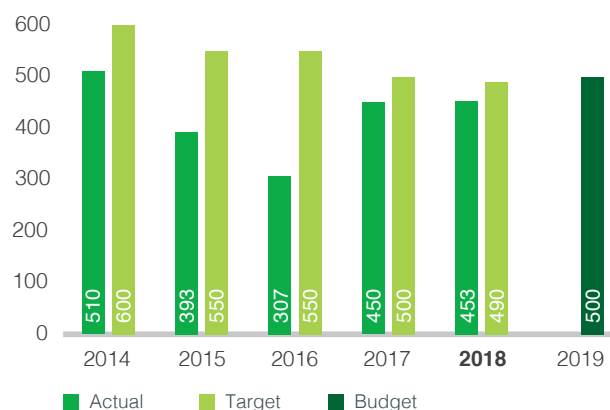
The challenges faced in the current year that led to lower production were:

- **Reaction & Filtration.** The main restrictions were due to storage tank unavailability for weak acid. With all Belt Filters and Pan Filters available, there was sufficient capacity to meet the target production. The old Reactor went for a planned inspection and repair shutdown and it was completed on time without major damages identified.
- **Concentration** – There were frequent failures of valves, pumps and export pipes that restricted production. The decision was taken to replace all the old diaphragm valves with plug valves. There were also failures of the clarifiers that contributed to the losses but these were repaired and commissioned.

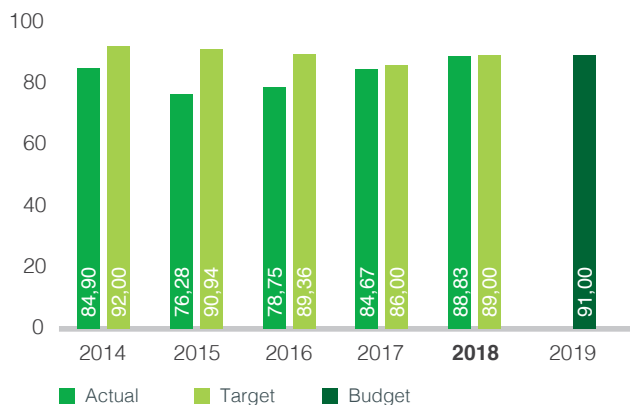
SULPHURIC ACID



PHOSPHORIC ACID

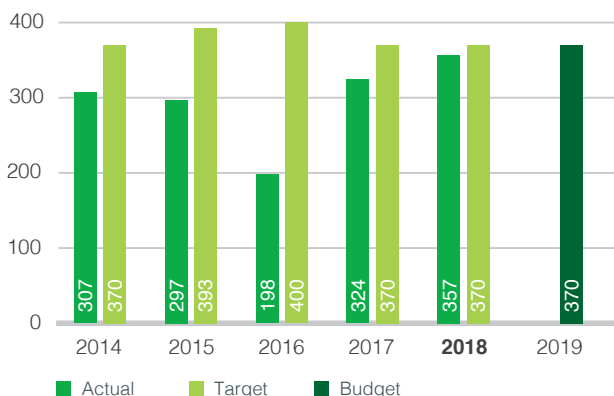


P₂O₅ EFFICIENCY (%)



- **Storage Tanks.** The availability of storage tanks remained a constraint to concentration acid production. Several tanks remain out of commission for repair and major revamp.
- **Steam Availability.** The failure of the B-plant drying tower, extended A-plant shutdown due to the delay in delivery of the Cold-Heat Exchangers and the statutory shutdown of the C-plant contributed immensely to the unavailability of sufficient steam to meet the concentration section demand.
- **Water restrictions** – Due to the drought experienced in the country, especially the Richards Bay area, the Department of Water and Sanitation and the local authority implemented water restrictions to all industries. Level 4 water restriction which is 25% reduction in water supply resulted in reduced production rates. The restriction are still in place although it has been revised to Level 3. However, the budget of 500 000 tons P₂O₅ set for 2018/2019 financial year will be achieved at the current water restriction levels.

GRANULATION



Production efficiency

The production efficiency rate for the year was 88.83% against the budget of 89%. This was an improvement from the last financial year efficiency of 84.67%.

The main causes for the efficiency losses were addressed in the prior year and we continuously focus on tanks, water management and operational procedures in order for the plant to further improve efficiency in the 2018/2019 financial year.

Granulation

Granulation plant production volume gets governed by Phosphoric Acid availability after meeting local supply of the product. Based on the Phosphoric Acid availability, the granulation plant was able to produce 357 286 tons of granulated fertilizer product against the budget of 370 000 tons. The limited supply of Phosphoric Acid to Granulation and strategic marketing decision not to produce granular product in January and February 2018 due to export acid sales optimisation was the main reason for lower production of granulation to target.

During the 2018/2019 financial year there will be enough acid available to achieve granulation production target of 370 000 tons.

Asset replacement

Ageing of the Acid Division’s plant and machinery, that was installed in 1976, result in a large amount of replacement or refurbishment being required. The completion of these projects will increase plant availability thereby leading to improved production capacity and efficiency.

The Asset Replacement Programme commenced in the 2014/2015 financial year. Critical tanks have been put on major maintenance or replacement as part of the asset replacement programme. This resulted in reduced production throughput as the plant had to stop due to high weak acid stocks. In the financial year 2017/2018 the following were performed: 1) Two storage tanks were repaired, 2) Refurbishment of clarifiers. 3) Replacement of a molten sulphur storage tank in the Sulphuric Acid Plant was completed.

During the financial year 2018/2019 emphasis will be given to complete the capital projects pertaining to production, efficiency, compliance and safety.

The main focus will continue to be on asset replacement programme projects and details are stated below:

ASSET REPLACEMENT ITEMS	DESCRIPTION	PLANNED TIMELINE
<p>1</p> <p>REPLACE BOTH PAN FILTERS IN THE OLD PHOSPHORIC ACID PLANT</p>	<p>The old phosphoric acid plant utilises two pan filters which have passed their useful lifespan and are due for replacement. A major overhaul of one filter was performed in April to May 2012 locally, while a partial replacement of the other was performed in October to November 2012 with original manufacturer. In the light of the work already undertaken, we intend to complete the pan filter replacement work.</p>	<p>Major refurbishment of Pan Filter 2 was undertaken in July/August 2015. Following the delivery of the balance of spares for the remainder of the refurbishment in July 2016, refurbishment of the filter was completed in 2017.</p> <p>Continued replacement of auxiliary components of Pan Filter 2 will be undertaken in 2018.</p>
<p>2</p> <p>INSTALL AN ADDITIONAL ACID CLARIFIER</p>	<p>Our existing infrastructure consists of two acid clarifiers: a 1 800m³ clarifier in our old plant and a 3 500m³ clarifier in our new plant. We recently revised our acid plant configuration in both weak and strong grade phosphoric acid sections. Due to the reconfiguration, we need to improve our clarifier capacity to improve sludge handling and minimise associated acid losses.</p>	<p>The current challenges in the Acid Plant indicated that the requirement for an additional in-process storage tank is of higher priority than an additional clarifier. Construction of the tank commenced in November 2016 and is planned for completion by October 2018. Project progress was at 66% at end March 2018.</p>
<p>3</p> <p>REPLACE THE MAIN STACK AND CONVERTERS FOR BOTH SULPHURIC ACID PLANTS</p>	<p>Sulphuric acid plants A and B share one common stack. The stack and the catalytic converters at both plants are finishing their useful lifespan and approaching replacement. The replacements will also enable Foskor to meet the planned new environmental legislation for stack emissions from Sulphuric Acid plants.</p>	<p>A pre-feasibility study and a feasibility study on determining the integrity of A, B and C Plants, recommending refurbishment required to improve the availability of the plants and addressing compliance to the 2020 air quality requirements commenced in May 2017 and was completed in December 2017. Depressed market conditions resulted in the decision to request postponement of compliance to 2025 from the authorities.</p>
<p>4</p> <p>BUILD A NEW REACTOR FOR THE OLD PHOSPHORIC ACID PLANT</p>	<p>The concrete reactor in the old acid plant has been in operation for 39 years and has been repaired twice. The advanced age of the reactor poses a major health, safety and environmental risk, and was recommended for replacement.</p>	<p>In view of the depressed market conditions, the financial impact and potential downtime of the plant in replacing the reactor, the replacement of the reactor was taken into reconsideration. A decision was made to undertake major refurbishment of the reactor over the next five years during the planned annual shutdowns. During the planned maintenance shutdown of November/December 2017 concrete and acid proofing repairs were undertaken.</p>
<p>5</p> <p>REPLACE THE MAJORITY OF ACID STORAGE TANKS</p>	<p>The majority of our acid storage tanks for sulphuric and phosphoric acid are quite old and have been repaired numerous times. All the old tanks are earmarked for major refurbishment or phased replacement.</p>	<p>Replacement of a molten sulphur storage tank in the Sulphuric Acid Plant was completed in May 2017. Demolition of the second molten sulphur tank was completed in March 2018 and construction of a new replacement tank is planned for completion in 2019/2020. Refurbishment of one Clarifier and two storage tanks were completed in 2017/2018. Three more tanks are under refurbishment for completion in 2018/2019.</p>
<p>6</p> <p>REPLACEMENT OF PHOSPHORIC ACID COOLERS</p>	<p>The existing plate type acid coolers have been facing a challenge of frequent blockage and maintenance. It was explored to replace two coolers with robust spiral design coolers which have cleaning access and handle higher solids in acid.</p>	<p>Two spiral coolers were procured, installed and commissioned successfully in 2014/2015. An investigation regarding the entire Phosphoric Acid cooling system will be undertaken in 2018 to select the appropriate cooling equipment to achieve optimum cooling for installation in 2019/2020.</p>

Occupational health and safety

We make use of an accredited external service provider to audit and rate our safety, health and environmental performance on an annual basis. These assessments include our compliance with all SHREQ-related legislation and certification regimes. The latest SHREQ performance audit, rated us at 90.52%, against our target of >91%.

Our annual LTIFR of 0.44 was in our target range of less than one, but compared to last year's LTIFR of 0.22, signals a increase in the number of injuries.

There were six Section 24 incidents reportable to Department of Labour in terms of the OHS Act 85 of 1993.

- Contractor employee was asked to weld a nut at approximately 1.6m high. He placed a hanging type step ladder to conduct tack welding of the nut instead of a proper ladder. The ladder slipped, and employee fractured left elbow.
- Employee was busy cleaning a spillage on the side of Sulphur conveyor No.10 at the tail end pulley, when the spade he was using got pulled in between the tail end pulley and conveyor belt. This resulted in injury to his left and right-hand fingers.
- Employee was walking in A & B Sulphur Scrubber bund area when the "hardened" sulphur crust broke and both his feet was submerged in molten sulphur.
- Employee was opening steam trap to heat up polishing line, when he stepped into a crust of molten sulphur, resulting in burns to right foot.
- Contractor employee was busy connecting a pipe on the road tanker to offload acid when the pipe burst and sulphuric acid entered his safety boots resulting in burns to his left foot.
- Contractor employee was driving a forklift, when he went over the road curbing and fell off the forklift, resulting in an injury.

There were no fatalities in this division during the year. The OHSAS 18001 certification has been retained and continues to be the foundation of our health and safety system.

Occupational health risks

The Acid Division is a registered Major Hazardous Installation (MHI) and our employees are exposed to the following occupational health risks:

- Fumes and gases including, but not limited to: sulphur dioxide, ammonia, sulphur trioxide, fluorides and welding fumes.

Various dusts resulting from the handling, transportation and stockpiling of sulphur, rock and fertilisers:

- Thermal (heat) stress
- Noise

Excessive exposure to these hazardous substances may lead to health problems and impaired fitness for work. Various engineering control systems, such as dust and gas extraction units, have been put in place to reduce the risk of exposure at source. It is also mandatory for all employees and contractors to wear their full Personal Protective Equipment (PPE) and carry escape respirators inside the plant. At the Granulation Plant engineering solutions and chemical dust suppression additives are being investigated to minimise dust. Additionally, it is mandatory for all employees and contractors working at the Granulation plant to wear dust masks that are FFP3-rated and able to filter out at least 99% of all airborne particles.

A Baseline Risk Assessment of employee exposure to the various biological, chemical and physical stressors has been conducted in order to establish updated and accurate risk profiles. This has been done both qualitatively and quantitatively. From the Baseline Risk Assessment, employees were grouped into similar exposure groups and their exposure to various stressors in their activity areas are being monitored on a continuous basis in accordance with the Occupational Exposure Sampling Strategy Manual (OESSM). This monitoring programme is not only a legal requirement but also enables us to identify problem areas and implement suitable controls.

The Occupational Hygienist and Occupational Medical Practitioner conduct walk-through surveys on a monthly basis within specific areas of the plant in order to qualitatively identify potential health risks within the area, and to determine the extent of the risks (if any) and action required to reduce the risk.

Environmental management

This is our sixth year of reporting on carbon footprint. We used the Greenhouse Gas (GCG) Protocol Corporate Accounting and Reporting Standard methodology to establish a carbon footprint baseline against which to measure future progress. The carbon footprint monitoring system has been established throughout the division and more accurate emissions have been obtained thus far especially for Scope 1 and Scope 2. Nevertheless Scope 3 emissions still need attention since all the downstream and upstream emissions need to be considered.

The ever-rising cost of, and demand for, energy in South Africa requires that we look at innovative initiatives to improve our energy efficiency. Carbon reduction is largely dependent on the effective use of turbine generator and heat energy efficiency.

Energy consumption and greenhouse gas equivalent emissions per source – 2017/2018

Source	Scope	Annual consumption	Monthly average consumption	Conversion factor kg CO ₂ e	kg of CO ₂ -e	% total
Sasol gas – CH ₄ (GJ)	Scope 1	77 904	6 492	50.1	3 902 990	0.06
Diesel (L)	Scope 1	318 719	26 560	2.67	853 179	0.24
Grid electricity (kWh)	Scope 2	124 529 540	10 377 462	1.03	123 284 245	95.02
Water (KL)	Scope 3	5 775 177	481 265	1.78	10 283 858	4.41
General Waste (Kg)	Scope 3	266 916	22 243	2.94	785 000	0.20
Recycled waste (Kg)	Scope 3	83 504	6 959	1.84	153 647	0.07
Total		131 051 760			139 262 919	100

Scope 1 = Direct emissions.

Scope 2 = Indirect emissions as a result of purchased electricity.

Scope 3 = Other indirect emissions not included in Scope 2.

Water Use

Our operations are heavily reliant on water. As both societal and industrial demand for water grows and access becomes increasingly competitive, we expect water prices to increase and regulatory requirements to become more stringent. It is therefore important that we consider proactively the risks associated with the availability of water, both in terms of quality and quantity, and respond by using water responsibly and reducing our impact on local water resources. Historical water use as supplied by the municipality is shown below.

Fresh water consumption (m³)

Water type	2013	2014	2015	2016	2017	2018
Potable water	2 972 112	3 196 644	5 528 217	3 953 376	2 494 389	2 619 318
Clarified water	3 490 816	4 160 662	2 528 708	1 538 147	3 360 984	3 155 859
Total	6 462 928	7 357 306	8 056 925	5 491 523	5 855 373	5 775 177

Fresh water use

We obtain all our water from the uMhlathuze Municipality in two grades: potable water and clarified water. The Richards Bay region had been experiencing drought since September 2014 due to low water levels at Goedertrouw Dam (Water level at 30.25% as of 31 March 2017) which supplies the Richards Bay area and the surrounding towns. Consequently, the municipality has put in place water restrictions based on allocation. With the Level 4 – 15% water restrictions currently in place, we are bound to consume 9 800 KL of potable water and 14 450 KL per day. This compelled and encouraged us to look at ways to improve water efficiency on site and also explore water saving projects. Nonetheless, in January 2018, the water restrictions were lifted from Level 4 restrictions to Level 3 restrictions since there had been a slight improvement in water levels (36.23% as of 31 March 2018).

Alternative water supply

A storm water dam situated on the south- east boundary of the site collects the majority of storm water run-off from the site. The water is reused in our two phosphoric acid plants. We also have an agreement with a neighbouring facility, South 32, to recycle their storm water as additional water supply to our own municipal raw water intake. The Acid Division will endeavour to reuse and recycle water from within the site and from other industries wherever practically possible.

Effluent management

In July 2017, Mhlathuze Water was issued a “new” permit to discharge effluent into coastal waters in terms of Section 69 of the Integrated Coastal Management Act (Act No. 24 of 2008) (ICM Act). The permit was issued by the Department of Environmental Affairs

and replaced the old one that was issued by the Department of Water Affairs at the time. The new permit came with more stringent requirements (limits) which Foskor should meet. There is risk of none compliance with the new limits.

A new Effluent Disposal Agreement between Foskor and Mhlathuze Water reflecting new permit conditions still has to be finalised. In the meantime, Foskor still uses the old agreement. Foskor Richards Bay on a daily basis, analyses a 24-hourly composite sample and submits a split sample to Mhlathuze’s Scientific Services Laboratory for analysis.

As a way of enforcing compliance to all stakeholders, Mhlathuze Water Board implemented a non-conformance penalty system which came in to effect in July 2015. Buoyant line effluent compliance especially on pH and fluoride is a concern. Consequently, there is a task team managed by the Phosphoric Acid Plant manager to address effluent compliance on site.

Groundwater Remediation

During the year we reassessed the strategies we currently have in place to prevent ground water pollution and pollution of the surrounding environment. The study proposed various mitigation measures as set out in our Ground Water Remediation: Concept Designs Report. Additional boreholes were installed to monitor efficiency of the subsoil drains and barriers. The secondary dam upgrade is planned for the new financial year. Also, the pump connections and drain points have been installed and are currently operational.

Ground water contamination on site is still a concern, however, there are projects in the pipeline that will minimise and prevent further contamination. These include:

- Repairs and Upgrade of the C Tank Farm
- Repairs and Upgrade of the E Tank farm
- Maintenance and improvement of containment around sulphur melters, sulphur section and Sulphuric Tank farm
- Roadway repairs

Air Quality management

Foskor's new AEL was issued and approved on 30 September 2015 and is valid to September 2020. Foskor is currently compliant with the New AEL. The phosphoric acid plant and the granulation plant are 100% compliant against emissions limits as stipulated in the AEL. The sulphuric acid plant is 100% compliant. The Scheduled Trade Permit has also been received. The Sand Blasting facility did not meet the requirements of the permit and was subsequently closed pending upgrade to meet permit conditions. Capex is budgeted to undertake the upgrade in 2018.

Our asset replacement programme takes into account the new air emissions legislation that requires us to reduce our sulphur dioxide gas emissions to 134 ppm (350 mg/Nm³) per plant by March 2020. Fluoride and ammonia are also required to be reduced to 5 mg/Nm³ and 50 mg/Nm³ by 2020 respectively. Tenders are out to determine Service Provider to undertake the project.

The vast capital investment demanded by the modifications as well as reducing the impact of plant non-availability during modifications will result in the modifications implemented in a phased approach. This approach will result in completion of the modifications in 2025 and a concession for not meeting the requirements by 2020 will be sought from the authorities.

Reportable Incidents and External Audits

There was one (1) Section 30 Reportable Incident in terms of the National Environmental Management Act, 107 of 1998:

- Overflow of the Storm Water Dam – 14 May 2017.

The incident was reported to the regulatory authorities and the Department of Environmental Affairs.

The DEDTEA Waste audit was conducted on the 30 of November 2017, the following non-conformances were raised:

- Unauthorised storage of Gypsum in the plant at the bunker Yard.
- The signages at the Salvage yard need to be replaced as they are out of order.
- Facility did not provide public liability insurance from its transporters of Hazardous waste.

Waste management

The Acid Division generates a variety of waste materials and about 25 waste streams have been identified. We acknowledge the importance of effective waste management on site. The Company believes in the culture of reusing and recycling wherever possible and that waste disposal to landfills should be the last resort. Consequently we are committed to developing sustainable ways to implement waste management. Our waste is divided into two broad categories – hazardous and general (and recyclable waste). The amount of waste disposed and the form of disposal is presented in the Sustainability Performance Data table.

Radiation monitoring

Foskor Acid Division has a certification of registration with the National Nuclear Regulator (NNR) and therefore have to comply to set conditions and regulatory requirements. In order to comply to set conditions systematic management programs and controls are implemented, monitored and evaluated for continual improvement to take effect.

The NNR audited the facility in April 2017 and there were no non-conformances raised and the site received a score of 100% compliance for the second year.

The Gypsum dam is one of the key projects that we focused on the 2017/18 fiscal year, with the main aim of obtaining an authorization from the NNR to recover and remove Gypsum from the dam. Official trials were conducted with Natal Portland Cement (NPC) for cement production at the Simuma Plant. The quality tests were successful. The NNR has approved for the various use of Gypsum including Agricultural, Cement and Brick production, this is a huge achievement for Foskor as selling of Gypsum will generate revenue for the Company.

Removal and disposal of radiologically contaminated waste was put on hold from the beginning of 2017 due to directive issued to Enviroserv's eShongweni Landfill site. The NNR authorisation is only for disposal at eShongweni.

Scrap materials have accumulated on site both at Salvage Yard and Red Scrap Yard. However, a cleaning project will be initiated in April 2018 to remove materials for recycling.

Annual dose reports for the sites are up-to-date and have been submitted to the NNR for review and accepted. All exposure limits were below 7mSv/a against a legal limit of 20mSv/a.

Effluent discharge monitoring has been conducted in all relevant streams, no contamination is observed on the ground water (borehole monitoring); however, the Storm water retention dams are both contaminated with uranium sources. It must be noted though that the results are not significant to affect a human life or to pollute the environment as the dam is lined. It is recommended that the desalination project to remove excess sludge and sediments from the dams must be removed. This can result in a non-compliance should there be any storm water dam overflows.

Sustainability performance data

Performance Data – Human, Natural and Social capital

	2018 Actual	2018 Target	2017	2016	2015	2014	Level of Assurance
People							
Employee numbers (including contractors)	595	534	603	665	602	640	
Recruitment	17		26	49	29	41	
Unionised labour	92.5%		76.5%	75.3%	82.7%	80.9%	
Employee turnover	5.3%		13.1%	5.0%	7.4%	11.4%	
Skills development							
Training and development (R)	3 631 936	3 614 703	2 783 240	1 612 363	2 262 757	3 857 604	
Learnerships (number)	63	63	48	63	54	32	
Learnerships (R)	183 030	235 000	645 000	1 457 500	2 485 912	1 193 910	
Bursaries (R)	400 000	400 000	300 000	839 422	805 224	1 124 109	
Safety							
Fatalities	–	–	–	–	–	–	High
Lost time injuries	6	–	3	3	4	4	High
Lost Time Injury Frequency Rate (LTIFR)	0.44	0.5	0.22	0.24	0.34	0.36	High
Total Injury Frequency Rate (TIFR)	1.99	4.5	2.45	4.96	6.65	5.42	High
Occupational diseases (reported to COID)	–	–	–	1	–	5	High
Greenhouse gases energy consumption (kg of CO₂-e)							
Diesel (Scope 1) ¹	853 179		826 322	721 642	1 350 517	1 589 299	Moderate
Gas (Scope 1) ¹	3 902 990		2 157 757	3 927 289	2 533 506	4 166 967	Moderate
Water (Scope 1) ²	10 283 858		10 426 663	9 774 911	14 346 966	13 096 004	Moderate
Electricity (Scope 2) ²	123 284 245		136 268 222	131 110 198	100 447 581	94 479 759	Moderate
General waste (Scope 3) ³	785 000		913 975	953 374	1 480 999	2 617 747	Moderate
Recycled waste (Scope 3) ³	153 647		1 372 782	854 744	1 528 121	1 848 354	Moderate
Total greenhouse gas (CO ₂ equivalent)	139 262 919		151 965 721	147 342 159	121 687 690	117 798 130	
Water							
Potable water (Municipal) m ³	2 619 318		2 494 389	1 538 147	5 528 217	3 196 644	High
Clarified water (Municipal) m ³	3 155 859		3 360 984	3 953 376	2 528 708	4 160 662	High
Total fresh water consumption	5 775 177		5 855 373	5 491 523	8 056 925	7 357 306	
Waste management (tons)							
Hazardous material – registered landfill disposal	13 344		13 880	11 909	13 716	13 260	Moderate
General material – registered landfill disposal	256		311	667	834	949	Moderate
Recyclable material – registered landfill disposal	84		680	794	1 614	1 064	Moderate
Legal compliance							
Fines, penalties and settlements (number)	–		–	–	–	–	Moderate
Fines, penalties and settlements (Rands)	–		–	–	–	–	Moderate
Procurement spend (%)							
Local	37		64	64	66	87	High
National	4		7	8	10	7	High
International	59		29	28	24	6	High
BBBEE rating level	5	3	3	5	5	4	High

High level of assurance = independent external verification/assurance, report available; Moderate = internally verified by management.

¹Scope 1 = Direct emissions ²Scope 2 = Indirect emissions ³Scope 3 = Other indirect, not included in Scope 2

OUR PEOPLE

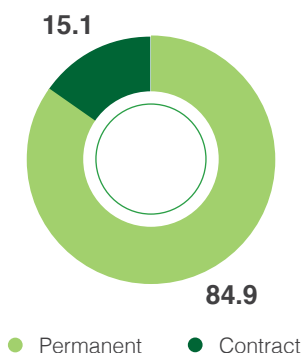
TOTAL EMPLOYEES	2018	% CHANGE	2017	2016	2015	2014
Foskor Group (including contractors)	1 976	(0.4)	1 984	2 003	1 913	1 997

EMPLOYEES PER CONTRACT TYPE	2018	LOCATION SPLIT	2017	2016	2015	2014
Permanent	1 677	84.9	1 689	1 778	1 767	1 842
Contract	299	15.1	295	225	146	155

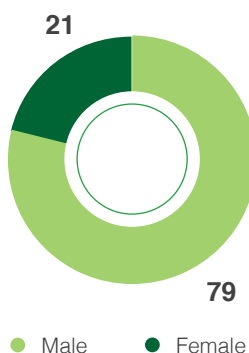
EMPLOYEES PER GENDER	2018	GENDER % SPLIT	2017	2016	2015	2014
Male	1 561	79.0	1 595	1 640	1 595	1 675
Female	415	21.0	389	363	318	322

EMPLOYEES PER LEVEL	2018	% CHANGE	2017	2016	2015	2014
Top management	11	(9.1)	12	11	12	13
Senior management	24	12.5	21	29	30	29
Middle management	118	(5.9)	125	126	132	139
Skilled	542	(1.7)	551	567	566	583
Semi-skilled	662	0.2	661	708	686	722
Unskilled	320	0.3	319	337	341	356
Contractors	299	1	295	225	146	155
Foskor Group	1 976	(0.4)	1 984	2 003	1 913	1 997

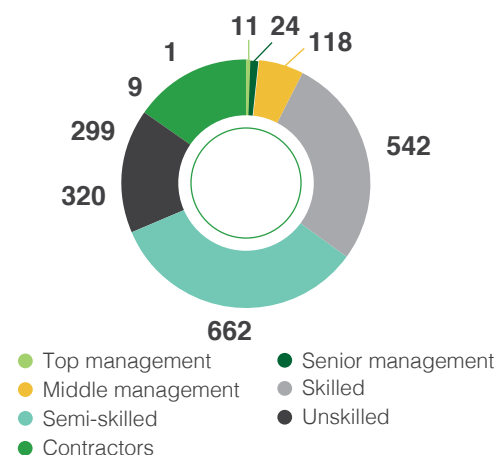
CONTRACT TYPE (%)



GENDER PROFILE (%)



EMPLOYEES PER LEVEL



RECRUITMENT

Foskor hired 78 new permanent employees during the year, and our permanent employee complement decreased by 0.71% to 1 677 (2017: -5.0% decrease). All skill levels, except top management levels, reduced in numbers, drastically.

The size of our senior and top management team increased to 35 this year, while our overall female representation increased by 1.4% (2017: increased by 7.6%).

Contractors increased to 299 (2017: 295), representing 15.1% of our total workforce, although the majority are learnership programmes and graduates in training.

The average age of our entire workforce is around 41.5, which leaves 23.5 years on average working life until retirement. Average annual staff turnover is 5.4% (2017: 9%) of which retirees make up 1.5%. A system whereby some of the retirees are appointed as mentors and coaches for the engineers in our training programme is in place.

PERMANENT EMPLOYEES RECRUITED	2014	2015	2016	2017	2018
Foskor Group	81	90	121	70	78
RECRUITMENT PER DIVISION	2014	2015	2016	2017	2018
Phalaborwa and Midrand	44	61	72	44	61
Richards Bay	37	29	49	26	17
RECRUITMENT PER GENDER	2014	2015	2016	2017	2018
Male	56	73	95	48	60
Female	25	17	26	22	18
RECRUITMENT BY AGE	2014	2015	2016	2017	2018
<30	31	42	69	34	39
30 – 40	38	35	41	24	28
40 – 50	4	7	8	10	11
50 – 60	7	6	3	2	–
>61	1	–	–	–	–
% EMPLOYEE TURNOVER	2014	2015	2016	2017	2018
Foskor Group	10.2	6.1	6.2	9	5.4
% TURNOVER PER DIVISION	2014	2015	2016	2017	2018
Phalaborwa and Midrand	9.6	5.5	6.3	6.7	5.4
Richards Bay	11.4	7.4	5	13.8	5.3
% TURNOVER PER GENDER	2014	2015	2016	2017	2018
Male	9.8	6.1	6.2	9.4	5.6
Female	12	6.4	4.2	7.2	4.2
% TURNOVER BY AGE	2014	2015	2016	2017	2018
<30	6.1	6	3.5	6.1	3.7
30 – 40	9.6	4.4	5.7	6	3.9
40 – 50	9.3	7.2	4.9	6.1	3.5
50 – 60	8.5	3.4	4.2	8.2	3.7
>60	59	35.9	24.5	45.6	28.8

TRAINING AND DEVELOPMENT

Training is one of the key ways we maintain and improve our intellectual capital, and the quality of an organisation's training affects its value. The Company at all times tries to ensure 100% execution of the Work Place Skills Plan, in line with the Skills Development Act. Knowledge and skills development remain vital to the health of our organisation. Training initiatives bolster employee retention and we view them as a vitally important investment.

Special emphasis was placed on the development of women and various initiatives were introduced during the year aimed at training women in the workplace. Motivational Speakers were invited in February and August to present Women in Leadership programme to motivate women employees. To empower women the Acid Division sent female employees to a Women in Business networking session.

EMPLOYEE OPERATIONAL STRUCTURE AND DIVERSIFICATION

Foskor's staff falls broadly into two categories: Operational staff (bargaining category employees) and managerial (middle, senior and top management). The table below also shows the racial and gender diversification of our permanent staff.

OCCUPATIONAL LEVELS	ACTUAL HEAD-COUNT	DISADVANTAGED		ADVANTAGED		RACE AND GENDER COMPOSITION							
		TOTAL	%	TOTAL	%	AF	AM	CF	CM	IF	IM	WF	WM
Top management	11	10	90.9	1	9.1	3	6	–	–	–	1	–	1
Senior management	24	19	79.2	5	20.8	2	12	–	1	1	2	1	5
Professional and middle management	118	87	73.7	31	26.3	26	43	–	2	–	10	6	31
Skilled	542	456	84.1	86	15.9	77	330	2	1	6	18	22	86
Semi-skilled	662	642	97.0	20	3.0	81	552	1	–	–	4	4	20
Unskilled	320	318	99.4	2	0.6	69	249	–	–	–	–	–	2
Total	1677	1532	91.4	145	8.6	258	1192	3	4	7	35	33	145

Lots of emphasis is placed on the effective succession planning as it assists with the smooth transition when employees are promoted or with natural attrition. Our succession plans take into account our strategic objectives. The Board Human Capital and Nominations Committee is responsible for succession planning and the identification of potential successors for key positions.

In order to address the shortage of skills, especially critical skills, we provide bursaries, learnerships, internships and other technical training opportunities. Across our two divisions we provided 266 learnerships during the year, few of them were recruited after successfully completing their learnerships. 26 apprentices were trained at the Phalaborwa-based technical training centre.

Our bursary programme offers deserving candidates the opportunity to study engineering and geology at a university or a university of technology. However, we continue funding the old bursars. We currently have 10 bursars at the Mining Division and nine at the Acid Division. This brings the total number of bursars for the Foskor group to 19.

Our graduate development programme aims to develop a strong technical foundation and blends academic theory and practical exposure. Every participant has a mentor who supervises their formal training and work exposure. A total of 19 graduates are currently participating in this programme 10 at the Mining Division. Foskor also has an agreement with the MQA to assist with a development programme for MQA graduates. MQA grant cost is R6 576 826. This shows commitment on Skills Development and uplifting of the skills level in the country, which directly have an impact into the community.

The Adult Education Training programme presented at the Mining Division currently hosts 32 employees. Foskor invested R107 831 in the programme in 2017 which offers eligible employees free tuition and learning materials.

Twenty nine learners were registered at the Mining Division in the Foundational Learning Competency (FLC) to assist them to meet MQA basic requirements needed enabling them to register for qualification in Mineral Processing (Metallurgy) and Mineral Excavation Skills Programmes.

An amount of R37 692 was invested in the programme.

In partnership with Mopani FET College and the LGSETA, the Mining Division is hosting 21 Interns in the fields of Management Assistant, Business Management and Finance Management. The purpose is to assist the learners in gaining work place experience to enable them to qualify for diplomas at the end of the 18-month training programme.

An apprenticeship programme is run at the Acid Division for the development of artisan learners. In partnership with Umfolozi FET College and CHIETA, the Acid Division is hosting 28 learners to eventually be declared competent artisans. The Acid Division further hosted 13 apprentices also in partnership with Umfolozi FET College. R1.5 million was spent on study assistance, career advancement training interventions for employees in the Acid Division.

Trade union representativeness

Foskor subscribes to the principles of industrial democracy and employee participation. This is achieved through recognition of trade union representatives who meet regularly with management. There are also monthly briefing sessions which are attended by all employees. In this way, all employees of Foskor are able to directly and indirectly participate in any matter of mutual interest and other matters affecting their conditions of employment.

There are presently seven trade unions representing a total of 1 684 employees (out of 1754 total employees), which equates to approximately 96 % of the total permanent staff complement as at 31 March 2018.

A new trade union, Association of Mineworkers and Construction Union (AMCU), has made attempts at recruiting members at the Mining Division. However, the union has not yet been accorded recognition status as its claimed membership of about 63 is far from reaching the required 35% threshold in terms of the existing Recognition Agreement between the Company and The National Union of Mineworkers (NUM).

NUM represents the majority (63.0%) of the total union membership in the Group. The Chemical Energy Paper Printing Wood and Allied Workers Union (CEPPWAWU), which is based at the Acid Division in Richards Bay was the second largest trade union with 23.8% share in the previous period and has lost a significant membership due to the arrival of a new trade union, namely the National Union of Metalworkers of South Africa (NUMSA). CEPPWAWU is now standing at approximately 13.0%. NUMSA currently represents approximately 12.0% members and that makes it the third biggest union within the Group. Solidarity has a combined membership share of approximately 8.0% at both divisions, Non-unionised employees account to 3.0% and UASA has a support base of 1.0 %.

Substantive conditions of employment

The substantive conditions of employment agreements which were concluded in 2017 at both Mining and Acid divisions respectively are set to run for a period of three years from 1 April 2017 until March 2020.

Although SOLIDARITY at the Acid division is challenging the implementation of the wage agreement in respect of the facing-out of the scarcity allowance during the subsistence of the agreement, the implementation of the second phase of the three-year wage agreements was successfully executed without any major challenges on 1 April 2018.

Pay progression criteria

The process of developing a pay progression criterion is at an advanced stage. However, it was put on hold because of the Company's unfavourable financial situation. The Pay Progression criteria is aimed at making it possible for employees to systematically progress between the minimum and maximum of the salary scales for Level 1 – 7 employees. The conception came about because of the 2012 strike at the Mining division, but its finalisation and implementation has been hampered by the adverse financial situation of the Company during the last five years.

Dispute resolution

During the year under review (2017/2018 financial year), 25 CCMA/NBCCI and labour court cases as reflected below were reported, of which 16 were finalised and nine were still outstanding at the time of compiling this report. Altogether 22 of them related to individuals while three were collective in nature. The cases were concluded as follows:

- four favourable arbitration awards;
- six favourable settlement agreements;
- five withdrawals;
- nine still outstanding; and
- one abandoned.

It is also worth mentioning that of these cases, eight relate to allegations of unfair labour practice (ULP), three of alleged unfair discrimination, one mutual interests matter, seven dismissals for misconduct, four dismissals based on operational requirements and two constructive dismissals. Of the four operational requirement dismissals, three flowed from the previous financial but finalised during the year under review.

The Company's industrial relations section continues to arrange IR training for management and trade union representatives. Four sessions (one at the Acid division and three at the Mining division) were done by the CCMA during the financial year under review. The training programmes enable the management to effectively instil workplace discipline.

Restructuring exercise

There was no restructuring exercise during the period under review except for one position which was declared redundant after merging two positions into one at Acid Division and only one employee was affected, and the process was finalised at the end of March 2018.

General industrial relations climate

A sound employment relations climate continued to prevail during the period under review at both divisions and there were no incidents of industrial unrest.

SOCIAL

The mining industry finds itself in a constantly evolving position wherein transformation is expected to be implemented under the current difficult circumstances of policy uncertainty which has resulted in the government commitment to review the Mining Charter in the short run.

On a more positive score, the mining industry continues to be a sector that presents significant opportunities for employment, community development, Supplier and Enterprise Development which ultimately makes a positive impact on the regional development.

Mining remains a key driver of economic growth in South Africa and there is an expectation in our communities that are dominated by increasing poverty, growing inequality, there are increasing calls for the mining industry and the private sector in general, to dig deep into the pockets for social spending.

The United Nations' Sustainable Development Goals (SDGs) in conjunction with vision 2030 that aspires among others, to eliminate poverty and create 11 million jobs by the year 2030. This is a clarion call to the mining industry in general to put strategies in place to contribute meaningfully to the challenges that are faced by our host communities, regions and the province.

In an attempt to maintain the company's social licence to mine, we are expected to implement the Mining Charter requirements. When Foskor was issued with the conversion of the mining rights in 2009, the licence to operate was conditional on compliance with the Mining Charter, Broad-Based Black Economic Empowerment (B-BBEE) Act and the Minerals and Petroleum Resources Development Act (MPRDA).

The second Social and Labour Plan which is now being implemented is expected to come to its end on August 2018 and we would have spent a maximum of R35 in the past five year period. We are currently in the process of implementing three projects being:

Makatikele School	R5 million
New landfill site	R4 million
Rehabilitation of streets	R13 million

We have spent R 1.3 million in the period under review on pothole repairs in the Ba-Phalaborwa municipal jurisdiction.

The third Social and Labour Plan is in the process of being developed for submission and the following proposed LED projects will be finalised with Ba-Phalaborwa municipality:

New landfill site	R7 million
Namakgale Hawkers Market	R5 million
Rehabilitation of streets	R15 million
Township establishment (Makhushane / Majeje / Maseke)	R3 million
Electrical Infrastructure	R5 million

We have proposed the retention of R35 million rand spending over the next five years due to the unfortunate landscape that Foskor finds itself.

The rehabilitation of streets or rather pothole repairs has tapped R6.5 million into the total rehabilitation budget of R13 million over the five year period.

Foskor firmly believes in the spirit of transformation for ensuring the growth and sustainability of our business. We believe that, by creating an enabling business environment with clear deliverables as guided by the principles of transformation, historically disadvantaged South Africans (HDSAs) will be empowered to participate meaningfully as employees, shareholders, communities and suppliers. Foskor's approach on sound and honest interaction with all stakeholders is the essence of our approach to sustainable development that resonates very well with Foskor's mission statement "We will create value and profit by converting opportunities with determination, responsibility and sustainability".

We are an organisation that does not only comply with the relevant transformation legislations and guidelines but we aim to exceed the basic compliance to ensure that our stakeholders participate in the economic benefits generated at our operations, and that our activities leave our host governments and communities with a firm foundation for a sustainable future.

Through our stakeholder engagement initiatives, we continue to strengthen our relations with the local communities to foster trust between ourselves and our host communities. We acknowledge that our operations are part of our host communities and our health barometer as a business is directly linked to the wellbeing of these communities. We are gradually improving our engagement with host communities, and with them we are finding better ways to cohabitate in harmony, for mutual benefit.

We remain resolute to the spirit of transformation and we have different transformation initiatives in the divisions to assist in bringing to the management team's attention issues that affect our employees and the immediate communities. The consultative forums include Employment Equity committees, monthly organised labour meetings, scheduled community meetings, quarterly transformation sittings and others.

CAREER DEVELOPMENT AND WOMEN IN MINING

Development of women at Foskor is seen as an imperative towards sustainable development. Some of the initiatives includes capacity building for women through development and their inclusion on the formal succession development programme. Our career development and succession planning programme provides for employees to be chosen for development and advancement based on core competency requirements.

A career path is then planned for the individuals selected with a mentor assigned to the protégé. The career progression plan for women at Foskor is given priority and the management team supports initiatives to develop women and 12% of the 94 people identified for career progression are women. The career progression planning at Foskor ranges from 12 months to four years depending on the extent of the level of the incumbents' workplace exposure. It must be noted that mentoring forms an integral part of employees' career development to ensure that there is proper and well-informed transfer of skills.

Due to the nature of Mining and the Acid divisions, the recruitment of women into technical positions remains a major challenge, primarily due to a lack or shortage of women with those scarce technical skills. By actively engaging with women in the recruitment process Foskor continues to strive towards improving the representation of women across all levels within the organisation.

In the year under review, women occupied 18% of the total positions in both the Mining and Acid divisions.

Our employment equity plan is geared towards supporting the increasing number of women that we employ.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The current B-BBEE certificate which expires in November 2018 can be accessed from our website www.foskor.co.za. A summary of the account of our current B-BBEE Level 5 under new codes is presented below:

ELEMENT	MAXIMUM SCORE ON THE NEW SCORECARD	FOSKOR SCORE
Equity ownership	25.00	12.35
Management control	19.00	10.65
Skills development	20.00	14.44
Enterprise and supplier development	40.00	33.28
Socio-economic development	5.00	5.00
Grand total	109.00	75.72

MINING CHARTER

As Foskor we are committed to transformation and are guided by the provisions as stipulated in the Broad-Based Black Economic Act and the Empowerment Charter for the South African Mining and Minerals Industry (Mining Charter).

All mining rights holders are required to submit quarterly and annual compliance assessments to the Department of Mineral Resources on progress made against meeting the annual targets in the Charter. We have submitted all the required annual reports.

We are in the final year of completing our second five-year cycle of the Social and Labour Plan and we will be submitting a new five-year plan with new transformation targets. The new SLP will be submitted to the Department of Mineral Resources by July 2018 after consultation with all critical stakeholders being the majority union NUM, Ba-Phalaborwa Municipality and the representatives from the communities.

Foskor perceives the Mining Charter as a tool that is used to direct and manage transformation in the mining sector and Foskor as one of the catalysts for change in the industry will endeavour to be seen making all attempts to ensure that there is compliance under the current difficult and trying economic conditions.

DEVELOPMENT

The delivery of community development projects is informed by the Social and Labour Plans (SLPs) that are submitted every five years to the DMR, detailing community development projects and targets. Foskor will be making a minimum direct investment of R35 million for the funding of the four Local Economic Development projects in the SLP of the Mining Division for the next five-year cycle and this cost excludes the cost of the three dedicated employees which includes a senior manager that are responsible for implementation of these projects.

A further annual investment of R3.0 million is made in the group as part of the fixed and *ad hoc* donations.

We invest in communities within a 50-kilometre radius of our Mining and Acid operations. Our Corporate Social Investment (CSI) and Local Economic Development (LED) under the stewardship of the Corporate Affairs Department, manage education, skills development, housing and infrastructure upgrades and healthcare and social welfare. We conduct rigorous community needs assessments through the Integrated Development Planning (IDP), and put in place monitoring and control systems through monthly meetings with the municipality to safeguard the integrity of initiatives and ensure they continue to meet the needs of our local communities.

COMMUNITIES

The mining industry is expected to make a difference by being able to create a sustainable business which can effectively engage its stakeholders – most directly our employees and the communities close to our operations, but equally to the stakeholders who indirectly affect, or are affected by, what we do, including governments, shareholders, partners and suppliers. We are committed to working with all our stakeholders in government, business and civil society.

We believe that establishing relationships built on trust, integrity and mutual respect is fundamental to our ability to create value for the communities and the shareholder. The need to invest in building mutually beneficial relationships is of great importance.

Our Company sustainability as a mining and acid manufacturer operation depends on our ability to positively contribute to the wellbeing and prosperity of our host communities. The recent challenging social context in South Africa on unemployment and prevalence of child-headed families due to the impact of HIV/AIDS highlights the need for sustainable community development as both a commercial and a social imperative around our operations in both Phalaborwa and Richards Bay.

Our established Community Trusts are geared to support the local communities by adopting the approach of the provincial development plan which supports poverty alleviation through agricultural projects and skills development initiatives. The Community Trusts are managed by community-representing Trustees in terms of the trust deeds and are funded through the Foskor dividends when the Company is profitable.

Our corporate social investment includes investments in sports, arts and culture, health and food security, and the support of vulnerable groups.

There are no disputes with communities relating to land use, customary rights of local communities and indigenous people. There is one pending land claim in Phalaborwa.

Our main aim with CSI and LED is to:

- Maintain and observe the conditions attached to the issuing of our mining licenses to operate but as the Group we deliver on our mandate beyond compliance
- Use the allocated financial resources appropriately and effectively to respond to identified and agreed community needs
- Focus efforts on achieving tangible and sustainable impacts that will continue beyond the life of mine
- Go beyond financial resources and consider the best use of other internal assets, resources and most importantly to be part of the local communities
- Utilise the pool of expertise and forge relationships that will benefit the host communities
- Avoid dependency and encourage the creation of alternative economies that are independent of mining
- Continuously monitor and evaluate the impact and social returns from these important investments

The following are some of the projects that have been undertaken in the Richards Bay area:

• Social development programme

Foskor has partnered with the Department of Women, Children and People with Disabilities and Zikhulise Skills Centre in identifying Nawe Zifunze Disabled Centre which provides skills training for disabled people. Nawe Zifunze has been trained by the Department of Arts and Culture on bead artwork, and Ceramic Pottery. They are now transferring their skills to others at the Centre. Nawe Zifunze Youth, and Women have managed to secure a sustainable market where they are selling all their products. We have provided the operating stock for them to remain operational towards their own sustainability.

Foskor is committed to helping, uplifting and empower the community through social development focus of its CSI programme. Projects that are in this focus area include those that help to create jobs, provide sustainable livelihood for communities and also to provide support to those who are HIV/AIDS infected.

• Employee volunteer programme

Employee Volunteering Programs (EVPs) refer to any formal or organised company support for employees who wish to give of their time and skills in service to the community. This does not only include Corporate Social Investment staff whose job description is to work on CSI, but rather employees from non-CSI departments. A team of employees from different departments including Senior Managers dedicate their time and skills in making the CSI Initiatives a success on these programmes, e.g. Mandela Days, Take a girl child to work, Arbor Days (planting of trees) Coastal Clean-Ups, CANSAs Relays, etc.

This initiative has ensured that the camaraderie spirit is shared within the employees from different departments.

- **Community engagement with local traditional leaders**

Tractor donation for food security: Kwa Mkhwanazi Traditional Authority received a tractor from Foskor as part of food security and poverty alleviation. This is part of our effective stakeholder engagement by giving back to our host communities for sustainable development. It is our long-term vision to ensure that the five traditional authorities each receive a tractor and Kwa Mkhwanazi received this donation after we had donated three tractors and implements in the past three years to Kwa Khoza, Kwa Zungu and Kwa Mthiyane traditional authorities.



Tractor donation



Tractor donation



Multi-purpose trailer donated to Mambuka Traditional Authority

- **Education – high flyers – matriculants from umhlathuze and King Cetshwayo District (Maths and Science Winter School Programme)**

This is a learner support programme that focused on exam readiness, with the focus on Maths and Science. 200 merit performance learners were selected from 13 local high schools around uMhlathuze and King Cetshwayo District. This was the first of its kind around these two districts wherein Foskor came up with this programme to enhance the learning and teaching in our education system. This was in preparation for both June and final examinations for these chosen learners. The first contact sessions of the programme took place during the winter school holidays. This is an ongoing programme where Foskor is in partnership with the Department of Education.



National Education Department representatives and High Flyers – Matriculants from uMhlathuze and King Cetshwayo District. (Maths and Science Project)

- **Donate-a-school shoe project**

At Foskor we believe that a new pair of shoes should be tough enough to protect a young child's feet whether it be on the playground, on the sports field or even walking home in the middle of cold winter season on gravel roads. Foskor CSI partnered with Backstage, our canteen service provider, in starting a project of donating school shoes to less privileged children and orphans in the rural areas of our communities. 100 pairs of shoes were donated to Mzingazi Primary School targeting orphans and underprivileged learners.

Foskor donated 100 pairs of school shoes in partnership with the Mayoral Back to school Program campaign in dressing learners from rural and impoverished areas in the district of uMhlathuze.

This is an ongoing project which aim to assist learners in restoring their dignity and self esteem.



Donation of school shoes and bags to Mzingazi Primary School orphans and vulnerable children.

- **University of Zululand Third-Year Chemistry Students' visit to Foskor plants**

University of Zululand HOD – Chemistry and Acid division as part of stakeholder engagement has forged a good working relationship with the University to align their curriculum with the needs of local industries. Subsequent to a number of meetings, Foskor Acid CSI hosted the Third-Year Chemistry Students for practical work environment exposure. The excursion was based on students gaining more knowledge and insight about Foskor processes and products. The visitation was mainly focusing on the Chemistry Laboratories and the Plant. Foskor as part of its community outreach has extended an opportunity to the University to send their lecturers to attend such excursions to gain first-hand information regarding the practical side of their curriculum.



University of Zululand Third-Year Chemical Students visiting Foskor Acid Chemical Laboratories.

Foskor (Pty) Limited jointly with Ba-Phalaborwa Municipality continue to support communities through Local Economic Development (LED) initiatives. **We committed to five Projects in our Social and Labour Plan for a five-year cycle 2013 to 2018.**

The projects and status of some of these projects are summarised as follows:

1. UPGRADING AND REFURBISHMENT OF THE ELECTRICITY NETWORK

Ba-Phalaborwa Local Municipality has experienced numerous network failures resulting in loss of electrical supply to large portions of the town for extended periods during the last few years. After a few power failures at the Selati 33/11kV Main Intake Substation, which resulted in a total power failure in the town of Phalaborwa, Foskor decided to consult with the Municipality in an attempt to turn the situation around through its Social and Labour Plans interventions. After consultation with the local stakeholders a survey was commissioned and funded by Palabora Mining Company and the NET Group was able to produce a report that suggested an urgent upgrading and refurbishment of the electricity network.

Phalaborwa Municipality is supplied at 33kV from the Eskom Selati Substation via two 20MVA 33/11kV transformers of which one (Transformer 2) was out of service. The Selati 11kV Substation switchgear board was faulty and in a serious state of disrepair. Although minor upgrade projects were initiated previous years, the bulk of the electrical distribution network was very old and frequent component failures were experienced. No formal refurbishment program existed, and equipment upgrades/refurbishments were done as equipment fails. A major point of concern was the poor performance of network protection equipment, frequently relying on the Eskom network protection to clear faults, resulting in severe stress on network components.

This project was adopted in the Municipality's IDP and incorporated in our SLP. We took this project because the town of Ba-Phalaborwa was constantly blacking out due to the old transformers not being able to carry the load of the town. Foskor established that this anomaly had a potential of destroying the businesses in Ba-Phalaborwa. Foskor has successfully completed the project and the town is benefiting from this project.

The installation of this 30MVA transformer has cost us R7 626 912. The 30MVA transformer was purchased and installed on the 11 June 2017 and successfully commissioned. Foskor is proud to have completed this project as it will impact the lives of ordinary people and businesses in Ba-Phalaborwa.

The Ba-Phalaborwa Municipality requested that the remainder of the budget be used to refurbish the electrical overhead lines which are worn out at the substation. The Municipality will provide the scope of works to complete the project and the balance of this project will be completed in the 2018 financial year.

The 30MVA transformer was installed on 12 June 2017 and the official hand-over of the 30MVA transformer to Ba-Phalaborwa Municipality was held on 7 July 2017.



2. POTHOLE REPAIR PROJECT AS PART OF REHABILITATION OF STREETS IN BA-PHALABORWA

The budget allocated for the pothole repair project was R3 000 000 and the actual spending to date is R2 212 509. The rehabilitation of streets project with a budget allocation of R13 000 000 will be implemented in the 2018 financial year.

This project has employed 12 community members of Ba-Phalaborwa and we believe in running projects that creates employment for our local communities. As part of planning for the next five-year Social and Labour Plan we will be including this project to ensure that it is sustainable.

3. STAKEHOLDER ENGAGEMENT: HANDOVER OF TWO GRADERS

Stefanutti handover of two graders to Vexovax on 15 November 2017

Foskor in conjunction with Stefanutti Stocks has made Radical Economic Transformation a reality for the communities of Ba-Phalaborwa as represented by a community-based company, Vexovax.

Vexovax (Pty) Ltd was established by senior traditional leaders of five tribal communities within the Ba-Phalaborwa area, namely:

- (i) Makhushane
- (ii) Maseke
- (iii) Selwane
- (iv) Mashishimale
- (v) Majeje

Vexovax was introduced to Stefanutti Stocks by Foskor to start negotiations to forge a mutually beneficial business relationship between Stefanutti Stocks and Vexovax. This agreement will ensure that the necessary business management and skills transfer in general takes place. Foskor facilitated a series of meetings between Vexovax and Stefanutti.

The chairperson of the Vexovax board Mr Nic Mabobo is quoted saying: "This is a marriage that is happening in an African context wherein the newlyweds stays on the family premises in the backroom for the parents to ensure that the couple is properly groomed for the success of the marriage". In this context Foskor is the parents and Vexovax and Stefanutti Stocks are the newlyweds.

An agreement of adopting Vexovax as an Enterprise Development initiative of Stefanutti Stocks (SS) was reached and signed on 31 May 2017. The Implementation Plan included handing over two Graders that will be rented for 15 months to Stefanutti Stocks by Vexovax and Stefanutti stocks will empower two black local young diesel mechanical artisans that will receive skills for proper maintenance of the graders and other equipment and Stefanutti will be responsible for ensuring that this Enterprise Development initiative is implemented and Vexovax can also be able to run their own affairs more efficiently. **At the end of 15 months, by December 2018, the two Graders will be fully owned by Vexovax.**

In the interest of Enterprise Development, Foskor would like to have this similar model extended with other opportunities at Foskor and other small companies will also benefit by a similar approach with other Foskor contracts.

Foskor would like to extend its word of appreciation to Stefanutti Stocks and Vexovax in a way they handled this matter through open discussions.



4. COMMUNITY TRAINING

Foskor continuously engage with communities to assist with skills development to those that are without formal qualifications. The community training is an annual project, there is a set aside for the training of R1 000 000 for both the Mining and Acid divisions. We have seen the impact this training has in our hosting communities and through this initiative community members were employed and some have increased their potential to be employed.

Four service providers were appointed for the Community skills training respectively (HIRA, Basic Health & Safety, First Aid Level 1, Steel Fixing, Shutter Hand, Dozer and Forklift Training). The community training commenced on 27 February 2018 and still underway the expected completion date for the training is 20 April 2018.

Foskor takes pride in this initiative as it creates a platform for employment and starting small business to sustain their livelihood in the community. The contractors can absorb them with ease because of the skills they gain from this training.

Apart from the local economic development projects in Phalaborwa, there were other projects such as the Mmoto Farming project and Mojela project. These projects are summarised as follows:

a. Mmoto Farming project

The high level of unemployment and poverty are realities that most people are facing on a daily basis within our communities. These problems are mostly rife in rural areas where a majority of the people do not have formal qualifications which renders them unmarketable for employment that requires skilled training. The people overwhelmed by these predicaments are mostly youth who then turn to crime and substance abuse to find relief for their difficulties in life. Fortunately, this was not the case for Mokgalaka Nomsa (30) and Malatji Nicholus (28), founders of Mmoto Holdings. Mmoto Holdings is a small business enterprise that focuses on vegetable production to sustain and empower local people in the rural community of Selwane village in the Ba-Phalaborwa Municipality. The Company was established back in 2015 by two vibrant and energetic young people (Nomsa Mokgalaka and Nicholus Malatji) on a three-hectare piece of land. Today the Company employs four permanent workers and 10 temporary workers during harvesting and benefiting over five families monthly. To the community of Selwane, this establishment came as a relief because the vegetables are readily available, and they can now access them without travelling a long distance. When asked why farming, the young individuals explained that it came because of seeing an opportunity of using rural land that lie in waste for productive and sustainable agricultural activities that can create employment and increase food security for their immediate community. Currently most rural agricultural land is used once in year (during rainy seasons) for only specific households and the remainder of the year it is unused.

Starting the crop production initiative was not an easy task for Nomsa and Nicholus, but through their perseverance this venture was made possible. The funds accumulated through savings were only enough to cover fencing, drilling of water borehole, buying seeds, hiring a tractor for ploughing and paying workers for the first three months. Selling of fresh vegetables to the surrounding

neighborhood and fresh produce markets made it possible for the business to stay afloat. However, due to the high elevated temperatures that persist in Ba-Phalaborwa area, the plants require constant irrigation which had increased electricity costs for pumping water and increased work load for workers when irrigating through furrows. This limited the amount of space that can be planted resulting in reduction in productivity. This problem also made it difficult for the business to meet its obligations to serve its clientele satisfactorily.

After making a request to Foskor Mine for financial aid to buy drip irrigation, within three months the mine came to the rescue. They bought us 20 rolls of drip irrigation pipes that could cover one hectare of land. This brought necessary relief for reduction in operational costs and workload of the employees. Now, Mmoto farming is growing from strength to strength daily while meeting its obligation to its client base since a larger portion can be utilised.



b. Mojela project

In June 2017 the Mojela family's house situated in Mashishimale caught fire and left the family without shelter. On behalf of the family the Concerned Residents Forum approached various companies pleading assistance for the destitute family. Amongst the companies Foskor was also approached, as it is known to be one mine that cares about the wellbeing of communities in its area of jurisdiction.

After Foskor visited the house and realised that there is no one employed amongst the family of two female adults and four minors, they offered to refurbish the house and furnish it as well as doing electrical restoration through the Foskor apprentice training workshop. Trainees under the supervision of Mr Collins Madiba did an outstanding work on the installation of all electrical parts and tested proper connections.

During the handover ceremony Mr Mokungwe from the Concerned Residents Forum appreciated how Foskor mine is always willing to give back to the community and its commitment in developing people around it. The family was so overwhelmed and could not express their words of gratitude.

When addressing the attendees, the Superintendent Community and LED, Ms Elizabeth Ngobene encouraged people to focus on education and to study towards the disciplines related to the mining industry as Foskor is awarding bursaries to alleviate the constraints on families which do not have adequate income. She also mentioned that youth should grab any education-related offers that come their way as this is an investment which will eradicate poverty which has struck most of our rural communities.

GLOSSARY

ABBREVIATION MEANING

ABET	Adult Basic Education Training
AEL	Atmospheric Emissions Licence
AHF	Anhydrous fluoride acid
AMS 16001	Aids Management Systems 16001 standard
ARC	Agricultural Research Council
B-BBEE	Broad-Based Black Economic Empowerment
BARC	Board Audit and Risk Committee
BEE	Black Economic Empowerment
CaPex	Capital expenditure
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CEPPWAWU	Chemical, Energy, Paper, Printing, Wood and Allied Workers Union
CIL	Coromandel International Ltd
CINPF	Chemical Industries National Provident Fund
CO₂	Carbon dioxide
COBIT	Control Objectives for Information Technology
COID	Compensation for occupational injuries and diseases
COSO	Committee of Sponsoring Organisations
CRF Institute	A company offering independent HR assessment and acknowledgement, headquartered in The Netherlands
CSI	Corporate Social Investment
DAEA	Department of Agriculture and Environmental Affairs
DAP	Di-ammonium phosphate
DEA	Department Environmental Affairs
DEKRA Certification	A global provider of auditing and certification services, specialising in the fields of safety, environment and health, headquartered in Germany
DMR	Department of Mineral Resources
DTI	Department of Trade and Industry
DWA	Department Water Affairs
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ERM	Enterprise-wide risk management
ESOP	Employee share ownership plan

ABBREVIATION MEANING

EXCO	Executive Committee
FFP3	Filtering Face Piece Level 3 respirator
FGAS	Foskor Group Audit Services
FOB	Free on Board
FOR	Free on Rail
FZE	Free zone establishment. Refers to a limited liability entities owned by an individual or corporate entity, as in Sun International (FZE) Dubai
GRI	Global Reporting Initiative
HDSA	Historically Disadvantaged South Africans
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HL, CMW, HDPE, K4	Various recyclable waste generated
IAS	International Accounting Standards
ICT	Information and Communications Technology
IDC	Industrial Development Corporation of South Africa Limited
IDP	Integrated Development Plan
IFRS	International Financial Reporting Standard IIR Framework
IR	Industrial Relations
IRMSA	Institute of Risk Management of South Africa
ISO 14001	International Organisation of Standards – Environmental Management
ISO 16001	International Organisation of Standards – Energy Management Systems
ISO 31000	International Organisation of Standards – Risk Management
ISO 9001	International Organisation of Standards – Quality Management
King IV	Corporate Governance Codes of the King IV report
KPI	Key Performance Indicator
KZN	KwaZulu-Natal
LA Crushers	A load and haul materials handling service provider in Phalaborwa for both the PMC and Foskor
LED	Local economic development
LTIFR	Lost time injury frequency rate
MAP	Mono-ammonium phosphates
MAPz	MAP with zinc

ABBREVIATION MEANING

MDP	Management Development Programme
MDW	Mission-directed work teams
MPRDA	Mineral and Petroleum Resources Developments Act
MQA	Mining Qualifications Authority
MVA	Megavolt Ampere
MW	Mega Watt
NECSA	Nuclear Energy Corporation Ltd of South Africa
NEMA	National Electrical Manufacturers Association
NERA	National Empowerment Rating Agency
NGO	Non-governmental organisation
NNR	National Nuclear Regulator
NPK	Nitrogen-phosphate-kalium (complex fertilisers)
NPPB	North Pit Pushback Project
NUM	The National Union of Mineworkers
OESSM	Occupational Exposure Sampling Strategy Manual
OHS Act	Operational Health and Safety Act of South Africa
OHSAS	Occupational Health and Safety Assessment Series
P₂O₅	The term used in the phosphate industry to measure its phosphoric acid production volumes
PAS 2050 standard	Publicly Available Standards (PAS) 2050 is a method for the assessment of the life cycle GHG emissions associated with goods and services
PHB	Phalaborwa
PMC	Phalaborwa Mining Company
PPE	Personal Protective Equipment
PROTEC	Programme for Technological Careers

ABBREVIATION MEANING

RBY	Richards Bay
REO	Rare Earth Oxide
ROCE	Return on capital employed
ROM	Run-of-mine
SABS	South African Board of Standards
SAMREC	South African Mineral Resource Committee
SANS	South African National Standards
SANS 16001	South African National Standards for HIV/AIDS
SANS 451:2008	South African National Standards for Spirometry
SARS	South African Revenue Service
SASDC	South African Supplier Development Council
SEAON	South African Environmental Observation Network
SETA	South Africa's Skills Education and Training Authority
SGS	is a leading inspection, verification, testing and certification company, headquartered in Switzerland
SHREQ	Safety, Health, Radiation, Environment and Quality
SMME	Small, Medium and Micro Enterprise

