tharisa

# REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2016

# Corporate information

## THARISA PLC

Incorporated in the Republic of Cyprus with limited liability
Registration number: HE223412
JSE share code: THA
LSE share code: THS
ISIN: CY0103562118

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## DIRECTORS OF THARISA

Loucas Christos Pouroulis *(Executive Chairman)*
Phoevos Pouroulis *(Chief Executive Officer)*
Michael Gifford Jones *(Chief Finance Officer)*
John David Salter *(Lead Independent non-executive director)*
Antonios Djakouris *(Independent non-executive director)*
Omar Marwan Kamal *(Non-executive director)*
Brian Chi Ming Cheng *(Non-executive director)*
Carol Bell *(Independent non-executive director)*
Joanna Ka Ki Cheng *(Alternate non-executive director)*

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REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six months ended 31 March 2016



# MISSION

To maximise shareholder returns through innovative exploitation of mineral resources in a responsible manner

# INTRODUCTION

Tharisa is an integrated resource group incorporating mining and the processing, beneficiation, marketing, sales and logistics of PGM and chrome concentrates.

## MISSION

**To maximise shareholder returns through innovative exploitation of mineral resources in a responsible manner**

## VALUES

- **The safety and health of our people is a priority**
- **We take responsibility for the effect that our operations may have on the environment**
- **We are committed to the upliftment of our local communities**
- **We conduct ourselves with integrity and honesty**
- **We strive to achieve superior returns for our shareholders**
- **We originate new opportunities and will continue to challenge convention through innovation**

## STRATEGIC INITIATIVES

- Implementation of **optimisation initiatives** to maximise value extraction
- Growth through **innovative** research and development
- **Growth** through accretive acquisition, development and operation of large scale and low cost projects that are in or close to production
- Leveraging off the **established platform** for expansion into multi-commodities with geographic diversity
- **Capital discipline** with a dividend policy of 10% on NPAT and capital allocation to low risk projects

# HIGHLIGHTS H1 2016

**PGM PRODUCTION (6E)**

↑ 4.5%

60.0 koz

(2015: 57.4 koz)

**CHROME CONCENTRATE PRODUCTION**

↑ 7.3%

604.4 kt

(2015: 563.3 kt)

**PGM PRICES**

↓ 27.4%

US$686/oz

(2015: US$945/oz)

**CHROME PRICES**

↓ 32.1%

US$106/t

(2015: US$156/t)

**REVENUE**

↓ 30.5%

US$86.0m

(2015: US$123.7m)

**GROSS PROFIT MARGIN**

↑ 6.2%

24.6%

(2015: 18.4%)

**NET CASH FLOWS FROM OPERATING ACTIVITIES**

↑ 18.2%

US$18.2m

(2015: US$15.4m)

**HEADLINE PROFIT PER SHARE**

US$1 cent

(2015: US$1 cent)

**ALL IN COST PGM OZ***

↓ 10.9%

US$492/oz

(2015: US$552/oz)

* including non-cash flow items excluding financing and capital expenditure

**ALL IN COST CHROME TONNE***

↓ 32.9%

US$102/t

(2015: US$152/t)

* including non-cash flow items excluding financing and capital expenditure

## GROUP STATISTICS

| | Unit | % change | H1 FY2016 | H1 FY2015 |
|---|---|---|---|---|
| ROM mined | Mt | 21.1 | **2.4** | 1.9 |
| PGM rougher feed grade | g/t | 1.8 | **1.68** | 1.65 |
| Chrome grade | % | (0.3) | **18.4** | 18.7 |
| ROM processed | Mt | – | **2.2** | 2.2 |
| PGM recovery | % | 1.9 | **65.0** | 63.1 |
| PGM in concentrate produced | koz | 4.5 | **60.0** | 57.4 |
| Chrome recovery | % | 6.1 | **62.8** | 56.7 |
| Chrome concentrate produced | kt | 7.3 | **604.4** | 563.3 |
| PGM basket price | US$/oz | (27.4) | **686** | 945 |
| Chrome concentrate price (42% CIF China) | US$/t | (32.1) | **106** | 156 |
| Average exchange rate | ZAR:US$ | (30.4) | **15.0** | 11.5 |
| Group revenue | US$'000 | (30.5) | **85 997** | 123 700 |
| Gross profit | US$'000 | (7.3) | **21 134** | 22 805 |
| Profit for the period | US$'000 | (36.4) | **3 098** | 4 870 |
| EBITDA | US$'000 | (17.9) | **14 732** | 17 937 |
| Headline earnings | US$'000 | (13.9) | **2 925** | 3 396 |
| Headline earnings per share | US$ cents | – | **1** | 1 |
| Gross profit margin | % | 6.2 | **24.6%** | 18.4% |
| Net cash flows from operating activities | US$'000 | 18.3 | **18 230** | 15 417 |
| Debt to total equity ratio* | % | | **24.2%** | 42.7% |

** Net of the debt service reserve account*

*The percentage change for changes in percentage numbers is calculated as the difference between the comparable period percentage and the current period percentage.*

# INTERIM MANAGEMENT REPORT

## DEAR SHAREHOLDER

Tharisa has delivered on its commitments with exceptional performance in challenging times. In the six months ended 31 March 2016, the Group again demonstrated how its low cost business model ensures it can withstand a commodity price downturn and still deliver robust operational and financial results.

The first half of FY2016 was a milestone period for Tharisa with the Company moving closer to steady state production. Production milestones included:

- reef mining exceeded the steady state required run rate of 4.8 Mtpa on an annualised basis in Q2 FY2016;
- mill throughput performing at nameplate design capacity of 400 ktpm;
- contained PGM production on a 6E basis of 144.0 koz (on an annualised basis in Q2 FY2016) moving closer to revised steady state target of 147.4 kozpa; and
- increase of specialty chrome production from 10.1% to 17.5% of chrome concentrate production.

Post the half-year results, Tharisa listed on the main board of the London Stock Exchange under the ticker THS. The secondary listing increases Tharisa's international profile, opens up access to a wider pool of investors and will improve trading liquidity by facilitating the participation of UK and European investors in the Company. Tharisa's primary listing remains on the JSE.

The six months under review were characterised by a challenging macroeconomic environment, where global commodity prices declined materially before recovering towards the end of the second quarter. The average PGM basket price (on a 6E basis) for the six-month period was US$686/oz, a decline of 27.4% relative to the comparable period. Similarly, the average metallurgical grade chrome concentrate price for the six-month period was US$106/t, a decline of 32.1% relative to the comparable period.

While the macroeconomic conditions are outside the control of the Group, Tharisa's continued focus on achieving steady state production yielded positive production results with a 4.5% increase in production of PGM contained metal on a 6E basis of 60.0 koz and a 7.3% increase in chrome concentrate production of 604.4 kt. With the release of the updated Competent Person's Report dated 31 December 2015, steady state PGM production on a 6E basis was increased to 147.4 kozpa while chrome concentrate steady state production was revised to 1.33 Mtpa.

Safety remains a top priority and Tharisa continues to strive for zero harm at its operations. Tharisa achieved a Lost Time Injury Frequency Rate (LTIFR) of 0.3 per 200 000 man hours worked at 31 March 2016. This is among the lowest LTIFRs in the PGM and chrome industries in South Africa. Tharisa continues to implement appropriate risk management processes, strategies, systems and training to promote a safe working environment for all facilitated by the opening of the Group's new training centre.

The Group reported a profit before tax of US$4.5 million for the interim period with net cash flows from operating activities of US$18.2 million, an improvement of 18.3%.

Tharisa continues to strengthen its competitive position, benefiting from the shallow open pit and large scale co-production of PGMs and chrome concentrates.

## OPERATIONAL OVERVIEW

| | Unit | 31 March 2016 | 31 March 2015 | Change |
|---|---|---|---|---|
| ROM tonnes mined | kt | **2 358.6** | 1 948.0 | 21.1% |
| Tonnes milled | kt | **2 197.0** | 2 198.7 | – |
| On mine cash cost per tonne milled | US$ | **25.6** | 30.8 | (16.9%) |
| Consolidated cash cost per tonne milled (excluding transport) | US$ | **28.7** | 34.3 | (16.3%) |

### MINING

The Tharisa Mine is unique in that it mines multiple mineralised layers with different, but defined, PGM and chrome contents. The mine is a large-scale open pit with a life of mine of up to 20 years and the potential to extend the mine by a further 40 years by mining underground.

During the six months under review, 2.4 Mt of ore at an average grade of 1.68 g/t PGMs on a 6E basis and 18.4% chrome was mined. Tharisa needs to mine 4.8 Mtpa ROM to produce at steady state levels of 147.4 kozpa of PGMs and 1.33 Mtpa of chrome concentrates.

A number of section 54 safety related instructions in Q1 FY2016 adversely impacted on mining production during the period resulting in the ROM stockpiles being depleted and impacting on the feed grade into the processing plants. ROM stock piles have subsequently been rebuilt with 212 kt of ROM stock and crushed ore being available ahead of the processing plants as at 31 March 2016.

The focus on opening up access to the full mining strike length and the benefits of maintaining the correct multi-reef layer profile are being realised and this contributed to providing stable feed grades for processing.

## PROCESSING

Tharisa has two processing plants – the Genesis and Voyager standalone concentrator plants – which have a combined nameplate capacity of 400 ktpm ROM. The Genesis Plant incorporates the Challenger Plant on the feed circuit for the extraction of specialty grade chrome concentrates principally from natural fines.

During the six-month period, 2.2 Mt of reef was processed through the two plants producing 60.0 koz of contained PGMs on a 6E basis and 604.4 kt of chrome concentrates. The chrome processing circuit of the Voyager Plant was successfully modified to facilitate an increase in the production of higher value specialty grade chrome concentrates. Of the 604.4 kt of chrome concentrates produced, 105.8 kt or 17.5% of total chrome concentrate production was specialty grade chrome concentrates – up from 10.1% for the comparable period.

Plant throughput equated to 91.5% of combined nameplate capacity of the plants.

Overall PGM recovery was at 65.0%, an improvement of 1.9% on the H1 FY2015 PGM recovery of 63.1%, and demonstrates the benefits of stability in the plant feed grades and the increase in competent ores being processed with a lower feed of "weathered" ore. The target recovery remains at 70.0%.

The average chrome recovery across all plants was 62.8%, a 6.1% improvement from the 56.7% recovery recorded for H1 FY2015 and bringing chrome recoveries within reach of the 65.0% target.

Production of both PGMs and chrome concentrates is expected to continue to increase as the Group achieves its steady state levels.

There are a number of optimisation initiatives currently being evaluated with a focus on improving chrome recoveries and increasing PGM recoveries even further.

## COMMODITY MARKETS AND SALES

| | Unit | 31 March 2016 | 31 March 2015 | Change |
|---|---|---|---|---|
| PGM basket price | US$/oz | **686** | 945 | (27.4%) |
| PGM basket price | ZAR/oz | **10 448** | 10 888 | (4.0%) |
| 42% metallurgical grade chrome concentrate contract price – CIF | US$/t | **106** | 156 | (32.1%) |
| 42% metallurgical grade chrome concentrate contract price – CIF | ZAR/t | **1 562** | 1 793 | (12.9%) |
| Specialty chrome grades FOB price * | US$/t | **122** | 153 | (20.3%) |

** Blended average of foundry and chemical grades excluding the cost of sea freight*

Both PGM and chrome concentrate commodity prices remained under pressure with the chrome commodity price, in particular, being affected by the devaluation of the Renminbi against the US$ and the slowdown in the Chinese economy. The average US$ PGM contained metal basket price decreased by 27.4% and metallurgical grade chrome concentrate contract price declined by 32.1% relative to the comparable period's average prices. The average ZAR weakened 30.4% relative to the US$ over the period. As the cost base of Tharisa Minerals is mainly in ZAR, the weakening of the ZAR partially offset the decline in US$ commodity prices.

PGM production continued to be sold to Impala Refining Services under the off-take agreement and a total of 59.1 koz was sold during the period. The Tharisa Mine's PGM prill split is significant in terms of platinum content at 56.1%, contributing to a favourable PGM basket price being realised by Tharisa.

| Tharisa prill split by mass | 31 March 2016 % | 31 March 2015 % |
|---|---|---|
| Platinum | **56.1** | 56.5 |
| Palladium | **15.7** | 15.6 |
| Rhodium | **9.5** | 9.4 |
| Gold | **0.2** | 0.2 |
| Ruthenium | **13.9** | 13.9 |
| Iridium | **4.46** | 4.4 |

As a result of the depressed chrome prices, Tharisa elected to defer product sales in December 2015, preferring to rather wait for higher prices. Prices began recovering after the Chinese New Year in February 2016. In the interim, Tharisa diversified its production to increase its production of the higher value specialty grade chrome. This allowed the Group to cushion itself to some extent from the steep fall in metallurgical chrome prices. Chrome concentrate sales totalled 481.7 kt.

## LOGISTICS

| | Unit | 31 March 2016 | 31 March 2015 | Change |
|---|---|---|---|---|
| Average transport cost per tonne of chrome concentrate – CIF main ports China basis | US$/t | **40** | 59 | (32.2%) |

The chrome concentrate destined for main ports in China is shipped either in bulk from the Richards Bay Dry Bulk Terminal or via containers from Johannesburg and transported by road to Durban from where it is shipped. The economies of scale and in-house expertise have ensured that Tharisa's transport costs, a major cost to the Group, remained competitive.

China remains the main market for chrome concentrates and 381.9 kt of the metallurgical grade chrome concentrates produced by the Tharisa Mine were sold on a CIF main ports China basis. The majority was shipped in bulk with a negligible quantity being shipped in containers.

Arxo Logistics has sufficient storage capacity at both the Richards Bay Dry Bulk Terminal and the Durban container port to manage the full production capacity of the Tharisa Mine.

Negotiations over a planned public private partnership with Transnet for an on-site railway siding at the Tharisa Mine are progressing well.

## MINERAL RESOURCE AND MINERAL RESERVE

The Mineral Resource and Mineral Reserve Statement has been updated by Coffey Mining (SA) (Pty) Ltd dated 31 December 2015. The Mineral Resource and Mineral Reserve Statement has been prepared in accordance with the requirements of the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2009.

The Mineral Resource is estimated at 829.0 Mt with a 4E PGM grade of 1.15 g/t and a chrome grade of 20.4%. The total Mineral Reserve is tabled below.

| Mineral Reserve | Tonnes Mt | 6E g/t | $Cr_2O_3$ % |
|---|---|---|---|
| Proved | 41.4 | 1.45 | 17.8 |
| Probable | 65.0 | 1.45 | 19.2 |
| **Total** | **106.4** | **1.45** | **18.6** |

Steady state production forecasts have been revised from 144.0 kozpa to 147.4 kozpa of PGMs on a 6E basis and from 1.5 Mt of chrome concentrates to 1.33 Mt of chrome concentrates which includes 311.8 kt of specialty chrome concentrates. With the improved optimisation of the chrome processing spiral plant, the production of higher value specialty chrome concentrates increases from approximately 10.1% for the comparable period to approximately 23.4% of chrome production at steady state. This has resulted in the volumetric change of chrome concentrate steady state production.

## FINANCIAL OVERVIEW

Group revenue totalled US$86.0 million, a decrease of 30.5% relative to the comparable period revenue of US$123.7 million. This decrease in revenue was mainly attributable to the reduction in the average PGM contained metal basket price from US$945/oz to US$686/oz – a decrease of 27.4% – and a weakening in the average 42% metallurgical grade chrome concentrate contract price from US$156/t to US$106/t – a decrease of 32.1%. The decrease in chrome commodity prices followed the devaluation of the Renminbi relative to the US$ and the slowdown in forecast global economic growth. During the period of short-term chrome price volatility and the strong downward trend in the price, the Group elected not to sell at the reduced prices. This contributed to lower chrome concentrate sales of 481.7 kt relative to the comparable period sales of 520.5 kt – a decrease of 7.5%. Since the end of the period under review, sales volumes have reverted to previous levels with metallurgical chrome concentrate prices for July 2016 delivery at US$150/t.

The PGM basket price has similarly recovered to approximately US$715/oz.

Notwithstanding the reduction in revenue the gross profit margin improved from 18.4% to 24.6% on increased production volumes reducing the unit costs of production for both PGMs and chrome concentrates and the increased production and sales of higher value add specialty grade chrome concentrates. Competitively priced freight costs for bulk shipments of chrome concentrates also contributed to the improved gross profit margins.

The segmental contribution to revenue and gross profit is summarised in the following table (shared costs continue to be allocated on an equal basis):

| Six months ended 31 March 2016 | PGM US$'000 | Chrome US$'000 | Total US$'000 |
|---|---|---|---|
| Revenue | 35 904 | 50 093 | 85 997 |
| Cost of sales | 23 761 | 41 102 | 64 863 |
| Cost of sales excluding selling costs | 23 663 | 24 712 | 48 375 |
| Selling costs | 98 | 16 390 | 16 488 |
| Gross profit | 12 143 | 8 991 | 21 134 |
| Gross profit percentage | 33.8% | 17.9% | 24.6% |
| Sales volumes | 59.1 koz | 481.7 kt | |
| All in cost of sales per unit * | US$402/oz | US$85/t | |
| Total all in cost per unit ** | US$492/oz | US$102/t | |

** Including non-cash flow items*

*** Including non-cash flow items excluding financing and capital expenditure*

| Six months ended 31 March 2015 | PGM US$'000 | Chrome US$'000 | Total US$'000 |
|---|---|---|---|
| Revenue | 44 087 | 79 613 | 123 700 |
| Cost of sales | 26 861 | 74 034 | 100 895 |
| Cost of sales excluding selling costs | 26 766 | 44 715 | 71 481 |
| Selling costs | 95 | 29 319 | 29 414 |
| Gross profit | 17 226 | 5 579 | 22 805 |
| Gross profit percentage | 39.1% | 7.0% | 18.4% |
| Sales volumes | 58.4 koz | 520.5 kt | |
| All in cost of sales per unit * | US$460/oz | US$142/t | |
| Total all in cost per unit ** | US$552/oz | US$152/t | |

** Including non-cash flow items*

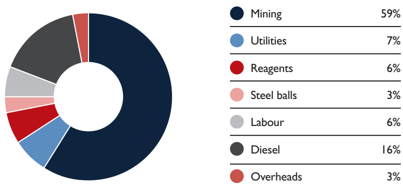
*** Including non-cash flow items excluding financing and capital expenditure*

The PGM cash cost of sales per ounce (excluding selling costs) for the period was US$376 (2015: US$408) and for chrome concentrates the cash cost of sales per tonne (excluding selling costs) for the period was US$46 (2015: US$75). The cash unit costs have been calculated after crediting the deferred stripping element i.e. the deferred stripping has been treated as a non-cash flow item.

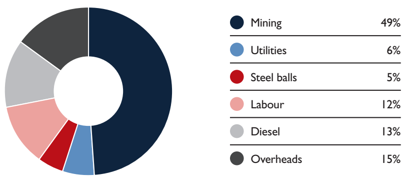
There has been no non-recurring or exceptional income sources during the interim period.

The major constituents of the cash cost of sales of PGMs and chrome concentrates are set out in the following graphs.

PGM cash cost of sales: 31 March 2016




Chrome cash cost of sales: 31 March 2016




After accounting for administrative expenses of US$10.7 million (2015: US$10.7 million) the Group achieved an operating profit of US$10.6 million, a reduction of 12.4% relative to the comparable period operating profit of US$12.1 million.

While the Group's cost base is mainly in ZAR (other than for selling expenses) and the weakening of the ZAR relative to the US$ benefited the Group from a cost reduction perspective, certain "first time" costs were incurred with the inaugural vesting of the share scheme awards to employees and consultants with a charge of US$1.0 million included in administrative expenses. The Company also listed (secondary listing) on the London Stock Exchange and professional fees for the listing of the Company were incurred. The Group undertook a review of its costs and the benefits of this review and the actions taken are still to be reflected in the administrative costs as the upfront costs of these actions were incurred in this reporting period.

EBITDA amounted to US$14.7 million (2015: US$17.9 million).

Finance costs principally relate to the senior debt facility secured by Tharisa Minerals for the construction of the Voyager Plant.

The tax charge amounted to US$1.4 million, an effective charge of 30.7%, due primarily to disallowable charges being incurred within the Group activities. The tax rate should revert to a rate below 28.0% in the near term.

Foreign currency translation differences for foreign operations, arising where the Company has funded the underlying subsidiaries with US$ denominated funding and the reporting currency of the underlying subsidiary is not in US$, amounted to US$9.0 million (2015: US$13.9 million), being directly related to foreign currency movements during the period.

Basic and diluted earnings per share for the period remained unchanged at US$0.01.

Interest-bearing debt as at 31 March 2016, totalled US$51.8 million, resulting in a debt to total equity ratio of 29.8%. Off-setting the debt service reserve account amount in respect of the senior debt facility of US$9.8 million, reduces the debt to equity ratio to 24.2%. The long-term targeted debt to equity ratio is 15.0%.

The Group complied with all the senior debt facility financial covenants as at 31 March 2016 other than for the debt service cover ratio. The lenders condoned the breach of the debt service cover ratio which resulted, in part, from the impact on production of the section 54 safety related stoppages during Q1 FY2016, the fall in commodity prices and reduced sales volumes of chrome concentrates.

The packing credit facility (chrome pre-shipment finance) of US$12.5 million provided by the Group's bankers was not renewed during the interim period, with the bankers continuing to provide post shipment finance. The Group continues to enter into appropriate chrome concentrate pre-pay arrangements to part fund its working capital requirements. As at 31 March 2016 outstanding deliveries for approximately 80.8 kt of metallurgical and chemical grade chrome concentrates were still due and the outstanding amount for the chrome pre-pay, which is included in trade and other payables, as at that date amounted to US$6.4 million.

The Group is de-risked from a capital spend perspective with a focus on stay in business capital with additions to property, plant and equipment for the period amounting to US$6.4 million, including an amount of US$3.1 million relating to the capitalisation of deferred stripping. The depreciation charge amounted to US$4.6 million (2015: US$5.4 million).

During the interim period the Group generated net cash from operations of US$18.2 million (2015: US$15.4 million). Cash on hand amounted to US$11.1 million (2015: US$26.7 million). In addition, the Group holds US$9.8 million in a debt service reserve account.

With the demonstrated ability to mine and process at the required levels to achieve steady state production and the recovery in the commodity prices subsequent to the interim period, the "emphasis of matter" paragraph contained in the audit report for the financial year ended 30 September 2015 has been removed.

## PRINCIPAL BUSINESS RISKS

Material risks to the Group are those that substantially affect the Group's ability to create and sustain value in the short, medium and long term. Material risks determine how the Group devises and implements its strategy since each risk has the potential to impact the Group's ability to achieve its strategic objectives. Each risk also carries with it challenges and opportunities. The Group's strategy takes into account known risks, but risks may exist of which the Group is currently unaware. An overview of the material risks which could affect the Group's operational and financial performance was included in the Group's 2015 Annual Report which is available on the Group's website. The following risks have been identified which may impact the Group over the next six months.

*Regulatory compliance*

In April 2016, the South African Government released a draft reviewed Mining Charter for public comment. There is no assurance that the Mining Charter will be adopted in its draft form or revised again to *inter alia*, set new, higher or different Historically Disadvantaged South Africans (HDSA) or Black Economic Empowerment ownership targets, or that the definition of persons who constitute HDSAs will not be changed or substituted. If there is any future increase in HDSA ownership targets or any change or substitution in the definition of HDSAs, the Group may have to amend the ownership structure of Tharisa Minerals in order to comply with the new requirements.

The Group is required to comply with a range of Health and Safety Laws and Regulations in connection with its mining, processing and on mine logistics activities. Regular inspections are conducted by the Department of Mineral Resources to ensure compliance. Any perceived violation of the Regulations could lead to a temporary shutdown of all or a portion of the Group's mining operations.

*Labour unrest in South Africa*

Whilst labour relations are currently stable, the risk of potential unrest remains particularly with the pending local government elections scheduled for 3 August 2016 which may contribute to heightened labour and community unrest regionally.

In 2015, the Group concluded a collective agreement with the National Union of Mineworkers, the majority trade union at the Tharisa Mine, determining wage increases over the next three years until June 2018.

*Unscheduled breakdowns*

The Group's performance is reliant on the consistent production of PGM and chrome concentrates from the Tharisa Mine. Any unscheduled breakdown leading to a prolonged reduction in production may have a material impact on the Group's financial performance and results of operations.

*Currency risk*

The Group's reporting currency is US$. The Group's operations are predominantly based in South Africa with a ZAR cost base while the majority of the revenue stream is in US$ exposing the Group to the volatility and movements in the ZAR. Fluctuations in the US$ and ZAR may have a significant impact on the performance of the Group.

*Commodity prices*

The Group's revenues, profitability and future rate of growth depends on the prevailing market prices of PGMs and chrome. A sustained downward movement in the market price for PGMs and/or chrome may negatively affect the Group's profitability and cash flows.

*Financing and liquidity*

The activities of the Group exposes it to a variety of financial risks including market, commodity prices, credit, foreign exchange and interest rate risks. The Group closely monitors and manages these risks. Cash forecasts are regularly updated and reviewed including sensitivity scenarios with reference to the above risks.

## BOARD APPOINTMENT

Tharisa welcomes Dr Carol Bell to the board as an independent non-executive director with effect from 23 March 2016.

## SUBSEQUENT MARKET CONDITIONS

Post the half-year results, both PGM and chrome concentrate prices have recorded a recovery. By mid Q3 FY2016, the PGM basket price was at approximately US$715/oz and current chrome trading prices for July 2016 delivery were at approximately US$150/t. At the same time, the ZAR to US$ exchange rate weakened to approximately ZAR15.0.

## OUTLOOK

Tharisa's plans to reach steady state are materialising and the Group continues towards achieving the targeted recoveries required to maintain these production levels. Tharisa expects continued strong operational performance for the remainder of the year with a focus on improving the ROM chrome grade and recoveries for both PGM and chrome concentrates.

These interim results reinforce the Groups sustainable competitive advantage of being a profitable co-producer of PGM and chrome concentrates from a large scale, long life open pit operation weathering commodity and exchange rate volatility.

Tharisa would like to thank its team and directors for their continued support in achieving these interim results.

Apart from the IFRS reviewed condensed consolidated financial statements prepared for submission to the JSE, the Group also needs to prepare reviewed condensed consolidated financial statements for Cyprus regulatory purposes which are in accordance with IFRS as adopted by the EU. A number of new and revised IFRS standards and interpretations have not yet been adopted by the EU while the Group may elect to early adopt such interpretations and standards in terms of IFRS. There are no numerical differences in this regard.

## STATEMENT BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE DRAFTING OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS ACCORDING TO THE CYPRUS SECURITIES AND EXCHANGE COMMISSION LEGISLATION

In accordance with sections 10(3)(c) and 10(7) of Law No. 190(I)/2007, as amended, providing for the transparency requirements of issuers whose securities are admitted to trading on a regulated market (the Transparency Law), we, the members of the Board of Directors of Tharisa plc, responsible for the preparation of the condensed consolidated interim financial statements of Tharisa plc for the period ended 31 March 2016, hereby declare that to the best of our knowledge:

a) the condensed consolidated interim financial statements for the period ended 31 March 2016:
   - have been prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* and as stipulated for under section 10(4) of the Transparency Law, and
   - give a true and fair view of the assets and liabilities, the financial position and profit or losses of Tharisa plc and its undertakings, as included in the condensed consolidated interim financial statements as a whole; and

b) the adoption of a going-concern basis for the preparation of the financial statements continues to be appropriately based on the foregoing and having reviewed the forecast financial position of the Group; and

c) the interim management report provides a fair review of the information required by section 10(6) of the Transparency Law.

| | |
|---|---|
| **Loucas Pouroulis** | Executive Chairman |
| **Phoevos Pouroulis** | Chief Executive Officer |
| **Michael Jones** | Chief Finance Officer |
| **David Salter** | Lead Independent Non-executive Director |
| **Antonios Djakouris** | Independent Non-executive Director |
| **Omar Kamal** | Independent Non-executive Director |
| **Brian Cheng** | Non-Executive Director |
| **Carol Bell** | Independent Non-executive Director |
| **Joanna Ka Ki Cheng** | Alternate Non-executive Director to Brian Cheng |

Paphos
10 June 2016

# SUMMARISED PRODUCTION DATA

| | | **Quarter ended 31 March 2016** | Quarter ended 31 December 2015 | Quarter ended 31 March 2015 | **Half year ended 31 March 2016** | Half year ended 31 March 2015 | Financial year ended 30 September 2015 |
|---|---|---|---|---|---|---|---|
| Reef mined | kt | **1 234.2** | 1 124.4 | 1 042.1 | **2 358.6** | 1 948.0 | **4 183.2** |
| Stripping ratio | $m^3$ waste/$m^3$ reef | **7.1** | 6.4 | 9.8 | **6.8** | 10.0 | **10.7** |
| Reef milled | kt | **1 199.6** | 997.4 | 1 167.1 | **2 197.0** | 2 198.7 | **4 400.4** |
| PGM flotation feed tonnes | kt | **942.3** | 765.8 | 907.2 | **1 708.1** | 1 712.2 | **3 446.2** |
| PGM rougher feed grade | g/t | **1.74** | 1.61 | 1.65 | **1.68** | 1.65 | **1.62** |
| 6E PGMs produced | koz | **36.0** | 24.0 | 33.0 | **60.0** | 57.4 | **118.0** |
| PGM recovery | % | **68.5** | 60.4 | 68.6 | **65.0** | 63.1 | **65.8** |
| Average PGM contained metal basket price | US$/oz | **685** | 687 | 935 | **686** | 945 | **885** |
| Average PGM contained metal basket price | ZAR/oz | **10 849** | 9 865 | 10 991 | **10 448** | 10 888 | **10 608** |
| $Cr_2O_3$ ROM grade | % | **18.3** | 18.5 | 18.8 | **18.4** | 18.7 | **18.3** |
| Chrome recovery | % | **63.9** | 61.5 | 57.5 | **62.8** | 56.7 | **58.0** |
| Chrome yield | % | **27.7** | 27.3 | 26.2 | **27.5** | 25.6 | **25.5** |
| Chrome concentrates produced | kt | **332.3** | 272.1 | 305.5 | **604.4** | 563.3 | **1 122.2** |
| Metallurgical grade | kt | **259.9** | 238.7 | 283.6 | **498.6** | 515.9 | **1 009.4** |
| Specialty grades | kt | **72.4** | 33.4 | 21.9 | **105.8** | 47.4 | **112.8** |
| Metallurgical grade chrome concentrate contract price | US$/t CIF China | **81** | 124 | 155 | **106** | 156 | **158** |
| Metallurgical grade chrome concentrate contract price | ZAR/t CIF China | **1 262** | 1 777 | 1 742 | **1 562** | 1 793 | **1 894** |
| Average exchange rate | ZAR:US$ | **15.8** | 14.2 | 11.7 | **15.0** | 11.5 | **12.0** |

# INDEPENDENT AUDITORS' REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

## TO THE SHAREHOLDERS OF THARISA PLC

We have reviewed the condensed consolidated financial statements of Tharisa plc,on pages 16 to 20 contained in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 31 March 2016, and the condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Accounting Standard, (IAS) 34 Interim Financial Reporting, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Tharisa plc for the six months ended 31 March 2016 are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting.*

**Maria A. Karantoni FCA**

*Certified Public Accountant and Registered Auditor*
for and on behalf of
**KPMG Limited**
*Certified Public Accountants and Registered Auditors*
14 Esperidon Street
1087 Nicosia
Cyprus

10 June 2016

# Condensed consolidated statement of profit or loss and other comprehensive income

## FOR THE SIX MONTHS ENDED 31 MARCH 2016

| | Notes | Six months ended 31 March 2016 Reviewed US$'000 | Six months ended 31 March 2015 Reviewed US$'000 |
|---|---|---|---|
| Revenue | 4 | **85 997** | 123 700 |
| Cost of sales | 4 | **(64 863)** | (100 895) |
| **Gross profit** | | **21 134** | 22 805 |
| Other income | | **182** | 27 |
| Administrative expenses | 5 | **(10 709)** | (10 741) |
| **Results from operating activities** | | **10 607** | 12 091 |
| Finance income | | **410** | 664 |
| Finance costs | | **(5 738)** | (6 443) |
| Changes in fair value of financial assets at fair value through profit or loss | | **3** | (24) |
| Changes in fair value of financial liabilities at fair value through profit or loss | | **(813)** | 775 |
| **Net finance costs** | | **(6 138)** | (5 028) |
| **Profit before tax** | | **4 469** | 7 063 |
| Tax | 6 | **(1 371)** | (2 193) |
| **Profit for the period** | | **3 098** | 4 870 |
| **Other comprehensive income** | | | |
| *Items that may be classified subsequently to profit or loss* | | | |
| Foreign currency translation differences for foreign operations, net of tax | | **(9 034)** | (13 905) |
| **Other comprehensive income, net of tax** | | **(9 034)** | (13 905) |
| **Total comprehensive expense for the period** | | **(5 936)** | (9 035) |
| **Profit for the period attributable to** | | | |
| Owners of the Company | | **2 900** | 3 361 |
| Non-controlling interests | | **198** | 1 509 |
| | | **3 098** | 4 870 |
| **Total comprehensive expense for the period attributable to** | | | |
| Owners of the Company | | **(3 882)** | (7 104) |
| Non-controlling interests | | **(2 054)** | (1 931) |
| | | **(5 936)** | (9 035) |
| **Profit/(loss) per share** | | | |
| Basic and diluted profit/(loss) per share (US$) | 7 | **1** | 1 |

*The notes on pages 21 to 31 are an integral part of these financial statements.*

# Condensed consolidated statement of financial position

## AS AT 31 MARCH 2016

| | Notes | 31 March 2016 Reviewed US$'000 | 30 September 2015 Audited US$'000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 8 | **204 126** | 214 518 |
| Goodwill | | **843** | 919 |
| Other financial assets | 10 | **2 282** | 1 636 |
| Long-term deposits | 9 | **9 754** | 10 656 |
| Deferred tax assets | | **664** | 1 954 |
| **Non-current assets** | | **217 669** | 229 683 |
| Inventories | 11 | **15 408** | 8 951 |
| Trade and other receivables | | **25 546** | 37 979 |
| Other financial assets | 10 | **46** | 55 |
| Current taxation | | **203** | 144 |
| Cash and cash equivalents | | **11 119** | 24 265 |
| **Current assets** | | **52 322** | 71 394 |
| **Total assets** | | **269 991** | 301 077 |
| **Equity** | | | |
| Share capital | 12 | **256** | 256 |
| Share premium | | **452 512** | 452 512 |
| Other reserve | | **47 245** | 47 245 |
| Foreign currency translation reserve | | **(83 487)** | (76 705) |
| Revenue reserve | 12 | **(202 791)** | (206 566) |
| **Equity attributable to owners of the Company** | | **213 735** | 216 742 |
| **Non-controlling interests** | | **(39 848)** | (37 794) |
| **Total equity** | | **173 887** | 178 948 |
| **Liabilities** | | | |
| Provisions | 13 | **3 633** | 4 088 |
| Borrowings | 14 | **27 765** | 36 329 |
| Trade and other payables | 16 | **778** | – |
| Deferred tax liabilities | | **168** | 13 |
| **Non-current liabilities** | | **32 344** | 40 430 |
| Borrowings | 14 | **18 554** | 33 692 |
| Other financial liabilities | 15 | **534** | 388 |
| Current taxation | | **91** | 98 |
| Trade and other payables | | **44 581** | 47 521 |
| **Current liabilities** | | **63 760** | 81 699 |
| **Total liabilities** | | **96 104** | 122 129 |
| **Total equity and liabilities** | | **269 991** | 301 077 |

*The condensed consolidated interim financial statements were authorised for issue by the board of directors on 10 June 2016.*

**Phoevos Pouroulis**
*Director*

**Michael Jones**
*Director*

*The notes on page 21 to 31 are an integral part of these financial statements.*

# Condensed consolidated statement of changes in equity

## FOR THE SIX MONTHS ENDED 31 MARCH 2016

| | Share capital US$'000 | Share premium US$'000 |
|---|---|---|
| **Balance at 1 October 2015** | **256** | **452 512** |
| **Total comprehensive income for the period** | | |
| Profit for the period | – | – |
| Other comprehensive income | | |
| Foreign currency translation differences | – | – |
| **Total comprehensive income for the period** | – | – |
| **Transactions with owners of the Company** | | |
| Contributions by and distributions to owners | | |
| Equity-settled share based payments | – | – |
| Contributions by owners of the Company | – | – |
| Total transactions with owners of the Company | – | – |
| **Balance at 31 March 2016 (Reviewed)** | **256** | **452 512** |
| **Balance at 1 October 2014** | 255 | 452 363 |
| **Total comprehensive income for the period** | | |
| Net profit for the period | – | – |
| Other comprehensive income | | |
| Foreign currency translation differences | – | – |
| **Total comprehensive income for the period** | – | – |
| **Transactions with owners of the Company** | | |
| Equity settled share based payments | – | – |
| Contributions by owners of the Company | – | – |
| Total transactions with owners of the Company | – | – |
| **Balance at 31 March 2015 (Reviewed)** | 255 | 452 363 |

*The notes on pages 21 to 31 are an integral part of these financial statements.*

## ATTRIBUTABLE TO OWNERS OF THE COMPANY

| Other reserve US$'000 | Foreign currency translation reserve US$'000 | Revenue reserve US$'000 | Total US$'000 | Non-controlling interests US$'000 | Total equity US$'000 |
|---|---|---|---|---|---|
| **47 245** | **(76 705)** | **(206 566)** | **216 742** | **(37 794)** | **178 948** |
| – | – | 2 900 | 2 900 | 198 | 3 098 |
| – | (6 782) | – | (6 782) | (2 252) | (9 034) |
| – | (6 782) | 2 900 | (3 882) | (2 054) | (5 936) |
| – | – | 875 | 875 | – | 875 |
| – | – | 875 | 875 | – | 875 |
| – | – | 875 | 875 | – | 875 |
| **47 245** | **(83 487)** | **(202 791)** | **213 735** | **(39 848)** | **173 887** |
| 47 245 | (47 361) | (216 596) | 235 906 | (26 052) | 209 854 |
| – | – | 3 361 | 3 361 | 1 509 | 4 870 |
| – | (10 465) | – | (10 465) | (3 440) | (13 905) |
| – | (10 465) | 3 361 | (7 104) | (1 931) | (9 035) |
| – | – | 100 | 100 | – | 100 |
| – | – | 100 | 100 | – | 100 |
| – | – | 100 | 100 | – | 100 |
| 47 245 | (57 826) | (213 135) | 228 902 | (27 983) | 200 919 |

# Condensed consolidated statement of cash flows

FOR THE SIX MONTHS ENDED 31 MARCH 2016

| | Notes | Six months ended 31 March 2016 Reviewed US$'000 | Six months ended 31 March 2015 Reviewed US$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the period | | **3 098** | 4 870 |
| Adjustments for | | | |
| Depreciation of property, plant and equipment | | **4 599** | 5 421 |
| Loss on disposal of property, plant and equipment | | **67** | – |
| Impairment losses on property, plant and equipment | | **–** | 3 |
| Impairment losses on goodwill | | **25** | 33 |
| Impairment losses on inventory | | **183** | 250 |
| Changes in fair value of financial liabilities at fair value through profit or loss | | **813** | – |
| Interest income | | **(410)** | (450) |
| Changes in fair value of financial assets at fair value through profit or loss | | **(3)** | (727) |
| Interest expense | | **5 172** | 6 392 |
| Tax | | **1 371** | 2 193 |
| Equity-settled share based payments | | **1 049** | 202 |
| | | **15 964** | 18 187 |
| Changes in | | | |
| Inventories | | **(6 845)** | 3 683 |
| Trade and other receivables | | **12 433** | (12 754) |
| Trade and other payables | | **(2 946)** | 7 005 |
| Provisions | | **(250)** | (175) |
| Cash from operations | | **18 356** | 15 946 |
| Income tax paid | | **(126)** | (529) |
| **Net cash flows from operating activities** | | **18 230** | 15 417 |
| **Cash flows from investing activities** | | | |
| Interest received | | **384** | 371 |
| Additions to property, plant and equipment | 8 | **(6 375)** | (9 113) |
| Proceeds from disposal of property, plant and equipment | | **107** | – |
| (Additions)/refunds of other financial assets | | **(744)** | 2 917 |
| **Net cash flows used in investing activities** | | **(6 628)** | (5 825) |
| **Cash flows from financing activities** | | | |
| Refund of long term deposits | | **575** | 824 |
| Changes in non current trade and other payables | | **769** | – |
| (Repayments of)/proceeds from bank credit and other facility borrowings | | **(15 490)** | 11 289 |
| Net proceeds from obligations under new loan | | **1 698** | 759 |
| Repayment of secured bank borrowings and loan to third party | | **(9 694)** | (14 072) |
| Interest paid | | **(1 507)** | (579) |
| **Net cash flows used in financing activities** | | **(23 649)** | (1 779) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(12 047)** | 7 813 |
| **Cash and cash equivalents at the beginning of the period** | | **24 265** | 19 629 |
| Effect of exchange rate fluctuations on cash held | | **(1 099)** | (709) |
| **Cash and cash equivalents at the end of the period** | | **11 119** | 26 733 |

*The notes on pages 21 to 31j are an integral part of these financial statements.*

# Notes to the condensed consolidated interim financial statements

FOR THE SIX MONTHS ENDED 31 MARCH 2016

## 1. REPORTING ENTITY

Tharisa plc (the Company) is a company domiciled in Cyprus. These condensed consolidated interim financial statements of the Company as at and for the six months ended 31 March 2016 comprise the Company and its subsidiaries (together referred to as the Group). The Group is primarily involved in platinum group metals (PGM) and chrome mining, processing, trading and the associated logistics.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standard, IAS 34 *Interim Financial Reporting,* the Listing Requirements of the JSE Limited and the Cyprus Companies Law, Cap. 113. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 September 2015. These condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements, prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved by the Board of Directors on 10 June 2016.

### (b) Functional and presentation currency

The condensed consolidated interim financial statements are presented in United States Dollars (US$) which is the Company's functional currency and amounts are rounded to the nearest thousand.

### (c) Going concern basis

The Group reported a profit before tax for the six months ended 31 March 2016 of US$4 469 thousand (2015: US$7 063 thousand). However, the Group had a net current liability position as at that date of US$11 438 thousand (2015: US$10 305 thousand). During this period commodity prices and in particular the metallurgical grade chrome concentrate price reflected a marked decline following a devaluation of the Renminbi, the currency of the Group's main chrome concentrate customers, and a slowdown in the global economic growth projections. Subsequent to the reporting period, the chrome concentrate commodity prices have recovered to levels prevailing at the financial year ended 30 September 2015 and the order book remains full. The decrease in the profit before tax was mainly attributable to commodity prices notwithstanding the improved production levels with mining achieving the required 4.8 Mt ROM on an annualised basis for the quarter ended 31 March 2016 and with the processing facilities operating at the design name plate capacity of 400 ktpm on an annualised basis.

With the demonstrated ability to mine and process at the required levels to achieve steady state production and the recovery in the commodity prices, the financial statements have been prepared on the going concern basis. Should the commodity prices, in Rand terms, come under renewed downward pressure the Group would require additional working capital funding and the Group may be required to enter into further commodity pre pay arrangements, arrange additional working capital loan facilities or undertake an issue of shares for cash to raise any shortfall in working capital that may arise in such circumstances.

### (d) New and revised International Financial Reporting Standards and Interpretations

As from 1 October 2015, the Group adopted all changes to International Financial Reporting Standards (IFRSs), which are relevant to its operations. This adoption did not have a material effect on the accounting policies of the Group.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 October 2015. The Board of Directors is currently evaluating the impact of these on the Group.

**Standards and Interpretations**

- IFRS 9 "Financial Instruments" (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2018).
- IFRS 10, IFRS 12 and IAS 28 (Amendments) "Investment Entities: Applying the Consolidation Exception" (effective for annual periods beginning on or after 1 January 2016).
- IAS 1 (Amendments) "Disclosure Initiative" (effective for annual periods beginning on or after 1 January 2016).
- IFRS 11 (Amendments) "Accounting for Acquisitions of Interests in Joint Operations" (effective for annual periods beginning on or after 1 January 2016).
- IFRS 14 "Regulatory Deferral Accounts" (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2016).
- IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2018).
- IAS 16 and IAS 41 (Amendments) "Bearer Plants" (effective for annual periods beginning on or after 1 January 2016).
- IAS 27 (Amendments) "Equity method in separate financial statements" (effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2012 2014 Cycle (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2016).
- IAS 16 and IAS 38 (Amendments) "Clarification of acceptable methods of depreciation and amortisation" (effective for annual periods beginning on or after 1 January 2016).
- IAS 7 (Amendments) "Disclosure Initiative" (effective for annual periods beginning on or after 1 January 2017).
- IAS 12 (Amendments) "Recognition of Deferred Tax Assets for Unrealised Losses" (effective for annual periods beginning on or after 1 January 2017).
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its audited consolidated financial statements as at and for the year ended 30 September 2015.

## 4. OPERATING SEGMENTS

The Group has two reportable segments, the PGM segment and the chrome segment. Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenue, cost of sales and gross profit, as included in the internal management reports that are reviewed by the Group's management. Segment revenue, cost of sales and gross profit, are used to measure performance as management believes that such information is the most relevant in evaluating the results of each segment.

## 4. OPERATING SEGMENTS (continued)

| Six months ended 31 March 2016 (Reviewed) | PGM US$'000 | Chrome US$'000 | Total US$'000 |
|---|---|---|---|
| Revenue | **35 904** | **50 093** | **85 997** |
| Cost of sales | | | |
| Cost of sales excluding selling costs | **23 663** | **24 712** | **48 375** |
| Selling costs | **98** | **16 390** | **16 488** |
| | **23 761** | **41 102** | **64 863** |
| Gross profit | **12 143** | **8 991** | **21 134** |

The overhead costs relating to the manufacturing of the PGM and the chrome concentrates are allocated to the relevant products based on the relative sales value per product. The allocated percentage for chrome concentrates and PGM concentrate accounted for the financial periods under review is 50% for each segment.

| Six months ended 31 March 2015 (Reviewed) | PGM US$'000 | Chrome US$'000 | Total US$'000 |
|---|---|---|---|
| Revenue | 44 087 | 79 613 | 123 700 |
| Cost of sales | | | |
| Cost of sales excluding selling costs | 26 766 | 44 715 | 71 481 |
| Selling costs | 95 | 29 319 | 29 414 |
| | 26 861 | 74 034 | 100 895 |
| Gross profit | 17 226 | 5 579 | 22 805 |

### GEOGRAPHICAL INFORMATION

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location analysis of revenue from external customers is based on the country of establishment of each customer.

| | Six months ended 31 March 2016 Reviewed US$'000 | Six months ended 31 March 2015 Reviewed US$'000 |
|---|---|---|
| **(i) Revenue from external customers** | | |
| China | **9 673** | 49 464 |
| South Africa | **46 410** | 49 744 |
| Singapore | **4 540** | 736 |
| Hong Kong | **22 605** | 17 817 |
| Other countries | **2 769** | 5 939 |
| | **85 997** | 123 700 |

# Notes to the condensed consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 31 MARCH 2016

| | Six months ended 31 March 2016 Reviewed US$'000 | Six months ended 31 March 2015 Reviewed US$'000 |
|---|---|---|
| **5. ADMINISTRATIVE EXPENSES** | | |
| Directors and staff costs | | |
| Non-executive directors | **245** | 245 |
| Executive directors | **561** | 713 |
| Other key management | **417** | 510 |
| Group employees | **3 798** | 4 633 |
| | **5 021** | 6 101 |
| Audit | **169** | 279 |
| Consulting | **1 122** | 832 |
| Corporate social investment | **66** | 177 |
| Depreciation | **157** | 127 |
| Discount facility and related fees | **205** | 251 |
| Equity settled share based expense | **1 049** | – |
| Fees for the professional services of the listing | **328** | 73 |
| Health and safety | **101** | 87 |
| Insurance | **335** | 694 |
| Legal and professional | **133** | 249 |
| Rent and utilities | **370** | 408 |
| Security | **411** | 302 |
| Telecommunications and IT related costs | **278** | 261 |
| Training | **254** | 143 |
| Travelling and accommodation | **165** | 248 |
| Sundry expenses | **545** | 509 |
| | **10 709** | 10 741 |

## 6. TAX

Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre tax income of the interim period.

The Group's consolidated effective tax rate for the six months ended 31 March 2016 and 2015 was 31.0% and 31.0% respectively.

## 7. EARNINGS PER SHARE

|  | Six months ended 31 March 2016 Reviewed | Six months ended 31 March 2015 Reviewed |
|---|---|---|
| **(i) Basic and diluted earnings per share** | | |
| The calculation of basic and diluted earnings per share has been based on the following profit attributable to the ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding. | | |
| Profit for the period attributable to ordinary shareholders (US$'000) | **2 900** | 3 361 |
| Weighted average number of ordinary shares at 31 March ('000) | **255 892** | 254 781 |
| Basic and diluted earnings per share (US$ cents) | **1** | 1 |

At 31 March 2016 and 31 March 2015, LTIP and SARS awards were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti dilutive. The average market value of the Company's shares for the purposes of calculating the potential dilutive effect of SARS was based on quoted market prices for the period during which the options were outstanding.

**(ii) Headline and diluted headline earnings per share**

The calculation of headline and diluted headline earnings per share has been based on the following headline earnings attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding.

|  | Six months ended 31 March 2016 Reviewed | Six months ended 31 March 2015 Reviewed |
|---|---|---|
| Headline earnings for the period attributable to the ordinary shareholders (note 7 (iii)) ('000) | **2 925** | 3 396 |
| Weighted average number of ordinary shares at 31 March (note 7 (i)) ('000) | **255 892** | 254 781 |
| Headline and diluted headline earnings per share (US$ cents) | **1** | 1 |

**(iii) Reconciliation of profit/(loss) to headline earnings**

|  | Six months ended 31 March 2016 Reviewed US$'000 | Six months ended 31 March 2015 Reviewed US$'000 |
|---|---|---|
|  | Net | Net |
| Profit attributable to ordinary shareholders | **2 900** | 3 361 |
| Adjustments: | | |
| Impairment losses on goodwill | **25** | 33 |
| Impairment losses on property, plant and equipment | – | 3 |
| Tax effect of impairment losses on property, plant and equipment | – | (1) |

| | | |
|---|---|---|
| Headline earnings | **2 925** | 3 396 |

## 8. PROPERTY, PLANT AND EQUIPMENT

**(a) Acquisitions and disposals**

During the six months ended 31 March 2016 and 2015 the Group acquired assets with a cost, excluding capitalised borrowing costs, of US$6 375 thousand and US$9 113 thousand respectively.

During the six months ended 31 March 2016, disposal of property, plant and equipment resulted in a loss on disposal of US$67 thousand (2015: US$Nil) being recognised in profit or loss.

**(b) Capital commitments**

At 31 March 2016 and 30 September 2015, the Group's capital commitments for contracts to purchase property, plant and equipment amounted to US$2 387 thousand and US$1 431 thousand respectively.

**(c) Securities**

At 31 March 2016 and 30 September 2015, an amount of US$185 093 thousand and US$196 432 thousand of the carrying amount of the Group's tangible property, plant and equipment was pledged as security against secured bank borrowing and third party borrowing (see note 14).

| | 31 March 2016 Reviewed US$'000 | 30 September 2015 Audited US$'000 |
|---|---|---|
| **9. LONG-TERM DEPOSITS** | | |
| Long-term deposits | **9 754** | 10 656 |

| | Fair value hierarchy | 31 March 2016 Reviewed US$'000 | 30 September 2015 Audited US$'000 |
|---|---|---|---|
| **10. OTHER FINANCIAL ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in cash funds and income funds (note 10(a)) | Level 2 | **2 279** | 1 632 |
| Interest rate caps (note 10(b)) | Level 2 | **3** | 4 |
| | | **2 282** | 1 636 |
| **Current assets** | | | |
| Investments at fair value through profit or loss (note 10(c)) | Level 1 | **46** | 55 |
| | | **46** | 55 |

## 10. OTHER FINANCIAL ASSETS (continued)

(a) The investments in cash funds and income funds are unsecured and held at fair value through profit or loss (designated).

During the year ended 30 September 2014, the investment managed by a collective investment entity namely Stanlib Collective Investments was ceded to Lombard Insurance Group ("Lombard") against the guarantee issued by Lombard to the Department of Mineral Resources of South Africa ("DMR") for the rehabilitation provision. During the year ended 30 September 2015, a portion of the investment was withdrawn and the remaining balance of the investment as at 31 March 2016 and 30 September 2015 totalling US$932 thousand and US$960 thousand respectively is ceded to Lombard against the guarantee issued by Lombard on behalf of Arxo Logistics Proprietary Limited to Transnet Freight Rail, a division of Transnet SOC Limited to the value of ZAR12 000 thousand.

Investment in Money Market and Current Accounts totalling US$1 347 thousand (2015: US$672 thousand) is managed by Guardrisk Insurance Company Limited ("Guardrisk") against the guarantee issued by Guardrisk to the DMR for the rehabilitation provision. The guarantee issued by Guardrisk has a fixed cover period from 1 December 2014 to 30 November 2017.

The underlying investments are in money market and other funds and the fair value has been determined by reference to their quoted prices.

(b) Interest rate caps were obtained from a consortium of financial institutions, against the floating 3 month Johannesburg Interbank Agreed Rate (JIBAR) on 25% of the secured bank borrowing. The interest rate caps have a strike rate of 7.5% and terminate on 31 March 2017. The balance is held at fair value through profit or loss (held for trading). Fair values are based on quoted market prices at the end of the reporting period without any deduction for transaction costs.

(c) Investments at fair value through profit or loss are valued based on quoted market prices at the end of the reporting period without any deduction for transaction costs.

| | 31 March 2016 Reviewed US$'000 | 30 September 2015 Audited US$'000 |
|---|---|---|
| **11. INVENTORIES** | | |
| Finished products | **8 586** | 4 283 |
| Ore stockpile | **3 341** | 1 257 |
| Work in progress | **–** | 195 |
| Consumables | **3 481** | 3 216 |
| Total carrying amount | **15 408** | 8 951 |

During the six months ended 31 March 2016 and 31 March 2015, the Group wrote down its inventories by US$183 thousand and US$250 thousand respectively. The write down is included in cost of sales in the condensed consolidated statement of profit or loss and other comprehensive income.

Inventories are subject to a general notarial bond in favour of the lenders of the secured bank borrowings.

## 12. ORDINARY SHARE CAPITAL AND REVENUE RESERVE

The Company did not issue any ordinary share capital and did not declare or pay any dividends during the six months ended 31 March 2016 and 31 March 2015.

The revenue reserve includes the accumulated retained profit and losses of the Group. The revenue reserve is distributable for dividend purposes.

# Notes to the condensed consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 31 MARCH 2016

## 13. PROVISIONS

The Group has a legal obligation to rehabilitate the site where the Group's mine is located, once the mining operations cease which would be when the current mine life of the project expires.

The provision for future rehabilitation at 31 March 2016 and 30 September 2015 amounted to US$3 633 thousand and US$4 088 thousand respectively. During the six months ended 31 March 2016 and 31 March 2015, the provision for future rehabilitation recognised/(derecognised) to inventories was US$(205) thousand and US$677 thousand respectively and to mining assets and infrastructure US$(187) thousand and US$134 thousand respectively. The amounts recognised in profit or loss for the same periods amounted to US$162 thousand and US$182 thousand respectively.

An insurance company provided a guarantee to the DMR to satisfy the requirements of the Mineral and Petroleum Resources Development Act with respect to environmental rehabilitation and the Group has pledged as collateral its investments in interest bearing debt instruments to the insurance company to support this guarantee.

The interest rate used for estimating future costs is the long term risk free rate as indicated by the R186 government bond of South Africa, which was 9.10% and 8.45% as at 31 March 2016 and 30 September 2015 respectively. The net present value of the current rehabilitation estimate is based on the average of the long term inflation target range of the South African Reserve Bank of 4.50% as at 31 March 2016 and 30 September 2015.

The Group expects that the timing of the outflows relating to the provision for rehabilitation is uncertain at this stage but it estimates that it will probably take place at the end of the life of the mine and infrastructure.

| | 31 March 2016 Reviewed US$'000 | 30 September 2015 Audited US$'000 |
|---|---|---|
| **14. BORROWINGS** | | |
| **Non-current** | | |
| Secured bank borrowing | **27 214** | 36 329 |
| Other borrowings – obligations under new loans | **551** | – |
| | **27 765** | 36 329 |
| **Current** | | |
| Secured bank borrowing | **13 595** | 14 346 |
| Other borrowings – bank credit and other facility | **1 808** | 17 298 |
| Other borrowings – obligations under new loans | **1 369** | 164 |
| Other borrowings – loan payable to related party | **1 782** | 1 884 |
| | **18 554** | 33 692 |

## 14. BORROWINGS (continued)

There have been no changes in the terms, securities and financial covenants of the above borrowing facilities during the six months ended 31 March 2016, compared to those disclosed in the Group's consolidated financial statements as at and for the year ended 30 September 2015 other than the following:

(a) Insurance premium finance provided to Tharisa Minerals Proprietary Limited, a subsidiary of the Group, for an amount of ZAR13 383 thousand repayable in twelve monthly instalments commencing 1 December 2015. The finance is guaranteed by Tharisa plc for an amount of ZAR14 000 thousand and bears interest at a rate of 8.72% p.a.

(b) Finance provided to purchase equipment by Tharisa Minerals Proprietary Limited, a subsidiary of the Group, for an amount of ZAR20 770 thousand repayable in twenty four monthly instalments commencing 29 February 2016. The finance bears interest at prime +3% and the equipment will remain the property of the company providing the finance until the full purchase price has been paid.

(c) During the period under review, the Group's US$12 500 thousand bank credit facility was not extended and the charge over bank deposits totalling US$2 500 thousand was released.

(d) The senior debt providers condoned the breach of the debt service cover ratio as at 31 March 2016.

| | Fair value hierarchy | 31 March 2016 Reviewed US$'000 | 30 September 2015 Audited US$'000 |
|---|---|---|---|
| **15. OTHER FINANCIAL LIABILITIES** | | | |
| Discount facility | Level 2 | **534** | 388 |

Discount facility relates to fair value adjustments on the limited recourse disclosed receivables discounting facility ("discount facility") with ABSA, Nedbank and HSBC in terms of which 98% of the sales of platinum, palladium and gold (included in PGM) are discounted at JIBAR (3 month) + 200 basis points. The discount facility is for an amount of ZAR300 000 thousand. The balance is held at fair value through profit or loss (designated).

## 16. TRADE AND OTHER PAYABLES

Non-current trade and other payables represent a trade payable that has been discounted and is repayable in twelve monthly instalments commencing on 30 October 2017. The balance is measured at amortised cost.

## 17. FAIR VALUES

The Board of Directors considers that the fair values of significant financial assets and liabilities approximate their carrying values at each reporting date.

# Notes to the condensed consolidated interim financial statements (continued)

FOR THE SIX MONTHS ENDED 31 MARCH 2016

## 18. RELATED PARTY TRANSACTIONS

Significant transactions carried at arm's length with related parties during the period were as follows:

| | Six months ended 31 March 2016 Reviewed US$'000 | Six months ended 31 March 2015 Reviewed US$'000 |
|---|---|---|
| **Interest expense** | | |
| Langa Trust | 103 | 125 |
| Arti Trust | 112 | 157 |
| Ditodi Trust | 11 | 12 |
| Makhaye Trust | 11 | 12 |
| The Phax Trust | 23 | 24 |
| The Rowad Trust | 11 | 12 |
| Moira June Jacquet-Briner | 11 | 12 |
| | 282 | 354 |

Interest expense is calculated at prime +2% per annum and payable quarterly.

Compensation to key management of the Company for the period ended 31 March 2016 and 2015 are set out in the tables below:

| | Salary and fees US$'000 | Other short-term benefits US$'000 | Post employment benefits US$'000 | Share based payments US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| **2016 Compensation to key management (Reviewed)** | | | | | |
| Non-executive directors' remuneration | 245 | – | – | – | 245 |
| Executive directors' remuneration | 518 | 4 | 39 | – | 561 |
| Other key management remuneration | 343 | 11 | 63 | – | 417 |
| **Total** | 1 106 | 15 | 102 | – | 1 223 |
| **2015 Compensation to key management (Reviewed)** | | | | | |
| Non-executive directors' remuneration | 245 | – | – | – | 245 |
| Executive directors' remuneration | 638 | 21 | 31 | 23 | 713 |
| Other key management remuneration | 401 | 50 | 43 | 16 | 510 |
| Total | 1 284 | 71 | 74 | 39 | 1 468 |

## 19. CONTINGENT LIABILITIES

During the year ended 30 September 2015, the Company received a "letter before action" from a firm of solicitors representing a shareholder which asserts intended claims against, *inter alia*, the Company for damages purporting to arise in the context of the listing of the Company on the JSE and the compulsory conversion of the convertible redeemable preference shares held by that shareholder in the Company into ordinary shares as provided for in the terms of the convertible redeemable preference shares. The matter is subject to the contractual arbitration proceedings agreed between the parties. The shareholder has as yet not invoked the arbitration proceedings.

In accordance with paragraph 92 of IAS 37 *Provisions, contingent liabilities and contingent assets* no further information is disclosed in relation to the subject matter on the grounds that it may prejudice the position of the Company in a dispute with other parties.

During the six months ended 31 March 2016, Tharisa Minerals Proprietary Limited terminated the services of a mining contractor based on non-performance and instructed its attorney to institute proceedings to recover damages arising from the non-performance. The contractor has, as a consequence of the termination of the contract, instituted legal proceedings against Tharisa Minerals Proprietary Limited claiming unlawful dispossession of the mine or alternatively those parts of the mine which it was working at the time of termination. The Board of Directors of Tharisa Minerals Proprietary Limited has taken legal advice and, based on the advice received, is of the view that the mining contractor's case has no merit and Tharisa Minerals Proprietary Limited will defend itself against any action taken against it.

The following reclassifications have been made to the comparative figures:

## 20. COMPARATIVE FIGURES

| | Six months ended 31 March 2016 Reviewed US$'000 | Six months ended 31 March 2015 Reviewed US$'000 |
|---|---|---|
| **Consolidated statement of profit or loss and other comprehensive income** | | |
| Finance income | – | (751) |
| Changes in fair value of financial assets at fair value through profit or loss | – | (24) |
| Changes in fair value of financial liabilities at fair value through profit or loss | – | 775 |

## 21. MINE RESOURCE AND RESERVE STATEMENT

The Group owns and operates the Tharisa Mine, a co-producing, open pit PGM and chrome mine located in the Bushveld Complex of South Africa. The proven and probable open pit and underground mine reserve as at 31 December 2015 certified by independent experts amounted to 106.4 million tonnes. This reserve as at 31 March 2016, due to normal mining operations, has been reduced by approximately 1.2 million tonnes. The total mineral resource similarly decreased as a result of depletion during the period.

## 22. SUBSEQUENT EVENTS

On 8 June 2016, the Company listed on the main board of the London Stock Exchange under the ticker THS.

The Board of Directors are not aware of any material events after the reporting period which have a bearing on the understanding of the condensed consolidated interim financial statements.

# Notes

# Notes

# Notes

# LEGAL DISCLAIMER

Some of the information in these materials may contain projections or forward-looking statements regarding future events, the future financial performance of the Group, its intentions, beliefs or current expectations and those of its officers, directors and employees concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and business. You can identify forward looking statements by terms such as "expect", "believe", "anticipate", "estimate", "intend", "will", "could", "may" or "might" or the negative of such terms or other similar expressions. These statements are only predictions and actual results may differ materially. Unless otherwise required by applicable law, regulation or accounting standard, the Group does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of the Group, including, among others, general economic conditions, the competitive environment, risks associated with operating in South Africa and market change in the industries the Group operates in, as well as many other risks specifically related to the Group and its operations.

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