# REPORTS AND
# CONSOLIDATED FINANCIAL STATEMENTS
## 30 September 2018

tharisa
plc

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# MANAGEMENT REPORT
**for the year ended 30 September 2018**

The Board of Directors of Tharisa plc ('the Company') presents to the members its Group's and Company's Management Report together with the audited consolidated financial statements of the Company and its subsidiaries (together with the Company, 'the Group') and the Company financial statements for the year ended 30 September 2018.

The Company is a Cypriot incorporated public company with a primary listing on the main board of the Johannesburg Stock Exchange and a secondary standard listing on the main board of the London Stock Exchange. The Group's consolidated financial statements and Company financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and the requirements of the Cyprus Companies Law, Cap. 113.

## PRINCIPAL ACTIVITY

The principal activity of the Company is that of an investment holding company with controlling interests in platinum group metals ('PGM') and chrome mining, processing operations and associated sales and logistics operations. The principal activity remains unchanged from the previous year.

The principal activity of the Group is the exploitation of metals and minerals, principally platinum group metals ('PGMs') and chrome, and associated sales and logistics operations. The Group holds a 74% shareholding in Tharisa Minerals Proprietary Limited ('Tharisa Minerals'). Tharisa Minerals owns and operates the Tharisa Mine, an open pit PGM and chrome mine located in the Bushveld Complex of South Africa.

## REVIEW OF DEVELOPMENT, POSITION AND PERFORMANCE OF THE GROUP'S BUSINESS

The 2018 financial year was a year of record production achieved with increased plant throughput and metal recovery. The prill split of the PGM concentrate, which favours palladium and rhodium, contributed to an overall increase in the PGM basket price despite the lacklustre pricing seen in platinum. Metallurgical chrome concentrate prices were muted. Against the backdrop of increased production volumes and prevailing commodity markets and notwithstanding material increases in both fuel prices and freight rates, the Group still generated strong cash flows from operations. The Group's mining operations took a major step forward, as it became owner operator of its mining fleet in the year under review. The Group also continued to effectively leverage the business model with third party agency and trading activities. The Group's commitment to innovation is visible in the improvements it delivered in processing, and it added further value via its extensive research and development activities. The Group believes these strategic advances will lead to further improvements in production and provide a strong base for the Group to continue its growth.

Tharisa Minerals Proprietary Limited recorded production of 152.2 koz of contained PGMs and production of 1.4 Mt of chrome concentrates for the 2018 financial year. Of the chrome concentrates, 367.7 kt comprised higher value specialty grade products.

The Group is now firmly established as a trusted supplier of quality metallurgical chrome, specialty chrome and PGM concentrates. This allowed the Group to begin the implementation of its diversification strategy, and the Group has secured early mover optionality in two exploration projects on the mineral rich Great Dyke of Zimbabwe.

The Group's approach to growth has always been measured and deliberate. The Group believes this discipline has been central to the success of the Group's story, which has led the Group to become one of the lowest cost, highly integrated and innovative co-producers of PGMs and chrome.

During the year under review, the PGM basket price increased by US$137/oz on the back of the rally in the rhodium, ruthenium, and iridium prices underpinned by strong palladium prices to average at US$923/oz. Palladium, continued to trade at a premium to platinum on the back of growing deficit forecasts. The platinum price, however, remained subdued, trading at ten-year lows. Following a year where metallurgical chrome concentrates prices reached unprecedented highs of approximately US$390/t, the 2018 financial year saw chrome concentrate prices fall below US$200/t. This was mainly due to increasing stock levels of chrome ores in Chinese main ports peaking at 3.8 Mt. The average metallurgical chrome contract price achieved was US$186/t CIF China for the 2018 financial year.

Operating profit for the year amounted to US$72.5 million (2017: US$98.4 million), with a net profit after tax of US$51.0 million (2017: US$67.7 million) generating headline earnings per share of US$ 19 cents (2017: US$ 22 cents). Importantly the Group generated net cash from operations of US$89.8 million (2017: US$75.7 million) and after taking into account the capex, a free cash flow of US$49.3 million (2017: US$53.1 million).

It is the Group's policy to pay a minimum of 15% of its consolidated net profit after tax as a dividend. This year the Group paid its maiden interim dividend of US$ 2 cents per share. The directors are pleased to announce that based on solid earnings and subject to the necessary shareholder approvals, the Board has proposed a final dividend to shareholders of US$ 2 cents per share, totalling US$ 4 cents for FY2018 (2017: US$ 5 cents) equating to 20.5% of its consolidated net profit after tax.

The dividend pay-out takes into consideration various factors, including overall market and economic conditions, the Group's financial position, capital investment plans as well as earnings growth.

**Safety**

Safety is a core value and the Group continues to strive for zero harm at its operations. Tharisa Minerals achieved a Lost Time Injury Free Rate of 0.18 per 200 000 person-hours worked at 30 September 2018. The Group continues to implement appropriate risk management processes, strategies, systems and training to promote a safe working environment for all.

In line with the Department of Mineral Resources' ('DMR') drive to minimise all injuries within the South African mining industry, the Group is committed to ensuring a safer workplace. To that end, it is pleasing to report that Tharisa Minerals was awarded a Best in Class safety award at MineSafe 2018 and in September 2018 the Group’s operations achieved 4 000 fatality free production shifts.

**South Africa**

South Africa’s DMR, under the leadership of Honourable Minister Gwede Mantashe, issued a new Mining Charter in October 2018, aimed at promoting much needed investment in the resources sector by ensuring greater investor certainty. While Tharisa Minerals’ operation came into existence after new mining regulations were promulgated in 2004, the Group nevertheless welcomes the new Mining Charter, as it sets guidelines and structures for future investments. Given Tharisa Minerals’ further 15 year open pit life with a potential further 40 year underground life, the Group is comfortable that this Mining Charter will bring the necessary certainty the Group as long-term investor requires.

Tharisa Minerals joined South Africa's Minerals Council this year, an industry body aimed at promoting dialogue between the mining industry and government. The Group has joined the Platinum Leadership Forum, focusing on supporting and growing demand for the platinum industry, and also proposed the formation of the Chrome Leadership Forum within the Minerals Council structures. Chrome continues to play a significant role in South Africa's economy, with the country producing 16.6 Mt or 54.7% of global supply with exports, generating more than ZAR12.6 billion in revenue for the national current account. The Group is the fourth largest primary producer of chrome in South Africa and accounts for 8.7% of South African chrome production. PGM exports account for ZAR85.1 billion for the current account and The Group is the seventh largest producer of PGMs in South Africa.

**Operational overview**

A number of milestones were achieved during the financial year including:

- 5.1 Mt Run of Mine milled, an increase of 3.9%
- 84.1% overall PGM recovery, an increase of 5.5%
- 152.5 koz 5PGE + Au contained PGM production, up by 6.0%
- 66.0% chrome recovery, an increase of 3.0%
- 1.4 Mt production of chrome concentrates from the Tharisa operations, up by 8.8%
- 367.7 kt specialty grade chrome production, an increase of 13.8%
- exceeded targeted production at Lonmin K3 chrome plant by 10.9% at 221.8 kt
- 1.6 Mt of chrome tonnes sold, an increase of 24.8%

**Mining**

Tharisa Minerals' mining division mined 4.9 Mt of ROM during the year ended 30 September 2018, a 3.0% decrease compared to the year ended 30 September 2017. A total of 11.1 $Mm^3$ of waste was moved during the year. Whilst the stripping ratio of 7.9 on a $m^3$:$m^3$ basis remained below the Life Of Mine average of 9.5, it represented a 5.3% increase from the previous year. There was a reduction in year on year mining, mainly due to availability of equipment. This was as a result of an ongoing comprehensive maintenance plan to return the used mining fleet, purchased by Tharisa Minerals from the previous contractor, to Original Equipment Manufacturer standards. The implementation of the necessary maintenance systems will see availability and utilisation increasing during the 2019 financial year, enabling the fleet to achieve the required mining rate of 5.2 Mtpa. A key focus of the mining division is improving the efficiencies of the drill and blast operations, which is essential to achieving the required stripping ratio. This will ensure ongoing access to the reef horizons and maintaining the supply of ore to the processing plants. The introduction and implementation of systems and connectivity across the mining fleet coupled with state of the art simulator operator training are key focus areas for the Tharisa Minerals mining division to achieve the same levels of integration and efficiency as has been achieved in the processing division. The mining operations are transitioning to a 24 hour four shift operation thereby increasing mining capacity by approximately 15%.

**Processing**

Plant throughput for the year ended 30 September 2018 at 5.1 Mt exceeded the nameplate capacity. This is attributable to consistent feed and preventative maintenance resulting in improved plant availability and utilisation. The further optimisation of the high energy PGM flotation circuit at the Genesis Plant further increased recoveries.

With a PGM rougher feed grade of 1.51 g/t and recoveries improving to 84.1% (against a target of 80%), PGM production (5PGE + Au) was 152.2 koz, an improvement of 6.0%. Chrome feed grade was 18.2% and with chrome recoveries improving to 66.0% (target 65%), chrome concentrate production increased by 8.8% to 1.4 Mt. The production of specialty grade chrome concentrates of 367.7 kt increased 13.8% and constitutes approximately 25.4% of total chrome concentrate production. Specialty grade chrome concentrates continue to command on average a US$50/t premium on a CIF China equivalent basis over standard metallurgical grade chrome concentrates.

Arxo Metals surpassed its chrome concentrate production target at the Lonmin K3 chrome plant by 10.9%, to produce 221.8 kt of chrome concentrates mainly through applying the operational skills and standards deployed at the Tharisa Minerals processing division. Further upgrades are proposed for the K3 plant in the 2019 financial year which, if implemented, will see further improvements in chrome production.

**Commodity markets and sales**

| | | **30 September 2018** | 30 September 2017 | Change % |
|---|---|---|---|---|
| PGM basket price | US$/oz | **923** | 786 | 17.4 |
| PGM basket price | ZAR/oz | **12 038** | 10 492 | 14.7 |
| 42% metallurgical grade chrome concentrate contract price | US$/t | **186** | 200 | (7.0) |
| 42% metallurgical grade chrome concentrate contract price | ZAR/t | **2 415** | 2 667 | (9.4) |
| Exchange rate | ZAR:US$ | **13.1** | 13.4 | (2.2) |

Tharisa Minerals continues to supply the majority of its PGM concentrate to Impala Platinum in terms of its offtake agreement, with the balance of the PGM concentrate processed in the 1MW research and development furnace that was recently commissioned and/or sold to Lonmin.

A total of 152.2 koz of contained PGMs (on a 5PGE + Au basis) was sold during the year. This is an increase of 6.1% over the previous year's sales of 143.5 koz of contained PGMs (on a 5PGE + Au basis).

The PGM prill split by mass is as follows:

| | **30 September 2018** | 30 September 2017 |
|---|---|---|
| Platinum | **54.9%** | 55.2% |
| Palladium | **16.7%** | 16.1% |
| Rhodium | **9.8%** | 9.5% |
| Gold | **0.2%** | 0.2% |
| Ruthenium | **14.0%** | 14.3% |
| Iridium | **4.4%** | 4.7% |

Tharisa Minerals is paid a variable percentage of the market value of the contained PGMs in terms of an agreed formula. The PGM basket price improved, with the average PGM basket price per ounce increasing by 17.4% to US$923/oz (2017: US$786/oz) for the year ended 30 September 2018.

Tharisa Minerals' chrome concentrate sales totalled 1.4 Mt, 371.9 kt of which was higher value-add specialty chemical and foundry grade chrome concentrates with the bulk of the sales being metallurgical grade chrome concentrate. The average price for metallurgical grade chrome concentrate on a CIF main ports China basis decreased to US$186/t (2017: US$200/t).

Third party sales amounted to 216.6 kt for the year, resulting in Tharisa marketing and selling a total of 1.6 Mt of chrome concentrate products during the year.

### Logistics

| | | **30 September 2018** | 30 September 2017 | Change % |
|---|---|---|---|---|
| Average transport cost per tonne of chrome concentrate – CIF China basis | US$/t | **62** | 52 | 19.2 |
| Chrome concentrates shipped (including third party materials) | kt | **1 247.8** | 995.8 | 25.3 |

The chrome concentrates destined for main ports in China were shipped either in bulk from the Richards Bay Dry Bulk Terminal or via containers and transported from Johannesburg by road to Durban for shipment. The economies of scale and in-house expertise have ensured that the Group's transport costs remain competitive.

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

A total of 1.3 Mt (2017: 995.8 kt) of chrome concentrates was shipped by Arxo Logistics during the year ended 30 September 2018, mostly to main ports in China. Of this, 99.6% was shipped in bulk, with bulk shipments being preferred by customers due to ease of handling and reduced port charges, as well as reduced levels of administration.

Arxo Logistics provided third party logistics services during the period under review and is planning to expand this service offering in the year ahead.

### Labour relations

Labour relations at Tharisa Minerals remained stable during the year. The establishment of the in-house Tharisa Minerals mining division saw the recognition of AMCU (a trade union) as the majority trade union representing employees at Tharisa Minerals.

### Sustainability

Sustainability is at the heart of the business model. The Group is proud of its track record in minimising the environmental impact of its operations and, while striving to improve further, takes pride in the mature and mutually beneficial relationships with the communities that border the Tharisa Minerals Mine.

Tharisa Minerals not only understands its obligations to create social capital as enshrined in the MPRDA, but also strives to achieve these obligations in ways that create ongoing sustainable social capital. Its commitment to the neighbouring communities is evidenced in all aspects of the business, not only from the corporate social initiatives and local economic development plans, but also underpinned by equity ownership by the community in Tharisa Minerals.

The Group has policies in place to ensure that neither the Group nor its suppliers participate in any form of human rights violation, including human trafficking and modern slavery.

The Group acts ethically and with integrity in all business dealings and is committed to ensuring systems and controls are in place to safeguard against corruption.

**Financial overview**

The financial results of the group benefited from the co-product business model with increased revenue from increased volume sales for both PGMs and chrome concentrates while the commodity prices reflected opposing trends. The PGM basket price increased by 17.4% to US$923/oz (2017: US$786/oz), benefiting from the prill split favouring palladium (at 16.7%) and rhodium (at 9.8%). The metallurgical grade chrome concentrate price decreased by 7.0% to US$186/t (2017: US$200/t) with specialty grade chrome concentrates comprising 25.6% of concentrate sales and continuing to trade at a premium of at least US$50/t to the metallurgical grade sales prices.

The group commodities are priced in US$ and the base cost currency for the group mining operations, being South African, is mainly in ZAR. While the ZAR exchange rate was volatile over the financial year, on average the exchange rate strengthened by 2.2% at ZAR13.1 to the US$ (2017: ZAR13.4 to the US$).

The funding position of the group was impacted by the leveraged purchase of the mining fleet with the transition to an owner mining model effective 1 October 2017, with the overall gearing (total interest bearing debt to total equity) of the group at 25.8% (2017: 19.9%). With the strong net cash flows from operations the net debt to total equity was 3.3%.

Group revenue totalled US$406.3 million (2017: US$349.4 million) of which US$117.4 million was derived from the sales of PGM concentrate and US$250.4 was derived from the sale of chrome concentrates. The agency and trading segment contributed US$38.5 million. This is an increase in revenue of 16.3% relative to the prior year.

On a segmental basis, the increase in revenue is as a result of an increase in:

- unit sales of PGMs by 6.1% from 143.5 koz to 152.2 koz with an increase in the PGM basket price by 17.4% from US$786/oz to US$923/oz
- unit sales of metallurgical grade chrome concentrates by 6.5% from 995.8 kt to 1 060.3 kt notwithstanding a decrease in the metallurgical grade chrome concentrate price of 7.0% from US$200/t to US$186/t
- unit sales of specialty grade chrome concentrates (25.4% of production) by 13.2% from 321.5 kt to 364.0 kt
- third party trading and logistics businesses building on the existing platforms, which contributed US$38.5 million to revenue.

Other income includes an amount of US$1.9 million being non-recurring income relating to the gain on the bargain purchase of the mining fleet. Other than for this amount, there have been no other non-recurring or exceptional income sources during the period.

Gross profit amounted to US$108.5 million (2017: US$122.7 million) with a gross profit margin of 26.7% (2017: 35.1%).

The reduction in the gross profit margin may be attributed to a number of above inflation cost pressures and a change in the fixed cost element particularly within mining. The mining fleet has installed capacity to move the required waste (both overburden and interburden) and mine the required ROM to at least produce the market guidance production for FY2019 of 160 koz of PGMs and 1.5 Mt of chrome concentrates. This installed capacity has an embedded fixed cost component, whereas with a mining contractor model, the costs were variable being based on the volumes moved. Diesel consumption comprises 13.7% of the on-mine cost of production and, with the increase in the average Brent crude price by US$55.2/bbl to US$78.9/bbl, the price per litre of diesel increased on average by 38.4% per litre. Overall inflationary pressures in South Africa as measured by the PPI averaged 6.2% (2017: 5.2%).

Furthermore, selling costs incurred with the transport of the metallurgical grade chrome concentrate from the mine to the customer at China main ports increased by 19.2% from US$52.0/t to US$62.0/t. The majority of this increase related to an increase in the freight costs.

As a co-producer of PGMs and chrome concentrates, the shared costs of production for segmental reporting purposes are based on the relative contribution to revenue on an ex-works basis, allocated 50% to the PGM segment and 50% to the chrome segment. This is in accordance with the accounting policy of the Group and IFRS. The comparable period allocations were 35% to the PGM segment and 65% to the chrome segment. The change to the basis of allocation of the shared costs is, in effect, a 42.9% increase in respect of the allocation to the PGM segment and a 23.1% decrease in respect of the allocation to the chrome segment.

The segmental contribution to revenue and gross profit from the respective segments is summarised below:

| | 30 September 2018 | | | | 30 September 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| *US$ million* | **PGM** | **Chrome** | **Agency and trading** | **Total** | **PGM** | **Chrome** | **Agency and trading** | **Total** |
| Revenue | 117.4 | 250.4 | 38.5 | 406.3 | 90.9 | 252.9 | 5.6 | 349.4 |
| Cost of sales | 88.2 | 174.7 | 34.9 | 297.8 | 54.7 | 166.7 | 5.3 | 226.7 |
| Manufacturing | 87.8 | 106.5 | 21.6 | 215.9 | 54.3 | 107.6 | 4.2 | 166.1 |
| Selling costs | 0.4 | 48.4 | 9.7 | 58.5 | 0.4 | 44.8 | 1.1 | 46.3 |
| Freight services | - | 19.8 | 3.6 | 23.4 | - | 14.3 | - | 14.3 |
| Gross profit contribution | 29.2 | 75.7 | 3.6 | 108.5 | 36.2 | 86.2 | 0.3 | 122.7 |
| Gross profit margin | 24.9% | 30.2% | 9.4% | 26.7% | 39.8% | 34.1% | 5.4% | 35.1% |
| Sales volumes | 152.2 koz | 1 429.6 kt | | | 143.5 koz | 1 317.3 kt | | |

In addition to the inflationary pressures detailed above, the PGM segment gross profit margin of 24.9% (2017: 39.8%) was lower than the previous year, mainly due to the revised basis of allocating shared costs.

The chrome segment gross profit margin of 30.2% (2017: 34.1%) was lower than the year before largely due to the decrease in the chrome concentrate sales price and increased transport costs notwithstanding benefitting from the reduction in the basis of allocation of the shared production costs. Freight costs for bulk shipments of chrome concentrates, a significant component of the cost of chrome sales, increased by 38.4% from US$13.8/t to US$19.1/t resulting in the average transport cost per chrome tonne increasing from US$52.0/t to US$62.0/t.

The agency and trading segment contributed US$3.6 million to the Group gross profit at a margin of 9.4%.

On a unit cost basis, the reef mining cost per tonne increased by 11.7% from US$18.8/t to US$21.0/t. This cost per reef tonne was incurred on a stripping ratio of 7.9 ($m^3$ waste : $m^3$ reef). On a per cube mined basis i.e. including both waste and reef, the cost increased by 3.8% from US$7.9/$m^3$ to US$8.2/$m^3$ (the prior year stripping ratio was 7.5).

The consolidated cash cost per tonne milled (i.e. including mining but excluding transport and freight) increased by 7.4% from US$34.9/t to US$37.5/t.

Administrative expenses increased from US$26.9 million to US$39.2 million mainly due to an increase in employee costs which included certain bonus payments following the successful transition to an owner mining model and costs associated with the employment of additional support staff (time and attendance, procurement, human resource and safety) necessary as an owner miner. After accounting for administrative expenses, the Group achieved an operating profit of US$72.5 million (2017: US$98.4 million).

Finance costs (totalling US$10.2 million) principally relate to the term loan and various OEM financing facilities due by Tharisa Minerals for the funding of mining fleet additions, the trade finance facilities of Arxo Resources and the limited recourse discounting of the PGM receivables.

The Group generated a profit before tax of US$65.0 million compared to the comparable period of US$91.0 million.

The tax charge amounted to US$14.0 million, an effective charge of 21.6%. The cash tax paid amounted to US$5.5 million. The Group has fully utilised its tax losses however, as at the year-end, the Group had unredeemed capex for tax purposes available for off-set against taxable mining income of US$111.1 million. The net deferred tax liability amounted to US$28.0 million.

Basic earnings per share for the year amounted to US$ 19 cents (2017: US$ 22 cents) with headline earnings per share of US$ 19 cents (2017: US$ 22 cents). Diluted earnings per share was US$ 18 cents (2017: US$ 22 cents) with diluted headline earnings per share of US$ 19 cents (2017: US$ 22 cents).

The Group successfully closed the refinancing of the senior debt facility and the bridge loan facility (utilised to part finance the purchase of the mining fleet) with a three year secured term loan of ZAR400.0 million as well as securing corporate facilities in the amount of ZAR400.0 million. Consequently, the amount held in the debt service reserve account is now available to the Group. The corporate facilities have not been drawn. In addition, US$37.0 million of financing facilities from original equipment manufacturers and asset backed facilities were arranged of which US$23.2 million was drawn at year end. Arxo Resources secured a US$20.0 million trade finance facility to fund pre-shipment chrome concentrate sales pipelines. As at the year-end the facility was not yet accessed.

The total debt amounted to US$77.4 million, resulting in a debt to total equity ratio of 26.0%. This exceeds the long-term targeted debt to equity ratio of 15% principally due to the leveraged purchase of the mining fleet. Tharisa had cash and cash equivalent of US$66.8 million at year-end resulting in a net debt to total equity ratio of 3.3%.

The current capex spend focused on stay in business capex, mining fleet additions to optimise the fleet and ongoing projects aimed at improving recoveries of both PGMs and chrome concentrates. Additions to property, plant and equipment for the year amounted to US$48.2 million of which US$23.4 million related to additions to the mining fleet including US$6.9 million related to right of use (leased) assets. This is in addition to the US$21.5 million paid for the acquisition of the mining fleet. The depreciation charge amounted to US$29.9 million (2017: US$16.9 million). The mining fleet was purchased from the mining contractor at a discount to the replacement value thereof thereby having a favourable impact on the current depreciation charge.

The environmental rehabilitation provision was historically calculated based on the rates as prescribed by the Department of Mineral Resources escalated by South African CPI. In the current year, the group reviewed the basis of its estimates and judgements and the basis for the calculation of the environmental rehabilitation provision was amended to that of prevailing commercial rates.

The Company acquired a 26.8% shareholding in Karo Mining Holdings Limited for a cash consideration of US$4.5 million. This investment is accounted for using the equity method in the consolidated financial statements and at cost in the Company financial statements..

The Company has an option to acquire a 90% shareholding in Salene Chrome Zimbabwe (Private) Limited. It has a commitment to fund the exploration spend up to USD3.2 million. This investment is accounted for as other financial asset at the cost of the exploration spend.

The Group generated net cash from operations of US$89.8 million (2017: US$75.7 million) and after taking into account the capex and the net cash flow from the business combination, a free cash flow of US$49.3 million (2017: US$53.1 million). Cash on hand amounted to US$66.8 million (2017: US$49.7 million).

There is continued focus on working capital management, with the current ratio at 2.0 times.

The Group has early adopted IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. The Group entered into a number of new lease agreements for the addition of mining fleet subsequent to 30 September 2017 and consequently decided to early adopt these standards. The early adoption resulted in negligible adjustments to retained earnings at 1 October 2017.

## CHANGE IN GROUP STRUCTURE

On 29 June 2018, the Company incorporated Arxo Finance Limited, a company incorporated in Cyprus. The principal activity of Arxo Finance Limited is to provide funding arrangements for Group entities. At 30 September 2018, Arxo Finance Limited has not yet commenced operations.

On 19 July 2018, Braeston Corporate Consulting Services Proprietary Limited, an indirect wholly-owned subsidiary of the Company, incorporated Ubhova Security Proprietary Limited, a company incorporated in South Africa. The principal activity of Ubhova Security Proprietary Limited is the provision of security services. At 30 September 2018, Ubhova Security Proprietary Limited has not yet commenced operations.

On 12 June 2018, the Company acquired a 26.8% shareholding in Karo Mining Holding Limited, a company incorporated in Cyprus. The principal activity of Karo Mining Holdings Limited is that of an investment holding company. Karo Mining Holdings Limited entered into an Investment Project Framework Agreement with the Republic of Zimbabwe in terms of which Karo Mining Holdings Limited, through any of its subsidiaries, has undertaken to establish a platinum group metals mine, concentrators, smelters, a base metal and precious metals refinery as well as power generation capacity for the operations with surplus energy capacity made available to the Zimbabwe power grid.

The Company has been granted a call option to acquire a 90.0% shareholding in Salene Chrome Zimbabwe (Private) Limited, a company incorporated in Zimbabwe. Salene Chrome Zimbabwe (Private) Limited's principal activity is an exploration and mining company.

For the principal subsidiaries of the Company, refer to note 1 of the consolidated financial statements and note 11 to the Company financial statements.

## FUTURE DEVELOPMENTS

The Group introduced its Vision 2020 projects. These projects are targeting an increase in Tharisa Minerals' production to 200 kozpa of PGMs and 2.0 Mt of chrome concentrates by the end of 2020 on an annualised basis.

The optimisation projects and additional processing plants, together with improved mining grade, are planned to add 40 kozpa of PGMs and 500 ktpa of chrome concentrates to the Tharisa Minerals Mine's annual production guidance for FY2019 of 160 kozpa of PGMs and 1.5 Mt of chrome concentrates.

### *Upgrade of the crusher circuit at the Genesis Plant*

The additional crusher circuit at the Genesis Plant was commissioned during October 2019. The US$7.5 million project aims to increase the Genesis Plant throughput by 15% or about 180 ktpa, targeting an increase in the higher value specialty grade chrome concentrates by adding approximately 24 ktpa of chemical grade chrome concentrate and approximately 18 ktpa of foundry grade chrome concentrate and approximately 19 ktpa of metallurgical grade chrome concentrate.

### *PGM optimisation at the Voyager Plant*

The addition of flotation capacity and the installation of high energy mechanisms at the Voyager Plant is aimed at improving PGM recoveries and increasing PGM production by an estimated 14 kozpa. The project is being implemented in a staged approach. The first phase of the project, the increase in high grade flotation capacity, has been commissioned. The second phase of the project will be implemented during the 2019 financial year.

### *Vulcan Fine Chrome Recovery Plant*

The construction of the Vulcan Plant will facilitate additional recovery of fine chrome from tailings streams. This proprietary process has been developed by Arxo Metals and a demonstration scale plant has been commissioned at Tharisa Minerals and through systematic operation has proven the concept and process flow. The feasibility study based on the operation of the demonstration scale plant has been concluded.

**Apollo PGM and Chrome Plant**

A decision has been taken to suspend the Apollo Plant project. This is in light of the additional testwork and studies that indicated the potential for an additional PGM recovery circuit following the Vulcan Plant, which would yield a better investment return.

**Exploration projects**

Our exploration focus is on the Great Dyke in Zimbabwe, which, just like our existing operations in the Bushveld Complex in South Africa, represents a unique, resource rich geological formation. We believe that being an early mover in this territory positions the Group strategically for current transformation and reforms that are taking place in Zimbabwe. The Group's approach in developing these exciting projects will be gradual, staged and measured, with the necessary protections and approvals in place before the Group commits capital.

***Karo Mining Holdings Limited***

In June 2018, the Group acquired a 26.8% shareholding in Karo Mining Holdings Limited at a low-cost entry point of US$4.5 million. Karo Mining Holdings Limited has been awarded a Special Grant over an area covering 23 903 ha on the Great Dyke of Zimbabwe. In terms of the Investment Project Framework Agreement with the Government of Zimbabwe, the plan is to establish a vertically integrated PGM mining complex. Based on historic testwork, this area is purported to contain some 96 Moz of PGMs at an average grade of 3.2 g/t (3PGE + Au).

***Salene Chrome Zimbabwe (Private) Limited***

The Group was granted a call option to acquire a 90% shareholding in Salene Chrome Zimbabwe (Private) Limited, exercisable on completion of the exploration programme. Salene Chrome Zimbabwe (Private) Limited was awarded three Special Grants covering an area of approximately 9 500 hectares on the eastern side of the Great Dyke in Zimbabwe. The Special Grants entitle Salene Chrome Zimbabwe (Private) Limited to mine the minerals thereon, including illuvial chrome, which are at surface chrome fines generated from seams as a result of weathering. Salene Chrome Zimbabwe (Private) Limited has also been awarded three additional Prospecting Special Grants on the western side of the Great Dyke. The Company has agreed to undertake and fund the initial exploration programme of Salene Chrome Zimbabwe (Private) Limited in an amount not exceeding US$3.2 million.

**RESULTS**

The Group's results are set out on page 47 of the consolidated financial statements while the results of the Company are set out on page 131.

**DIVIDENDS AND CAPITAL DISTRIBUTION**

During the year ended 30 September 2018, the Company declared and paid a final dividend of US$ 5 cents per share in respect of the year ended 30 September 2017. An interim dividend of US$ 2 cents per share was also declared and paid.

A capital distribution of US$2.6 million (US$ 1 cent per share) was declared as a reduction of share premium during the year ended 30 September 2017.

**RELATED PARTIES**

From time to time, the Group concludes transactions with related parties. Outstanding balances at year-end are unsecured and settlement occurs in cash and are disclosed in the ensuing consolidated financial statements (refer to note 36) and the Company financial statements (refer to note 21).

## SHARE CAPITAL AND PREMIUM

The authorised share capital of the Company comprises 10 000 million ordinary shares of US$0.001 each and 1 051 convertible redeemable preference shares of US$1 each. At 30 September 2018, the issued and fully paid ordinary share capital comprised 260 902 429 (2017: 260 012 726) ordinary shares. During the year ended 30 September 2018, the Company issued 4 000 000 (2017: 1 033 576) ordinary shares to be held as treasury shares mainly for the purpose of settling obligations in respect of the conditional awards and share appreciation rights as employees exercise their rights. As at 30 September 2018 and the date of this report, treasury shares totalled 4 097 571 (2017: 987 274) ordinary shares (refer to note 26 of the consolidated financial statements and note 16).

The convertible redeemable preference shares are not admitted for trading nor are any in issue.

All ordinary shares other than for the treasury shares rank equally with regard to the Company's residual assets. The holders of ordinary shares, other than the treasury shares, are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## TREASURY SHARES

As at 30 September 2018 and the date of this report, the Company held 4 097 571 (2017: 987 274) ordinary shares as treasury shares which were issued to satisfy the potential future settlement of conditional awards and appreciation rights of the participants of the Tharisa Share Award Plan. Treasury shares do not carry voting rights and are not entitled to receive dividends. Refer to note 26 of the consolidated financial statements and note 16 of the Company financial statements.

## SIGNIFICANT SHAREHOLDERS

The shareholders holding more than 5% (directly or indirectly) of the issued share capital:

| | **Number of shares** | **30 September 2018 %** | Number of shares | 30 September 2017 % |
|---|---|---|---|---|
| Medway Development Limited | **111 627 006** | **42.8** | 115 153 473 | 44.3 |
| Rance Holdings Limited | **40 548 241** | **15.5** | 40 548 241 | 15.6 |
| Fujian Wuhang Stainless Steel Products Co. Limited | **19 419 920** | **7.4** | 19 419 920 | 7.5 |
| Maaden Invest Limited | **14 985 577** | **5.7** | 14 985 577 | 5.8 |

There has been no change in the shareholders holding more than 5% of the issued share capital of the Company between the end of the financial year and the date of the approval of the consolidated financial statements.

# MANAGEMENT REPORT
**for the year ended 30 September 2018**

Public and non-public shareholders:

| **2018** | **Number of shareholders** | **Number of shares** | **% of issued share capital** |
|---|---|---|---|
| Public | **886** | **100 553 040** | **38.6** |
| Non public: | | | |
| Directors and associates of the Company and its subsidiaries | **15** | **8 174 142** | **3.1** |
| Persons interested (other than directors), directly or indirectly, in 10.0% or more | **2** | **152 175 247** | **58.3** |
| | **903** | **260 902 429** | **100.00** |

| 2017 | | | |
|---|---|---|---|
| Public | 968 | 95 779 284 | 36.8 |
| Non public: | | | |
| Directors and associates of the Company and its subsidiaries | 15 | 8 531 728 | 3.3 |
| Persons interested (other than directors), directly or indirectly, in 10.0% or more | 2 | 155 701 714 | 59.9 |
| | 985 | 260 012 726 | 100.00 |

The shareholding percentage represents the percentage of voting rights.

**THE ROLE OF THE BOARD OF DIRECTORS**

The Company is governed by its Board of Directors which is collectively responsible to the shareholders for the performance of the Group.

The Board of Directors sets corporate strategic objectives, ensuring that the necessary financial and human resources are in place for the Group to meets its objectives and reviewing management performance.

The Board of Directors sets the Group's values and standards and ensures all obligations to shareholders are understood and met. The Board of Directors believes it maintains a sound system of internal control to safeguard the Group's assets and shareholders' investments.

In accordance with the Articles of Association of the Company, one-third of Non-Executive Directors must retire from office at each Annual General Meeting. The Non-Executive Directors retiring at each Annual General Meeting will be those Directors who have been the longest serving since their last election. Retiring Directors are eligible for re-election, and if so re-elected, are deemed to not have vacated their office.

## MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors, during the year, as at 30 September 2018 and the date of this report are:

| | |
|---|---|
| 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 | Independent Non-Executive Director |
| Carol Bell | Independent Non-Executive Director |
| Roger Owen Davey | Independent Non-Executive Director |
| Joanna Ka Ki Cheng | Non-Executive Director |
| Zhong Liang Hong* | Non-Executive Director |

* Appointed on 1 April 2018

There has been no change in the composition or the allocation of responsibilities of the Board of Directors' of the Company between 30 September 2018 and the date of approval of the consolidated and Company financial statements.

## DIRECTORS' INTEREST

The interest in the share capital of the Company, both direct and indirect, of the Board of Directors is disclosed below:

| | **30 September 2018 %** | 30 September 2017 % |
|---|---|---|
| LC Pouroulis | **0.11** | 0.11 |
| P Pouroulis | **2.74** | 2.75 |
| MG Jones | **0.08** | 0.08 |
| A Djakouris | **0.02** | 0.02 |
| C Bell | **0.01** | 0.01 |
| Total | **2.96** | 2.97 |

The interest percentage represents the percentage of voting rights.

At 30 September 2018 and the date of this report, conditional awards that vested on 30 June 2018 have not yet been transferred to the respective executive directors, refer to note 8 of the consolidated financial statements. The effective shareholding of the executive directors will change once the shares have been transferred.

There has been no change in the Board of Directors' interests in the share capital of the Company between 30 September 2018 and the date of approval of the consolidated and Company financial statements.

## JOINT COMPANY SECRETARIES

Lysandros Lysandrides and Sanet Findlay serve as the Joint Company Secretaries. The Board of Directors formally assessed and considered the performance and qualifications of the Company Secretaries and is satisfied that they are competent, suitably qualified and experienced. They are not directors of the Company, nor are they related or connected to any of the Directors and the Board of Directors is satisfied that they maintain an arm's length relationship with the Board of Directors. Their contact details are as follows:

| Lysandros Lysandrides | Sanet Findlay |
|---|---|
| 26 Vyronos Avenue | 2nd Floor, The Crossing |
| 1096, Nicosia | 372 Main Road |
| Cyprus | Bryanston, 2191 |
| | South Africa |

The Joint Company Secretaries are available to advise all Directors to ensure compliance with the Board procedures. A procedure is also in place to enable Directors, if they so wish, to seek independent professional advice at the Group's expense.

## EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are disclosed in note 39 to the consolidated financial statements and note 23 to the Company financial statements.

## DIRECTORS' AND MANAGEMENT REMUNERATION

Directors' remuneration is disclosed in note 11 to the consolidated financial statements and note 6 to the Company financial statements. Key management's remuneration is disclosed in note 36 to the consolidated financial statements. There has been no significant change in the remuneration of the Board of Directors' and key management of the Company between 30 September 2018 and the date of approval of the consolidated financial statements, other than for the remuneration of the Executive Chairman which was re-set at the previous level of US$720 000 per annum with effect from 1 October 2018.

## ARTICLES OF ASSOCIATION

The Company's Articles of Association may only be amended by Special Resolution at the Annual General Meeting.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors established an Audit Committee to provide additional assurance regarding the quality and reliability of financial information and to review the internal and financial control systems, accounting systems and reporting and internal audit functions.

## ENVIRONMENTAL

The Group has a legal obligation to rehabilitate the mining area, once the mining operations cease (refer to note 27 to the consolidated financial statements).

## BRANCHES

During the year the Group and the Company did not operate any branches.

## RESEARCH AND DEVELOPMENT

The Group's approach to research and development is founded in its core value of innovation. The Group strives to push through established boundaries and limitations within existing processing and product development, optimizing processes and challenging convention. The successful commissioning and operation of the Group's PGM DC smelter is a case in point. The Group has successfully produced 12 t of smelter matte and are in the process of commissioning its PGM converter to upgrade the matte to an alloy with a 6 to 10-fold upgrade in the PGM concentration per tonne. The development of this downstream beneficiation of the Group's PGMs is part of its philosophy of capturing value and margin down the supply chain and ultimately being in control of metal flows through direct sales. On fulfilment of the current PGM offtake obligation, the intention would be to construct a larger smelter and refining complex to refine the Group's PGMs to final concentrate or refined metal, subject to final viability.

## GOING CONCERN

After making enquiries, which include reviews of current cash resources, forecasts and budgets, timing of cash flows, borrowing facilities and sensitivity analyses and considering the associated uncertainties to the Group's operations, the Directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

Refer to note 35 to the consolidated financial statements and note 20 of the Company financial statements for statements on the Group's objectives, policies and processes for managing its capital, details of its financial instruments and hedging activities; its exposures to market risk in relation to commodity prices and foreign exchange risks; interest rate risk; credit risk; and liquidity risk.

## INDEPENDENT AUDITORS

During the year the independent auditors of the Group and Company, KPMG Ltd. resigned and Ernst & Young Cyprus Ltd. was appointed.

The independent auditors, Ernst & Young Cyprus Ltd, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

## CORPORATE SOCIAL RESPONSIBILITY

Sustainability starts with a corporate value system that upholds responsibilities to the planet and to people. This corporate value system is based on a principled approach to doing business and is guided by the need to protect the environment, human rights and stakeholders that are affected by the Group's businesses.

Sustainability is a blueprint for shared value and it is through sustainability that the Group is able to create additional value for its investors and for all of its stakeholders including employees, contractors, suppliers, the communities in which it operates, and various levels of government.

On a broader basis, the Group subscribes to the Equator Principles and has embraced the Ten Principles of the UN Global Compact.

The Equator Principles are a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects. They are primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.

The safety and health of the Group's employees is a core value. Tharisa Minerals is proud of its track record in minimising its environmental impact and, while it strives to improve further, it takes similar pride in its mature and mutually beneficial relationships with the communities that border the Tharisa Minerals' Mine.

The Group not only understands its obligations to create social capital as enshrined in the MPRDA, but also strives to achieve these obligations in ways that create ongoing positive social impacts.

The Group will be publishing its sustainability report within its annual report and it will be available on the Company's website. The sustainability report will contain information about safety and health, human resources, environmental matters, social development and human rights.

**CORPORATE GOVERNANCE STATEMENT**

The Board is of the opinion that the Company is compliant with the JSE Listings Requirements and King IV in all material respects, other than having an Executive Chairman and not having an in-house internal audit function. The former has been mitigated by the appointment of David Salter as the Lead Independent Director and the latter by the appointment of Deloitte as the internal auditors of the Group (refer to the Corporate Governance Report).

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Group's critical estimates and judgements and financial risk management are disclosed in notes 3 and 35 to the consolidated financial statements and notes 3 and 20 of the Company financial statements.

The Group's contingencies, commitments and guarantees are disclosed in notes 37 and 38 to the consolidated financial statements and notes 21 and 22 to the Company financial statements.

Tharisa regards principal business risks as issues that may, if they materialise, substantially affect the Group's ability to create and sustain value in the short, medium and long term.

The risks that are material to Tharisa and its stakeholders are determined by an analysis of the Group's risks, the external environment and the Group's engagement with stakeholders.

Material risks may impact the achievement of the Group's strategy. 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.

Material risks are considered and reported on an ongoing basis by those members of the management team responsible for risk management. The Tharisa Risk Committee comprises all members of the Board.

Risks are identified in the Group Risk Register and are considered by management on a quarterly basis and reported to the Board at least twice a year.

The following tables summarise the material risks identified by management in consultation with stakeholders and with reference to the Group's business model and strategy.

# MANAGEMENT REPORT

**for the year ended 30 September 2018**

| RISK | IMPACT | MITIGATION |
|---|---|---|
| **SAFETY** | | |
| Keeping people safe is of paramount importance to Tharisa. Mining and processing safely is a key performance indicator for all executives and managers at Tharisa. | – Disruptions to operations pending root cause investigations<br>– Potential section 54 and section 55 instructions from the DMR in terms of the South African Mine Health Safety Act | – Strive for zero harm working environment<br>– Comprehensive training on standard operating procedures<br>– Implement culture of safety risk intolerance<br>– Transparent and open relationships with DMR inspectorate<br>– Key performance indicator in Group cash bonus scheme to incentivise safe behaviour |
| **POLITICAL UNCERTAINTY** | | |
| South Africa the recent proposals concerning land expropriation without compensation coupled with burgeoning unemployment, increasing government debt and negligible GDP growth have led to a negative response to political certainty<br>Negative business confidence<br><br>Zimbabwe-International sanctions still exist and may affect the stability of the economy<br>Negative business confidence<br>Lack of currency liquidity | – Unattractive investment destination for international investors<br>– Potential for sovereign credit rating downgrade<br>– Political civil unrest adversely impacting on mine production | – The political uncertainty has stabilised with the inauguration of Cyril Ramaphosa as president and the replacement of the boards of State Owned Enterprises<br>– Pledges by global concerns to invest in the country; which will serve to improve business confidence, unlock investment by local concerns and build GDP growth<br>– National elections in 2019 which will instil fiscal discipline once there is election certainty<br>– The political uncertainty and volatility in Zimbabwe has stabilized with the inauguration of President Mnangagwa<br>– Lifting of certain indigenisation restrictions<br>– The President’s willingness to attract international investment by his declaration that “Zimbabwe is open for business”<br>– Investor friendly laws and dispensations |
| **REGULATORY COMPLIANCE** | | |
| Tharisa Minerals' right to mine is dependent on strict adherence to various legal and legislative requirements.<br><br>Non- compliance with the MPRDA and/or Mining Charter and/or the Group’s Social and Labour Plan.<br>Routine audits are carried out by the DMR to ensure compliance<br>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 DMR 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 activities. | – Cost of compliance to changes in the Mining Charter<br>– Non-compliance resulting in potential legal sanction and risks to the right to mine<br>– Capital raising hindered | – Ensure compliance with current MPRDA and applicable legislation<br>– Proposed amendment to the MPRDA has been abolished<br>– Mining Charter has been published and is certain<br>– Ensure compliance with the terms of the Mining Charter whilst making use of the phasing in period<br>– Ensure compliance with the Group’s Social and Labour Plan<br>– Engagement with regulatory authorities and industry organisations<br>– Ongoing communication and awareness with investors |

| RISK | IMPACT | MITIGATION |
|---|---|---|
| **PRODUCTION/LOCATION CONCENTRATION** | | |
| Tharisa currently owns and operates a single asset in a single jurisdiction.<br>The Group has made early entry investments into Zimbabwean exploration projects, however the Group is still exposed to the potential of political risk and instability within the country of its operation. | – Exposure to potential macroeconomic, social and socio-political risks and instability<br>– Sovereign ratings downgrades of the country of operation can limit the Group's ability to raise financing and increase the cost thereof<br>– Exposure to only two commodities | – Third party operations such as the operations of Lonmin's K3 UG2 chrome plant, provides additional revenue from an alternate operation<br>– Exploration projects in Zimbabwe provide geographic diversification as well as higher grade chrome products<br>– Considering opportunities to diversify commodities as they arise |
| **GLOBAL COMMODITY PRICES AND CURRENCY VOLATILITY** | | |
| The Group's revenues, profitability and future rate of growth depend on the prices of PGMs and chrome.<br>The state of the world's economies impact on demand and market prices for PGMs and chrome<br>Volatility in the ZAR:US$ exchange rate affects the Group's profitability of which South Africa's technical recession, land reform uncertainty and effects of other emerging markets are contributing factors. | – A downward pressure on the prices of PGMs and/or chrome may negatively affect the Group's profitability and cash flows<br>– The Group's reporting currency is US$. The Group's current operations are predominately based in South Africa, with a ZAR cost base while the majority of the revenue stream is in US$, exposing the Group to the volatility and movement in the currencies<br>– Risk of competitor product dumping and undercutting market prices | – Monitor costs closely to ensure that the Group remains in the lowest cost quartile<br>– Stringent cost control<br>– Improved operating efficiencies and production driving down unit costs<br>– Service providers appointed to manage the Group foreign exchange and PGM hedging policy<br>– Production of higher value add specialty grade chrome concentrates comprising 25% of Group chrome concentrate production |
| **FINANCING AND LIQUIDITY** | | |
| The activities of the Group expose it to a variety of financial risks including market, commodity prices, credit, foreign exchange and interest rate risks.<br>Static share price trading | – Significant changes in the financial assumptions made by the Group could impact on its ability to continue operating and jeopardise its ability to raise financing in the future<br>– Adverse impact on the ability to raise capital for growth and acquisitions | – Position as a low cost producer of both PGM and chrome concentrates<br>– Production of higher value add specialty grade chrome concentrates<br>– Leveraging third party operations<br>– Diversified customers and markets<br>– Stable Group performance assisted by free cash flows generated from operating activities<br>– Undrawn banking facilities<br>– Trade finance facilities assist with working capital requirements<br>– Secondary listing on the LSE provides an additional trading platform and increased liquidity<br>– Marketing and roadshow efforts have enhanced the Group's profile and investor awareness |

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# MANAGEMENT REPORT
for the year ended 30 September 2018

| RISK | IMPACT | MITIGATION |
|---|---|---|
| **MARKET/CUSTOMER CONCENTRATION** | | |
| The bulk of Tharisa's chrome production is exported to China. This gives the Group a significant exposure to a single market. | – Customer base largely located in China with accompanying exposure to Chinese markets | – No reliance on a dominant customer within that market<br>– Tharisa has strategically diversified its production through the increase of specialty grade chrome concentrates, which make up approximately 25% of Tharisa's total chrome production<br>– Chemical and foundry grade chrome concentrates sold into diversified global markets<br>– Exploration project in Zimbabwe is focusing on higher grade chrome products<br>– PGM concentrate sold to leading precious metal refiners on a long term offtake basis |
| **ENVIRONMENT** | | |
| Tharisa is obliged in terms of its undertaking to stakeholders, including government, providers of capital and the community, to monitor, minimise and mitigate our impact on the physical environment and not to infringe on the rights to a safe and healthy environment. Non-compliance with this undertaking may infringe on the terms of the mining licence and the ability to continue mining. | – Harm to the environment<br>– Increased costs of remediation and rehabilitation due to legislative changes<br>– Potential legal sanction and class action suits<br>– Poor image of mining companies | – Conduct all mining and processing operations in an environmentally responsible manner<br>– Compliance with applicable national and local laws and regulations<br>– Monitor compliance against Equator Principles<br>– Financial provision for rehabilitation and mine closure<br>– Ongoing environmental impact monitoring |
| **LOCAL STAKEHOLDERS** | | |
| Tharisa Minerals' neighbours are impacted by its operations in terms of dust, noise, water and security.<br>The perceptions of stakeholders, including different sections of the community and various levels of government, are varied and multi-layered. | – Local stakeholder discontent has the potential to disrupt operations<br>– Safety and health of community<br>– Complaints to regulatory authorities and risk of intervention<br>– Potential for adverse litigation<br>– Poor image of mining companies | – Ongoing environmental impact monitoring<br>– Agreements concluded with local landowners<br>– Partner with government and local municipality to develop identified land within the Municipal spacial development area to which the community may be relocated<br>– Ongoing discussions with the DMR<br>– Positive engagements with the local community with focus on sustainable community projects |
| **ACCESS TO RESOURCES AND INFRASTRUCTURE** | | |
| Tharisa's mining, processing and marketing operations rely on sustainable access to water, electricity and road and rail infrastructure. | – Production interruptions<br>– Failure to meet delivery commitments | – Two independent processing plants provide flexibility in times of electricity and water curtailments<br>– Multi-modal transport optionality via bulk or containers, road and/or rail<br>– Integrated agreement for rail transportation and port facilities concluded with Transnet<br>– Improved water supply through application for a permanent conversion of temporary rights and transfer of water rights from Buffelspoort Dam<br>– Open pit diesel powered mining fleet reduces reliance on electricity |

| RISK | IMPACT | MITIGATION |
|---|---|---|
| **LABOUR** | | |
| The consistent, assured availability of appropriately skilled human resources at economical rates is essential to the sustainability of Tharisa's operations. Similarly important is the efficiency and discipline of the Group's workforce. | – Labour disruptions remain a risk, particularly with the current political climate which may contribute to heightened labour and community unrest<br>– Potential damage to property<br>– Loss of production exacerbated by low ROM stockpiles ahead of the plants | – Recognition agreement with the relevant trade union<br>– Monthly liaison with shop stewards and regular contact with regional leadership<br>– Ongoing training programmes<br>– Adequate insurance cover in the event of damage to property arising from unrest<br>– All levels of employees incentivised through bonus and incentive schemes leading to improved productivity and employee retention |
| **MANAGEMENT OF RESOURCES AND RESERVES** | | |
| Management and planning of the extraction of the multiple MG layers of reef is critical to its business model. Tharisa's success depends on it extracting the maximum value per tonne of reef while avoiding in pit dilution and undue sterilisation of the resource. | – Sub optimal quantity and quality of reef results in poor processing plant recoveries, which impacts on production and financial performance<br>– Sterilisation of resources reduces life of mine and inhibits mining flexibility<br>– Loss of production as a result of low ROM stockpiles ahead of the plants | – Owner mining model enables in-house management and control of all mining activities, with focus on correct mining practices with optimal quality and quantity of ROM<br>– In-house mining skills<br>– Accuracy and execution of mine plan<br>– Mining employees managed on KPIs |
| **UNSCHEDULED BREAKDOWNS** | | |
| The Group's performance is reliant on the consistent mining and production of PGM and chrome concentrates from the Tharisa Mine. | – Any unscheduled breakdown leading to a prolonged reduction in mining and/or production may have a material impact on the Group's financial performance and results of operations<br>– Loss of production as a result of low ROM stockpiles ahead of the plants | – Optimisation of the existing mining fleet<br>– Developed engineering and geological skills that are integral to in house mining<br>– Preventative maintenance programme for the fleet and plant<br>– Long lead item spares in stock<br>– Purchase of ROM from third parties to alleviate low ROM stockpiles |

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# MANAGEMENT REPORT
for the year ended 30 September 2018

| RISK | IMPACT | MITIGATION |
|---|---|---|
| **CYBER SECURITY** | | |
| The Group performance may be materially and adversely impacted by a cyber attack on its IT system | – The processing plants at the mine are controlled by a supervisory control and data acquisition operating system and a cyber attack could potentially subject the Group to a ransomware demand and/or cause a shutdown of the processing operations until a back-up system is operational or a work-around solution is obtained. | – The Group has carried out an audit of its potential exposure to a cyber attack in respect all its IT and has implemented mitigating measures which limit its exposure to internal and third party access<br>– The Group has implemented globally accepted best in class software and protocols to filter malicious and criminal content as well as the latest antivirus and security programmes<br>– Insurance against cyber attack including back-up and restoration assistance<br>– Internal backups and scheduled backup tests for integrity and continuity |

On behalf of the Board of Directors

**Phoevos Pouroulis**

**Michael Jones**

Zimbabwe
26 November 2018

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# CORPORATE GOVERNANCE REPORT

***Introduction***

Tharisa is incorporated in Cyprus and is therefore subject to the requirements of the Cyprus Companies Law, Cap.113. With a primary listing on the JSE under the 'General Mining' sector, Tharisa is subject to the JSE Listings Requirements and King IV. Tharisa also has a secondary, standard listing of its Depositary Interests on the LSE and is subject to the LSE Listing Rules and Disclosure and Transparency Rules applicable to a secondary standard listing. In addition, the Company has its registered office in Cyprus and is subject to Cyprus Disclosure and Transparency legislation, Cyprus Market Abuse Legislation and the European Commission Market Abuse Regulation EU596/2014, and for such purposes considers Cyprus as its Home State, where such term requires interpretation. The LSE Listing Rules invoke the application of certain provisions of the UK Disclosure and Transparency Rules where similar provisions do not exist under the national law of its Home State. The Company has undertaken a review of its obligations in the Home State and considers that the requirements under the UK Disclosure and Transparency Rules are met under corresponding national law, but nonetheless the Company aims to apply the relevant UK Disclosure and Transparency Rules applicable to the Company in circumstances where there may be a deemed discrepancy. For the purposes of the present corporate governance report a reference to Disclosure and Transparency Rules shall be a joint reference to applicable UK and Cyprus transparency rules. Whilst the UK Corporate Governance Code published by the Financial Reporting Council does not apply to the Company, the Board recognises the importance of good governance and considers the principles and recommendations contained therein.

The Board is fully committed to the fact that accountability, integrity, fairness, transparency and integrated thinking is essential to the Group's long-term sustainability and to its ongoing ability to create value for investors and other stakeholders. It endorses and accepts full responsibility for the application of the principles necessary to ensure that effective corporate governance is practised consistently throughout the Group.

In discharging this responsibility, the Board strives to comply with the requirements of the South African Code of Corporate Practices and Conduct as set out in King IV, which is effective for financial years from April 2017.

The Board is of the opinion that the Company is compliant with the JSE Listings Requirements and King IV in all material respects, other than having an Executive Chairman and not having an in-house independent internal audit function.

The former has been mitigated by the appointment of David Salter as the Lead Independent Director and the latter by the appointment of Deloitte as the internal auditors of the Group.

The Company has a unitary Board, which both leads and controls the Company. It comprises three executive directors and seven non-executive directors. Five of the seven non-executive directors are independent of management.

The Board is structured in such a way that there is a clear balance of authority, ensuring that no one director has unfettered powers. The size of the Board is regulated by the Company's Articles of Association and directors are appointed through a formal process.

The Nomination Committee identifies suitable candidates for appointment as directors. Directors are required to be individuals of calibre and credibility with the necessary skill and experience to bring judgement, independent of management, on issues of strategy, performance, resources, diversity, standards of conduct and evaluation of performance. Merit, commitment, integrity and diversity are the core considerations in ensuring that the Board and its committees have an appropriate blend and balance of perspectives, knowledge and experience to discharge their duties effectively and competently, having regard to the strategic direction of the Group.

The Nomination Committee reviews and assesses the size, structure and composition of the Board on an ongoing basis to ensure it is appropriately diversified. In this assessment, it takes into account that the perspective of board members is influenced by a combination of three different sets of attributes, being experiential attributes such as education, functional experience, industry experience and accomplishments, demographic attributes such as gender, race, ethnicity, culture, religion and generational cohort, and personal attributes such as personality, interests and values. The Board recognises that having a blend of attributes across all facets of diversity will lead to more thorough and robust decision making processes and direction and therefore strives to ensure its diverse composition.

Acknowledging the benefits that can be achieved through diversity, and specifically the meaningful participation of women who possess the appropriate skills and experience, as members of the Board, the Board will continue to focus on the long-term goal of improving gender representation at board level. At present, the two female directors represent 20% of the total number of directors and 29% of the non-executive directors.

Similarly, recognising the value of ethnic and cultural diversity at board level, the Board encourages the inclusion and consideration of prospective candidates with diverse backgrounds, a range of suitable skills, based on merit and against objective criteria, and with due regard for the benefits of diversity on the Board.

In compliance with King IV, the JSE Listings Requirements and international best practice, the Nomination Committee and Board have adopted a board level Diversity Policy, without introducing voluntary targets with regard to gender and racial diversification of the Board. The Nomination Committee and the Board believe that fixed targets will not necessarily result in the best candidates being identified for appointment to the Board, given that the achievement of specific targets would be dependent on a number of factors outside of the Board's control, including the frequency at which board positions become vacant, the need to appoint additional board members and the availability of appropriately skilled candidates. It is however the objective to include diverse candidates in the process of identifying suitably qualified candidates for appointment as board members and to pursue opportunities to increase the number of female and racially and ethnically diverse board members over time, provided that it is consistent with the skills and diversity requirements of the Board. In identifying suitable candidates, the Nomination Committee considers diverse candidates with a range of suitable skills against objective criteria and with due regard for the benefits of diversity on the Board, and whenever practically and commercially possible, give preference to those candidates whose appointment will contribute to the achievement of suitable diversity of the Board.

During the assessment process, the Nomination Committee also considers the relationship between executive and non-executive directors. The Board believes that there is an appropriate balance between executive and non-executive directors and is satisfied that the current members of the Board collectively possess the skills, knowledge and experience required to effectively discharge the responsibilities of the Board to achieve the Group's objectives, promote shareholder interests and to create value for stakeholders over the long-term.

***Role and responsibilities of the Board***

The Board is the ultimate governing authority, responsible for the Company's strategy, key policies, ethics and corporate governance, as well as approving the Company's financial objectives and targets. The Board recognises that strategy, performance, risk and sustainability are inseparable and that the execution of strategy can have a material impact on the Company's creation of value and its various stakeholders. The Board is fundamentally important to the achievement of the Company's mission, financial objectives and fulfilment of its corporate responsibilities in a sustainable manner and provides effective leadership on an ethical foundation.

The Board is the ultimate custodian of the governance framework, which commits the Company and its representatives to act according to the highest standards of fairness, accountability, responsibility, transparency, ethics and sustainability. The Company's approach to corporate governance strives to be stakeholder inclusive, based on good communication, and is integrated into every aspect of the Company's business.

# CORPORATE GOVERNANCE REPORT

The Board ensures that the Group is, and is seen to be, a responsible corporate citizen, by having regard not only to the financial aspects of the business of the Group, but also the impact that the business operations have on the environment and the society in which it operates.

The Board has adopted a Board Charter setting out the role, functions, obligations, rights, responsibilities and powers of the Board and the policies and practices of the Board in respect of its duties, functions and responsibilities. The Board has also adopted terms of reference for each of its committees. The Board Charter and terms of reference are available on the Company's website.

The directors who are also members of the Executive Committee of the Company are involved in the day-to-day business activities of the Company and are responsible for ensuring that the decisions of the Executive Committee as approved by the Board are implemented in accordance with the mandate given by the Board and Executive Committee.

All non-executive directors have unrestricted access to the Chairman, management, the Joint Company Secretaries, and the external and internal auditors. Directors are entitled to seek independent professional advice on any matter pertaining to the Company and the Group, at the Company's expense.

The Board considers and satisfies itself, on an annual basis, of the qualifications, experience and arm's length relationship between the Company Secretaries and the Board.

Board meetings are held on a regular basis, at least quarterly, and all directors participate in the key areas of decision-making.

***Role of the Executive Chairman***

There is a clear distinction between the roles of the Executive Chairman and the Chief Executive Officer. The Executive Chairman is responsible for ensuring the integrity and effectiveness of the Board and its committees, which includes:

- providing overall leadership to the Board, without limiting the principle of collective responsibility for Board decisions
- presiding over meetings of the Board and meetings of shareholders
- acting as facilitator at Board meetings to ensure that no director, or group of directors, dominate the discussion, that sufficient debate takes place, that the opinions of all directors relevant to the subject under discussion are solicited and expressed freely, that conflicts of interests are managed and that Board discussions lead to appropriate decisions
- actively participating in the selection of Board members and overseeing a formal succession plan for the Board and certain senior management appointments
- encouraging collegiality amongst Board members and management while at the same time maintaining an arm's length relationship
- mentoring to enhance directors' confidence, especially new or inexperienced directors and encouraging them to make an active contribution at meetings.

The Chairman's performance is appraised by the non-executive directors on an annual or such other basis as the Board may determine.

### *Role of the Chief Executive Officer*

The Board's authority conferred on management is delegated through the Chief Executive Officer and the authority and accountability of management is accordingly considered to be the authority and accountability of the Chief Executive Officer.

The Chief Executive Officer provides executive leadership and is accountable to the Board for the implementation of strategies, objectives and decisions within the framework of the delegated authorities, values and policies of the Company, which includes:

- recommending or appointing the executive members and ensuring proper succession planning and performance appraisals
- developing the Company's strategy and vision for Board consideration and approval
- developing and recommending annual business plans and budgets that support the Company's long-term strategy to the Board
- monitoring and reporting to the Board on performance against and conformance with strategic imperatives
- ensuring that the Company has appropriate management structures and a management team to effectively carry out the Company's objectives, strategy and business plans
- ensuring that the assets of the Company are properly maintained and safeguarded and not unnecessarily placed at risk
- setting the tone from the top in providing ethical leadership and creating an ethical environment and not causing or permitting any decision, internal or external practice or activity by the Company that may be contrary to commonly accepted business practice, good corporate governance or professional ethics and
- acting as the chief spokesperson of the Company.

The non-executive directors monitor and evaluate the Chief Executive Officer in achieving the approved targets and objectives and the results of such evaluation are considered by the Remuneration Committee to guide it in its appraisal of the performance and remuneration of the Chief Executive Officer.

### *Role of the Lead Independent Director*

The Lead Independent Director chairs the Nomination Committee, Safety, Health and Environment Committee and Social and Ethics Committee, facilitates meetings of the non-executive directors and is a member of the Audit, Remuneration, Risk and New Business Committees. He acts as a sounding board to the Executive Chairman and the Chief Executive Officer and leads the non-executive directors in the appraisal of the Executive Chairman and Chief Executive Officer. He provides leadership and advice to the Board when the Executive Chairman has a conflict of interest, without detracting from the authority of the Executive Chairman.

He acts as an intermediary for the other Board members and shareholders with regard to concerns that have not been resolved through the normal channels.

### *Role of the non- executive directors*

The non-executive directors bring diverse experience and expertise to the Board. They are required to have a clear understanding of the Group's strategy and must be sufficiently familiar with the Group's businesses to be effective contributors to the development of the Group's strategy and identification and monitoring of risks faced by the Group. Non-executive directors are required to have sufficient time to perform their duties as directors and to make a meaningful contribution. They should be prepared to question and challenge the opinions of executive directors and provide fresh insight into the Group's strategic direction. Non-executive directors assess the performance of the Executive Chairman and Chief Executive Officer and serve on various board committees. Non-executive directors meet without the presence of the executive directors at least twice a year.

***Board appointments***

Members of the Board are appointed by the Company's shareholders. The Board also has the power to appoint directors, subject to such appointments being approved by shareholders at the next AGM following such appointment. Pursuant to the terms of the Board Charter, appointments to the Board are made on recommendation of the Nomination Committee. A formal policy detailing the procedures for appointments to the Board has been adopted by the Company.

Non-executive directors are required to be individuals of calibre and credibility, be independent of management and possess the necessary skills and expertise to bring judgement to bear on issues of strategy, performance, resources, diversity, standards of conduct and evaluation of performance.

Directors are required to conduct themselves, at all times, in a professional manner, having due regard to their fiduciary duties and responsibilities to the Company and to ensure that sufficient time is made available to devote to their duties as Board members. Directors are further required to be diligent in discharging their duties to the Company, seek to acquire sufficient knowledge of the business of the Company and endeavour to keep abreast of changes and trends in the business environment and markets in which the Company operates, in order to be able to provide meaningful direction to the Company's business activities and operations.

***Director induction***

Upon appointment, all new directors are provided with induction materials to familiarise them with the Group's operations, business environment, executive management and to induct them in their fiduciary duties and responsibilities. The induction programme would typically involve an information pack comprising of, *inter alia*, the Group structure, a list of the top shareholders, board packs and minutes of previous board meetings, annual and interim reports, Articles of Association, the Board Charter, committee terms of reference, information on directors' and officers' insurance, a guide to the JSE Listings Requirements and a memorandum on dealings in securities, market abuse and insider trading. Periodic site visits are arranged for existing and new non-executive directors to improve their understanding of the Group's operations.

***Retirement by rotation and re-election of directors***

In accordance with the Company's Articles of Association, one-third of non-executive directors must retire from office at each AGM. The non-executive directors retiring at each AGM will be those directors who have been the longest serving since their last election. Retiring directors are eligible for re-election, and if so re-elected, are deemed to not have vacated their office. Executive directors are not subject to retirement by rotation. Accordingly, David Salter and Antonis Djakouris will be retiring by rotation at the upcoming AGM, and being eligible, will be available for re-election.

In terms of the Company's Articles of Association, any directors appointed by the Board during the course of the financial year, shall hold office only until the next AGM of the Company following their appointment and shall then retire and be eligible for election. Having been appointed during the financial year under review, Zhong Liang Hong has made himself available for election.

Board support for election or re-election is not automatic. The Nomination Committee assesses the composition of the Board and performance of individual board members on an annual basis prior to recommending any directors for election or re-election by shareholders at the AGM. Upon recommendation by the Nomination Committee, the Board makes a determination as to whether it will endorse a director standing for election or re-election. Having assessed the performance of the directors standing for election, it is the recommendation of the Board that Zhong Liang Hong be elected, and David Salter and Antonis Djakouris re-elected.

***Board meetings***

The Board meets at least four times per year and at such other times as may be required. The Board met four times during the year under review.

***Board committees***

Certain responsibilities are reserved for the Board, while others are delegated to board committees, each with formal mandates and terms of reference, without reducing the individual and collective responsibilities of Board members' overall fiduciary duties and responsibilities. The terms of reference of each board committee determines, *inter alia*, the composition, purpose, scope of mandate, and powers and duties of the committee. Board committees provide feedback to the Board through reports by their respective chairmen and provide the Board with copies of minutes of committee meetings. All directors are welcome to join meetings of board committees they are not members of. Terms of reference of the various committees are compliant with the provisions of the Company's Articles of Association and the JSE Listings Requirements. The terms of reference are reviewed on a regular basis and are available on the Company's website. All committees have satisfied their responsibilities in compliance with their respective terms of reference during the year under review.

The Company's board committees are constituted as follows:

| | Chairman | Members | By invitation |
|---|---|---|---|
| Audit Committee | Antonios Djakouris | David Salter<br>Omar Kamal<br>Carol Bell | CFO<br>CEO |
| Risk Committee | Antonios Djakouris | Loucas Pouroulis<br>Phoevos Pouroulis<br>Michael Jones<br>David Salter<br>Omar Kamal<br>Carol Bell<br>Joanna Cheng<br>Roger Davey<br>Zhong Liang Hong | COO<br>Group Executive: Legal |
| Nomination Committee | David Salter | Loucas Pouroulis<br>Antonios Djakouris | CEO |
| Remuneration Committee | Antonios Djakouris | David Salter<br>Carol Bell<br>Roger Davey | CEO<br>CFO |
| Safety, Health and Environment Committee | David Salter | Antonios Djakouris<br>Carol Bell<br>Roger Davey | CEO<br>COO |
| Social and Ethics Committee | David Salter | Antonios Djakouris<br>Omar Kamal<br>Carol Bell<br>Phoevos Pouroulis | |
| New Business Committee | Roger Davey | David Salter<br>Carol Bell<br>Loucas Pouroulis<br>Phoevos Pouroulis | CFO<br>COO |

Summarised Curriculum Vitae's of the Board of Directors will be included in the Group's annual report which will be available on the website: www.tharisa.com.

*Audit Committee*

The Audit Committee, which must comprise at least three independent non-executive directors, is chaired by Antonios Djakouris, an independent non-executive director. Other members of the Audit Committee are David Salter, Omar Kamal and Carol Bell, all independent non-executive directors. The Board is satisfied that the members of the Committee have the appropriate mix of qualifications and experience in order to fulfil their responsibilities appropriately. The Group's independent external auditors, independent internal auditors, Chief Finance Officer and Chief Executive Officer attend Committee meetings by invitation. The Audit Committee meets with the internal and external auditors, without any executive directors being present.

Both the internal and external auditors have unrestricted access to the Chairman of the Committee and to the Chairman of the Board.

The Audit Committee provides the Board with additional assurance regarding the quality and reliability of financial information used by the Board and the financial statements of the Group. The Committee reviews the internal and financial control systems, accounting systems and reporting and internal audit functions. It liaises with the Group's external auditors and monitors compliance with legal requirements.

Furthermore, the Audit Committee assesses the performance of financial management, approves external audit fees and budgets, monitors non-audit services provided by the external auditors against an approved policy and ensures that management addresses any identified internal control weakness. In addition, the Audit Committee oversees the integrated reporting process, risk management systems, information technology risks (as they relate to financial reporting), the Group's whistleblowing arrangements and policies and procedures for preventing corrupt behaviour and detecting fraud and bribery.

The Committee has unrestricted access to all Company and Group information and may seek information from any employee. The Committee may also consult external professional advisors in executing its duties.

The Chairman of the Audit Committee is required to report to the Board after each meeting of the Committee and the minutes of meetings of the Audit Committee are provided to the Board.

The Audit Committee is satisfied as to the appropriateness of the expertise of Michael Jones, the Chief Finance Officer. The appropriateness of the expertise and experience of the Chief Finance Officer is considered on an annual basis.

The Audit Committee meets as often as is deemed necessary, but is required to meet at least twice a year. The Committee met six times during the year under review.

*Risk Committee*

Control of the complete process of risk management, the evaluation of its effectiveness and approval of recommended risk management and internal control strategies, systems and procedures are key Board responsibilities. For this reason, the Risk Committee comprises the entire Board and is chaired by Antonios Djakouris.

The Risk Committee reviews management reports on the adequacy and effectiveness of the Group's operational risk management functions, ensures compliance with the Group's risk management policies and reviews the adequacy of the Group's insurance coverage.

During the year under review, the Committee conducted a high-level review of the residual risks identified by management following a facilitated risk assessment workshop and subsequent business risk reviews undertaken at operating subsidiary level. It continues to monitor progress made by risk owners in identifying mitigating factors, performing gap analyses and implementing additional mitigating measures where required. In addition, the Risk Committee identifies reviews and evaluates non-operational and strategic risks impacting on the Company and the Group on an ongoing basis. The Risk Committee meets as often as is deemed necessary and met twice during the year under review.

*Nomination Committee*

The Nomination Committee is chaired by David Salter, the Lead Independent Director. Other members of the Nomination Committee are Antonios Djakouris, an independent non-executive director, and Loucas Pouroulis, the Executive Chairman. Loucas Pouroulis is entitled to participate and contribute to the Nomination Committee, but is not entitled to vote on any matter before the Nomination Committee. In the event of a tied vote, David Salter has a casting vote. The Chief Executive Officer, Phoevos Pouroulis, attends meetings by invitation, if required.

The Nomination Committee ensures that the procedures for appointments to the Board are formal and transparent by making recommendations to the Board on all new Board appointments in accordance with the Company's policy for Board appointments. It does so by regularly evaluating the Board performance, undertaking performance appraisals of the Chairman and directors, evaluating the effectiveness of Board committees and making recommendations to the Board. The Nomination Committee also considers and approves the Board succession plans.

The work of the Nomination Committee during the year followed both its terms of reference and established good practice in corporate governance. The Committee conducted a review of the structure, size and composition of the Board, with specific emphasis on skills, knowledge, independence and diversity of the Board members. The Nomination Committee recommended the appointment of Zhong Hong to the Board.

The Committee also considered the independence of non-executive directors. Consideration was given, amongst others, as to whether the individual non-executive directors are sufficiently independent of the Company so as to effectively carry out their responsibilities as directors, whether they are independent in judgement and character and that there are no conflicts of interest in the form of contracts, relationships, shareholding, remuneration, employment or related party disclosures that could affect their independence.

The Committee determined that David Salter, Antonios Djakouris, Omar Kamal, Carol Bell and Roger Davey are independent. Joanna Cheng and Zhong Liang Hong are not considered independent due to their association with significant shareholders.

The Nomination Committee met twice during the year under review.

*Remuneration Committee*

All members of the Remuneration Committee are independent non-executive directors. The Committee is chaired by Antonios Djakouris and other members of the Committee are David Salter, Carol Bell and Roger Davey. The Chief Executive Officer and Chief Finance Officer are invited to attend meetings of the Committee to make presentations, except when their own remuneration is under consideration.

The Remuneration Committee considers the remuneration framework of the Executive Chairman, Chief Executive Officer, Chief Finance Officer and other members of the executive management of the Company and its subsidiaries, with reference to local and international benchmarks.

The Committee also considers bonuses, which are discretionary and based upon general economic variables, the performance of the Company and each individual's performance against personalised key performance indicators, allocations in terms of the Group's incentive schemes and certain other employee benefits and schemes.

During the year, the Committee reviewed various aspects of the Group's remuneration structure, including executive salaries, performance-based remuneration schemes and the Share Award Plan. The Committee is satisfied with the prevailing policies, remuneration and structure.

The Committee met three times during the year under review.

*Safety, Health and Environment Committee*

All members of the Committee are independent non-executive directors. The Committee is chaired by David Salter and other members are Antonios Djakouris, Carol Bell and Roger Davey. The Chief Executive Officer and Chief Operating Officer attend the meeting by invitation.

The Safety, Health and Environment Committee develops and reviews the Group's framework, policies and guidelines on safety, health and environmental management, monitors key indicators on accidents and incidents and considers developments in relevant safety, health and environmental practices and regulations.

The Committee met four times during the year under review.

*Social and Ethics Committee*

As required by the JSE Listings Requirements, the Board established a Social and Ethics Committee. The Committee is chaired by David Salter and other members are Antonios Djakouris, Omar Kamal, Carol Bell and Phoevos Pouroulis.

The Committee's objective is, *inter alia*, to assist the Board in ensuring that the Company and the other entities in the Group are and remain committed, socially responsible corporate citizens by creating a sustainable business and having regard to the Company's economic, social and environmental impact on the communities in which it operates, which amongst others, include public safety, HIV/AIDS, environmental management, corporate social investment, consumer relationships, labour and employment, the promotion of equality and ethics management.

The Committee has an independent role with accountability to both the Board and the Company's shareholders. The Committee does not assume the functions of management of the Company. These functions remain the responsibility of the Company's executive directors, executive management and senior managers.

It is the Committee's responsibility to monitor the Group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to, amongst others, the following:

i) Social and economic development, focusing on:
   - the Company's standing in terms of the goals and purposes of the 10 United Nations Global Compact Principles, amongst others:
     - upholding and respecting human rights
     - fair labour practices, which include the freedom of association, right to collective bargaining and the elimination of forced labour, child labour and discrimination
     - promotion of greater responsibility toward the environment
     - prevention of bribery and corruption
   - the Organisation for Economic Co-operation and Development's recommendations regarding corruption
   - the Equator Principles
   - the Employment Equity Act and the Broad-Based Black Economic Empowerment Act, applicable to South African subsidiaries.

ii) Good corporate citizenship and the impact of the Group's activities and of its products or services on the environment, health and public safety and the Company's employment relationships and its contribution toward the educational development of its employees. In order to ensure that Tharisa is seen to be a responsible corporate citizen, the Committee oversees and monitors, on an ongoing basis, the consequences of the Group's activities and outputs on:
   - the workplace, by ensuring employment equity, fair remuneration, safety, health, dignity and development of employees and the Group's standing in relation to the International Labour Organisation Protocol on decent work and working conditions
   - the economy, by working towards economic transformation
   - the prevention, detection and response to fraud and corruption
   - society, by upholding public health and safety, consumer protection, community development and protection of human rights
   - the environment, by ensuring the prevention of pollution, minimising waste disposal and protecting biodiversity.

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iii) Ethical leadership and ethical behaviour, by reviewing the Company's Code of Ethics and making recommendations to the Board for approval, reviewing results of whistleblowing activities, reviewing significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the Company and ensuring that the Company's ethics performance is assessed, monitored, reported and disclosed.

The Committee meets as often as it deems necessary but in any case at least once a year and at such other times as determined. The Committee met once during the year under review.

*New Business Committee*

The New Business Committee is responsible for the investigation and assessment of new projects and business opportunities, particularly from a strategic, technical and operational point of view, and the identification of project related risks, and safety, health and environmental risks. The Committee is not authorised to approve individual projects or investments or commit the Company, but works with executive management to review and evaluate new business opportunities and initiatives and make recommendations to the Board for approval. The Committee has the right of access to management and/or external consultants and the right to seek additional information or explanations.

The Committee is chaired by Roger Davey and other members are David Salter, Carol Bell, Loucas Pouroulis and Phoevos Pouroulis. Michael Jones attends meetings as a permanent invitee.

Meetings of the Committee will be held as often as necessary to undertake its role effectively. The Committee met four times during the year under review.

*Attendance at meetings*

Attendance at Board and Committee meetings is set out below:

| Director | Board | Audit Committee | Nomination Committee | Remuneration Committee | Risk Committee | SHE Committee | Social and Ethics Committee | New Business Committee |
|---|---|---|---|---|---|---|---|---|
| **Number of meetings held** | **4** | **6** | **2** | **3** | **2** | **4** | **1** | **4** |
| Loucas Pouroulis | 4 | – | 1 | – | 2 | – | - | 4 |
| Phoevos Pouroulis | 4 | 6# | - | 3# | 2 | 4# | 0 | 4 |
| Michael Jones | 4 | 6# | - | 3# | 2 | – | - | 4# |
| David Salter | 4 | 6 | 2 | 3 | 2 | 4 | 1 | 4 |
| Antonios Djakouris | 4 | 6 | 2 | 3 | 2 | 4 | 1 | 3# |
| Omar Kamal | 4 | 6 | – | – | 2 | 1# | 1 | 2# |
| Carol Bell | 4 | 6 | 1# | 2 | 2 | 2 | 1 | 4 |
| Joanna Cheng | 4 | – | – | – | 2 | – | - | 1# |
| Roger Davey | 4 | 1# | 2# | 3 | 2 | 4 | - | 4 |
| Zhong Hong* | 2 | – | – | – | 1 | – | - | - |

** Appointed 1 April 2018.*

*# By invitation.*

### *Joint Group Company Secretaries*

The role of the Joint Group Company Secretaries is, *inter alia*, to provide guidance and advice to the Board with respect to matters relating to the JSE Listings Requirements, the LSE Listings Rules, Disclosure and Transparency Rules, Cyprus Companies Law, King IV, market abuse laws and regulations and other corporate governance-related matters. In addition to their statutory duties, the Company Secretaries provide individual directors, the Board as a whole, and the various committees with guidance as to the manner in which their responsibilities should be discharged in the best interests of the Group.

The appointment and removal of the Company Secretaries is a matter reserved for the Board as a whole.

Sanet Findlay is a full-time employee within the Group and based in South Africa. She holds Bachelor of Science and Bachelor of Law degrees, a CIS Professional Post-graduate Qualification: Company Secretarial and Governance Practice and is an Associate member of the Chartered Secretaries Southern Africa (2003). She has experience as a Group Company Secretary of JSE and LSE listed companies since 2009. She is not a director of Tharisa or any of its subsidiaries and maintains an arm's length relationship with the Board.

Lysandros Lysandrides holds a Bachelor of Laws degree and a post-graduate diploma in Legal Practice (UK). He is an Associate member of the Institute of Chartered Secretaries and Administrators (UK), a Fellow of the Chartered Institute of Legal Executives (UK) and a registered practising Cyprus attorney-at-law. He has experience as company secretary and legal advisor to companies listed on the LSE and CSE. Lysandros is appointed as an external advisor to Tharisa and its Cyprus subsidiaries and maintains an arm's length relationship with the Board.

The Board formally assessed and considered the performance and qualifications of the Company Secretaries and is satisfied that the Company Secretaries are competent, suitably qualified and experienced.

### *Board evaluation*

The Nomination Committee, under leadership of the Lead Independent Director, conducts an evaluation of the performance of the Board, its committees, the Executive Chairman, Chief Executive Officer, Chief Finance Officer, the Joint Company Secretaries and the performance and contribution of the individual non-executive directors. The Board committees conduct a self-evaluation against their respective terms of reference and each individual Board member is evaluated by fellow Board members using an evaluation questionnaire. The results of the evaluation process are considered by the Nomination Committee prior to their presentation to the Board. Results and any identified training requirements are discussed with individual directors if deemed necessary. Board evaluations are performed on an annual or biennial basis. An extensive evaluation was conducted during the year.

### *Conflicts of interest*

Disclosure of other directorships, personal financial interests and any other conflicts of interest, and those of related persons, in any matter before the Board is a standing board agenda item and a register is kept of all such disclosures. Directors recuse themselves from discussion on any matters in which they may have a conflict of interest. Non-executive directors are required to inform the Board of any proposed new directorships and the Board reserves the right to review such additional appointments to ensure that no conflict of interest would arise and to ensure that a director accepting a new appointment would be able to continue to fulfil his or her obligations as a member of the Board.

### *Share dealing and insider trading*

All directors of the Company and its major subsidiaries, senior executives, the Joint Company Secretaries and employees who, by virtue of their positions have access to financial and other price sensitive information, are regarded as insiders and are required, at all times, to obtain prior authorisation to deal in the Company's shares.

Directors of the Company and its major subsidiaries and senior executives are reminded of their obligation to inform all their associates, as defined by the JSE Listings Requirements, and investment managers of the fact that dealings by the directors and their associates in Tharisa shares have to be pre-approved and/or disclosed to the Company within the stipulated timeframe to facilitate release of the required announcements in terms of the JSE Listings Requirements. A similar requirement exists under the European Union's Market Abuse Regulations for persons discharging managerial responsibilities and persons closely associated with them.

The Company's directors, executives and employees who are classified as insiders are not permitted to deal in the Company's shares during closed periods or when they are in possession of non-public information.

An appropriate communication is sent to all such employees alerting them that the Company is entering a closed period. Closed periods are observed as required by the JSE Listings Requirements, including the period from the end of the interim and annual financial reporting periods to the announcement of the financial results for the respective periods, and during periods that the Company is under a cautionary announcement. The EU Market Abuse Regulation stipulates for a closed period of 30 calendar days before announcement of the interim and/or annual results. The Company applies the longer duration in any given financial reporting period.

Refer to the Management Report for directors' direct and indirect interest in the share capital of the Company as well as significant shareholders of the Company.

***Compliance***

Compliance with financial reporting requirements and accounting standards falls within the ambit of the Audit Committee. The Group's statutory and regulatory compliance resides with the Legal, Risk and Compliance Officer and reports on compliance are presented to the Audit and Social and Ethics Committees. In addition to the formal authorisation processes required for dealings in the Company's shares, the Group has various policies and procedures in place governing the declaration of interests, accepting and granting of gifts and an approved delegation of authorities matrix which governs the delegation of authority and value limits within the Group and ensures that all transactions are approved appropriately.

No incidents of non-compliance were identified and no significant penalties or regulatory censures were imposed on the Company or any of its subsidiaries during the year under review.

The Board is satisfied that the Company complied with the requirements of the JSE Listings Requirements pursuant to the Company's primary listing on the JSE during the year under review. The Board also acknowledges the role and responsibilities of its JSE sponsor, Investec Bank Limited, and is of the opinion that the sponsor has discharged its responsibilities with due care during the period.

***Information technology governance***

The Board Charter commits the Board to assuming ultimate responsibility for ensuring that effective information technology ('IT') systems, internal control, auditing and compliance policies, procedures and processes are implemented in order to avoid or mitigate key IT-related business risks. The Board has delegated responsibility for the governing of IT to the Audit Committee. Assurance on the IT systems and processes is provided by the Group's internal auditors and findings are reported to the Audit Committee, which ensures that any and all material findings are addressed appropriately.

***External audit***

Ernst and Young Cyprus Limited acts as external auditor to the Group and their independence is reviewed by the Audit Committee on an annual basis. The appointment of the external auditor was approved at the AGM on 10 January 2018. The external auditor has unrestricted access to the Chairman of the Audit Committee.

***Share capital and premium***

The authorised share capital of the Company comprises 10 000 million ordinary shares of US$0.001 each and 1 051 convertible redeemable preference shares of US$1 each. Refer to the management report for the issued and fully paid shares.

The convertible redeemable preference shares are not admitted for trading nor are any in issue.

All ordinary shares other than for the treasury shares rank equally with regard to the Company's residual assets. The holders of ordinary shares, other than the treasury shares, are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

***Succession planning***

The Board, assisted by the Nomination Committee, is responsible for overseeing succession planning and ensuring that appropriate strategies are in place to ensure the smooth continuation of roles and responsibilities of members of the Board and senior management.

***Internal audit***

The Company does not have an in-house independent internal audit function.

The Audit Committee reviews, on a regular basis, whether there is a need for an in-house internal audit function and makes the necessary recommendation to the Board. The Audit Committee is of the opinion that given the size and stage of development of the Company and the Group, an in-house internal audit function is not currently justified. The appointment of Deloitte as internal auditors for the Group is considered to sufficiently mitigate the risk of not having an in-house internal audit function.

***Internal control systems***

To meet the Company's responsibility to provide reliable financial information, the Company maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material losses, unauthorised acquisition, use or disposal and that transaction are properly authorised and recorded.

The systems include a documented organisational structure and division of responsibility, established policies and procedures, which are communicated throughout the Group, and the careful selection, training and development of people.

The Audit Committee monitors the operation of the internal control systems to determine whether there are deficiencies. Corrective actions are taken to address control deficiencies as they are identified. The Board, operating through the Audit Committee, oversees the financial reporting process and internal control systems.

There are inherent limitations to the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls.

***Code of business ethics and conduct***

The Group's Code of Business Ethics and Conduct reaffirms the high standards of business conduct required of all employees, officers and directors of Tharisa. It forms part of the Company's continuing effort to ensure that it complies with all applicable laws, to ensure that it has an effective programme to prevent and detect violations of law, and for the education and training of employees, officers and directors. In most circumstances, the Code sets standards that are higher than the law requires and adherence to the Code aims to preserve the confidence and support of the public and Tharisa's shareholders.

Tharisa expects its employees, officers and directors to:

- act with honesty, integrity and fairness in all dealings, both internally and externally
- comply with all laws and regulations applicable to the Group
- comply with Group policies and procedures
- protect the health, safety and wellbeing of co-workers, suppliers and the communities in which the Group operates
- protect the environment by prudent use of resources such as water and energy and to limit waste disposal by recycling
- protect and not disclose Tharisa's confidential information
- avoid any potential conflicts of private interests with the interests of the Group, including but not limited to improper communications with competitors or suppliers regarding bids for contracts, having close relationships with contractors or suppliers, involvement with any other businesses that have interests adverse to Tharisa, interests in Tharisa or compete with Tharisa

- not give or accept gifts, gratuities, or hospitality from customers or suppliers of inappropriate value, that could incur obligations or that could influence judgement
- avoid any situations or relationships that could interfere with an individual's ability to make decisions in Tharisa's best interests
- to act in a courteous, dignified and respectful manner when dealing with co-workers and third parties and to refrain from discriminatory, harassing or bullying behaviour, whether expressed verbally, in gesture or through behaviour.

Furthermore, it is Tharisa's policy not to discriminate against any employee on the basis of race, religion, national origin, language, gender, sexual orientation, HIV status, age, political affiliation or physical or other disability. Tharisa desires to create a challenging and supportive environment where individual contributions and teamwork are highly valued. In order to establish such an environment, all individuals are expected to support this policy of non-discrimination and the equal employment opportunity policies.

***Modern slavery and human trafficking***

Tharisa has a zero tolerance approach to any form of modern slavery and is committed to ensuring that there is no slavery or human trafficking in its supply chain or in any part of its business. Modern slavery encapsulates slavery, servitude and forced or compulsory labour. Tharisa acts ethically and with integrity in all business dealings and has the necessary systems and controls in place to safeguard against any form of transgression of human rights. Tharisa will continue to raise awareness of human rights among its employees, suppliers and the communities in which it operates.

***Anti-bribery and corruption policy***

Tharisa is committed to doing business ethically. Tharisa does not tolerate corruption, fraud and bribery and does not allow donations to any political parties by any of its operations. The Group's anti-corruption policy is built into its Code of Business Ethics and Conduct and outlines potential risks, steps to mitigate the risk of bribery and corruption, together with a reporting guideline. All employees, suppliers and other associated persons are made aware of these policies and procedures with regard to ethical behaviour, business conduct and transparency.

***Independent Anonymous safety and ethics hotline***

The Group has a zero tolerance approach to safety transgressions, theft, fraud, corruption, violation of the law and unethical business practices by employees or suppliers.

A 24 hour Independent Anonymous Safety and Ethics Hotline monitored by an independent external party is fully operational and facilitates the reporting and resolution of safety and ethical violations. This confidential and anonymous hotline provides an impartial facility for employees, service providers, customers and other stakeholders to report any safety or ethics-related matter such as safety concerns, unsafe behaviour and practices, hazardous conditions, fraudulent activity, corruption, statutory malpractice, financial and accounting reporting irregularities and other deviations from safe and ethical behaviour. It is the duty of the Audit Committee to ensure that arrangements are in place for the independent investigation of such matters and appropriate follow-up action. No action will be taken against anyone reporting legitimate concerns, even if there is no proven unlawful conduct.

***Investor relations***

The Chief Executive Officer and Chief Finance Officer, supported by the Investor Relations function, interact with institutional investors on a regular basis on the performance of the Group through presentations and scheduled meetings. The Company also participates in selected international conferences and conducts roadshows internationally.

A wide range of information and documents, including copies of presentations given to investors, Annual Reports and notices of shareholder meetings, are made available on the Company's website www.tharisa.com on an ongoing basis.

Shareholders are encouraged to visit the investors' section of the website frequently to be kept informed of the corporate timetable, including dates for the AGMs, forms of proxy and relevant shareholder information relating thereto.

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**STATEMENT BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE DRAFTING OF THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS IN ACCORDANCE WITH THE PROVISIONS OF CYPRUS LAW 190(I)/2007 ON TRANSPARENCY REQUIREMENTS**

We, the Members of the Board of Directors and the Company officials responsible for the drafting of the consolidated and company financial statements of Tharisa plc for the year ended 30 September 2018, the names of whom are listed below, confirm that, to the best of our knowledge:

a) the consolidated financial statements on pages 47 to 130 and company financial statements on pages 131 to 169:

- have been prepared in accordance with International Financial Reporting Standards ('IFRS') and in accordance with the provisions of the Cyprus Companies Law, and
- give a true and fair view of the assets, liabilities, financial position and profit or loss of Tharisa plc and the undertakings included in the consolidated and company financial statements taken as a whole; and

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

c) the Management Report includes a fair review of the development and performance of the business and the position of Tharisa plc and the undertakings included in the consolidated and company financial statements as a whole, together with a description of the principal risks and uncertainties that they face.

**The Directors of the Company as at the date of this statement are as set out below:**

*Executive Directors*

**Loucas Pouroulis** *Chairman*

**Phoevos Pouroulis** *Chief Executive Officer*

**Michael Jones** *Chief Finance Officer*

*Independent Non-Executive Directors*

**David Salter**

**Antonios Djakouris**

**Omar Kamal**

**Carol Bell**

**Roger Davey**

*Non-Executive Directors*

**Joanna Ka Ki Cheng**

**Zhong Liang Hong**

Zimbabwe, 26 November 2018

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# Independent Auditor's Report

## To the Members of Tharisa plc

### Report on the Audit of the Consolidated and Parent Company Financial Statements

### Opinion

We have audited the accompanying consolidated and parent company financial statements of Tharisa plc (the "Company" and together with its subsidiaries the "Group"), which are presented in pages 47 to 169 and comprise the consolidated and parent company statements of financial position as at 30 September 2018, and the consolidated and parent company statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements give a true and fair view of the consolidated and parent company financial position of the Group and the Company as at 30 September 2018, and of its consolidated and parent company financial performance and its consolidated and parent company cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB and the requirements of the Cyprus Companies Law, Cap. 113.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* and the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and parent company financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

Ernst & Young Cyprus Ltd is a member firm of Ernst & Young Global Ltd.
Ernst & Young Cyprus Ltd is a limited liability company incorporated in Cyprus with registration number HE 222520. A list of the directors' names is available at the company's registered office, Jean Nouvel Tower, 6 Stasinou Avenue, 1060 Nicosia, Cyprus.

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| Key Audit Matters | Our response to the Key Audit Matters |
|---|---|
| ***Revenue recognition:***<br><br>Revenue for the year ended 30 September 2018 amounted to US$406.3m. Refer to notes 2.2, 3, 4 and 5 of the consolidated financial statements. The identification as a key audit matter primarily relates to the following:<br><br>The significant number of sales transactions and complex terms under which title and control pass to the customer increases the risk of measurement and cut-off errors.<br><br>We have also identified risks in relation to the calculation of the adjustment for provisional pricing.<br><br>▸ Cut-off: the complexity of terms that define when the title and control are transferred to the customer, as well as the high value of transactions, give rise to the risk that revenue is not recognised in the correct period.<br>▸ Measurement: the determination of revenue from the sale of PGM concentrates from the time of initial recognition of the sale through to final pricing requires management to re-estimate fair value of the price adjustment feature continuously. Management determines this with reference to actual spot prices. Estimation is used in the valuation of these transactions and the income statement impact of the mark to market movement is recorded as a fair value adjustment in the statement of profit or loss and other comprehensive income.<br><br>These calculations are based on estimations and are susceptible to potential manipulation. | In this area, we performed the following procedures, among others:<br>▸ We obtained an understanding of the key controls around the revenue recognition process in order to assess whether it is designed to prevent, detect or correct material misstatements in the reported revenue figures;<br>▸ We analysed the terms and conditions for a sample of sales contracts and evaluated whether they have been accounted for in line with the Group's revenue recognition policy. We have reviewed revenue recognition policies for compliance with the requirements of IFRS 15 Revenue from contracts with customers (IFRS 15), which was early adopted by the Group with initial date of application 1 October 2017;<br>▸ For a risk-based sample of revenue transactions we performed test of details including: agreeing the main inputs to supporting evidence (such as provisional and final invoices, shipment confirmations, market prices, agreements and bank statements), recalculating the amounts invoiced and recorded as revenue, performing cut off testing over the revenue recognition in the correct period;<br>▸ For a risk-based sample of revenue transactions selected, we obtained third party confirmations, to check their completeness and accuracy;<br>▸ We assessed the methodology adopted by management to identify the provisional pricing terms and the determination of estimates of metal in concentrate sold to third parties;<br>▸ For open sales where provisional pricing applied, we compared to external sources the inputs used and recalculated the provisional price adjustment to evaluate whether it was correctly measured;<br>▸ We considered and analysed the nature of any significant credits raised post year-end to evaluate that revenue transactions were recorded at the correct value in the relevant period;<br>▸ We performed substantive analytical review procedures; and<br>▸ We assessed whether the financial statements include disclosures in respect of revenue and the provisional pricing in accordance with the applicable IFRS (Notes 2.2, 3, 4 and 5). |

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| *Impairment of property, plant and equipment:* | In this area, we performed the following procedures, among others: |
| --- | --- |
| The carrying value of the Group's property, plant and equipment as at 30 September 2018 amounted to US$264.3m, including US$204.0m of mining assets and infrastructure. Refer to Notes 2.14, 2.18, 3 and 14 of the consolidated financial statements.<br><br>The volatility in expected future prices of certain commodities key to the Group (particularly chrome), foreign exchange rates, production levels, operating costs, discount rates and macro-economic developments require management to closely monitor the carrying values of non-current assets, particularly mining assets.<br><br>Chrome prices have improved in recent periods but remain volatile with possible adverse impact on the impairment risk of mining assets. The foreign exchange rates between the South African Rand and the US Dollar remain volatile with significant fluctuations noted during the year, and further increases the risk for impairment.<br><br>Following the acquisition of sub-contractor assets, the Group transitioned to the owner mining model on 1 October 2017, As a result, the Group's fixed costs increased during the year which may further impact future production costs and liquidity, adding to the risk for impairment.<br><br>Companies are required under IFRS to assess on an annual basis whether there are any impairment indicators affecting their cash generating units (CGUs). Group management completes an impairment assessment on the main CGU annually in accordance with the IFRS requirements and as part of the Group's budgeting process.<br><br>Other than the de-recognition and write off of individual assets of the mining fleet amounting to $3.9m, no impairment indicators were identified for the main CGU of the Group.<br><br>Due to the significance of the value of property, plant and equipment (58% of the Group's total assets) and the fact that the assessment of impairment indicators is an area which requires significant judgement and assumptions to be used by management, we consider this to be a key audit matter. | ▸ We obtained an understanding of management's annual process to assess non-current assets at CGU level for impairment;<br>▸ We reviewed management's assessment of the impairment indicators, considering both external and internal factors, as well as considering the significant assumptions used and the related risk of management bias;<br>▸ We sought to identify additional potential indicators of impairment through our analysis of operational performance and financial results, considering also the impact of significant regulatory changes, if any;<br>▸ We obtained an understanding of management's annual process to assess individual assets for impairment and reassessment of the useful economic lives of such assets;<br>▸ We reviewed management's assessment and considered the results of the individual assets identified for impairment or scrapping;<br>▸ We assessed the adequacy of impairment related disclosures in the financial statements in accordance with the applicable IFRS. |

| *Rehabilitation provision:*<br><br>The carrying value of the Group's rehabilitation provision as at 30 September 2018 amounted to US$12.6m. Refer to Notes 2.19, 3 and 27 of the consolidated financial statements.<br><br>The calculation of this provision requires management judgement in estimating the quantum and timing of future costs taking into consideration the unique nature of the site and the long timescales involved. This calculation also requires management to determine an appropriate future long term inflation rate as well as a rate to discount future costs to their present value.<br><br>The judgement required to estimate such costs is further increased by the limited historical precedent available to accurately determine the future costs.<br><br>Management reviews the close-down, restoration and environmental obligations on an annual basis, using experts to provide support in the assessment where appropriate. This review incorporates the effects of any changes in local regulations and management's anticipated approach to restoration and rehabilitation.<br><br>Due to the high level of uncertainty and judgement involved in the determination of the estimate and assumptions used, we consider this to be a key audit matter. | In this area, we performed the following procedures, among others:<br><br>▸ We assessed management's process for the review of the rehabilitation provision and assessed the movements in the provision in the year, taking into consideration the intended method of rehabilitation and the associated cost estimate;<br>▸ We checked the mathematical accuracy of management's calculations, assessed the appropriateness of the future inflation and discount rates, and evaluated the assumptions used in determining the provision, considering also the impact of significant regulatory changes, if any;<br>▸ We considered the competence, capabilities and objectivity of the expert used by management in estimating the relevant costs and we evaluated the work performed by the expert;<br>▸ We evaluated the classification of the expenditure and assessed the appropriateness of the related disclosures in the financial statements in accordance with IFRS. |
|---|---|
| *Impairment of investments in subsidiaries (parent company only):*<br><br>As at 30 September 2018, the carrying value of the Company's investments in subsidiary companies amounted to US$325.9m. Refer to Notes 2.5, 2.12, 11 and 13 of the parent company financial statements.<br><br>The Company is required under IFRS to assess on an annual basis whether there are any impairment indicators affecting the recoverability of the carrying amounts of its investments in subsidiary companies. The impairment assessment on these investments mainly depends on the financial performance of the subsidiary, Tharisa Minerals Proprietary Limited ("Tharisa Minerals") which owns the Tharisa mine and operates in the chrome and PGM industries. The recoverability of the | In this area, we performed the following procedures, among others:<br><br>▸ We obtained an understanding of management's annual process to assess the impairment of the Company's investments in subsidiary companies;<br>▸ We reviewed management's assessment of the impairment indicators and management's determination of the recoverable amount of these investments, considering both external and internal factors, as well as considering the significant assumptions used and the related risk of management bias;<br>▸ We sought to identify additional potential impairment indicators through our analysis of operational performance and financial results;<br>▸ We considered the sensitivity analysis performed by management on the commodity prices, |

| | |
|---|---|
| carrying amount of these investments is subject to the volatility in expected future commodity prices, foreign exchange rates and operating costs, and the inherent uncertainty involved in forecasting and discounting future cash flows.<br><br>Due to the significance of the value of investments in subsidiaries (91% of the Company's total assets) and the fact that the assessment of impairment indicators is an area which requires significant judgement and assumptions to be used by management, we consider this to be a key audit matter. | foreign exchange rates and estimated production and the impact on future cash flows and the determination of the recoverable amount. Additionally, estimated operating costs and production levels were compared to current year actual results and management approved budgets;<br>▸ We assessed the adequacy of impairment related disclosures in the financial statements in accordance with the applicable IFRS. |

**Reporting on other information**

The Board of Directors is responsible for the other information. The other information comprises the Management Report and the Corporate Governance Report but does not include the consolidated and parent company financial statements and our auditor's report thereon.

Our opinion on the consolidated and parent company financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

**Responsibilities of the Board of Directors and those charged with governance for the Consolidated and Parent Company Financial Statements**

The Board of Directors is responsible for the preparation of consolidated and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as issued by the IASB and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent company financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and parent company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent company financial statements of the current period and are therefore the key audit matters.

## Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

### *Appointment of the Auditor and Period of Engagement*

We were first appointed as auditors of the Group at the Company's Annual General Meeting on 10 January 2018.

### *Consistency of the Additional Report to the Audit Committee*

We confirm that our audit opinion on the consolidated and parent company financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 26 November 2018 in accordance with Article 11 of the EU Regulation 537/2014.

### *Provision of Non-audit Services*

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated and parent company financial statements or the Management Report.

### *Other Legal Requirements*

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated and parent company financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the Corporate Governance Statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included in the Management Report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated and parent company financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the Corporate Governance Statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Corporate Governance Statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

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## Other Matter

(i) This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

*(ii)* *Comparative figures*
The corresponding consolidated and parent company financial statements of the Group and the Company for the year ended 30 September 2017 were audited by another auditor who expressed an unmodified opinion on those consolidated and parent company financial statements on 28 November 2017.

The engagement partner on the audit resulting in this independent auditor's report is Stavros Pantzaris.

Stavros Pantzaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
26 November 2018

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**for the year ended 30 September 2018**

| | Notes | **2018 US$'000** | 2017 US$'000 |
|---|---|---|---|
| Revenue | 5 | **406 268** | 349 443 |
| Cost of sales | 6 | **(297 782)** | (226 789) |
| Gross profit | | **108 486** | 122 654 |
| Other income | 7 | **2 432** | 160 |
| Net foreign exchange gain | | **852** | 2 458 |
| Administrative expenses | 9 | **(39 232)** | (26 903) |
| Results from operating activities | | **72 538** | 98 369 |
| Finance income | 10 | **1 279** | 1 122 |
| Finance costs | 10 | **(10 189)** | (7 689) |
| Changes in fair value of financial assets at fair value through profit or loss | | **1 262** | (813) |
| Changes in fair value of financial liabilities at fair value through profit or loss | | **155** | - |
| Share of loss of investment accounted for using the equity method | 16 | **(62)** | - |
| Profit before tax | | **64 983** | 90 989 |
| Tax | 12 | **(14 011)** | (23 316) |
| **Profit for the year** | | **50 972** | 67 673 |
| **Other comprehensive income** | | | |
| *Items that may be classified subsequently to profit or loss:* | | | |
| Foreign currency translation differences for foreign operations, net of tax | | **(10 663)** | (387) |
| Other comprehensive income, net of tax | | **(10 663)** | (387) |
| **Total comprehensive income for the year** | | **40 309** | 67 286 |
| Profit for the year attributable to: | | | |
| Owners of the company | | **48 433** | 57 601 |
| Non-controlling interest | | **2 539** | 10 072 |
| | | **50 972** | 67 673 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the company | | **41 790** | 57 451 |
| Non-controlling interest | | **(1 481)** | 9 835 |
| | | **40 309** | 67 286 |
| Earnings per share | | | |
| Basic earnings per share (US$ cents) | 13 | **19** | 22 |
| Diluted earnings per share (US$ cents) | 13 | **18** | 22 |

The notes on pages 52 to 130 are an integral part of these financial statements.

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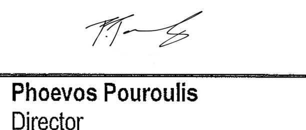
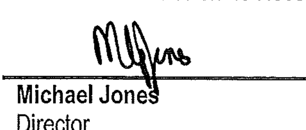
# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2018

| | Notes | 2018 US$'000 | 2017 US$'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **264 311** | 232 559 |
| Goodwill | 15 | **804** | 838 |
| Investment accounted for using the equity method | 16 | **4 438** | - |
| Long-term deposits | 17 | **-** | 4 505 |
| Other financial assets | 19 | **5 012** | 3 767 |
| Deferred tax assets | 20 | **1 880** | 1 952 |
| **Total non-current assets** | | **276 445** | 243 621 |
| **Current assets** | | | |
| Inventories | 21 | **23 043** | 20 802 |
| Trade and other receivables | 22 | **86 202** | 70 374 |
| Contract assets | 23 | **2 229** | - |
| Other financial assets | 19 | **986** | 49 |
| Current taxation | 24 | **228** | 132 |
| Cash and cash equivalents | 25 | **66 791** | 49 742 |
| **Total current assets** | | **179 479** | 141 099 |
| **Total assets** | | **455 924** | 384 720 |
| **Equity and liabilities** | | | |
| Share capital and premium | 26 | **280 806** | 280 342 |
| Other reserve | 26 | **47 245** | 47 245 |
| Foreign currency translation reserve | 26 | **(80 204)** | (73 561) |
| Retained earnings | 26 | **77 025** | 42 877 |
| Equity attributable to owners of the Company | | **324 872** | 296 903 |
| Non-controlling interests | 26 | **(26 538)** | (25 057) |
| Total equity | | **298 334** | 271 846 |
| **Non-current liabilities** | | | |
| Provisions | 27 | **12 634** | 6 923 |
| Borrowings | 28 | **27 281** | 4 375 |
| Deferred tax liabilities | 20 | **29 892** | 23 823 |
| **Total non-current liabilities** | | **69 807** | 35 121 |
| **Current liabilities** | | | |
| Borrowings | 28 | **50 138** | 45 026 |
| Other financial liabilities | 29 | **1 000** | 599 |
| Current taxation | 24 | **1 013** | 212 |
| Trade and other payables | 30 | **33 403** | 31 916 |
| Contract liabilities | 31 | **2 229** | - |
| **Total current liabilities** | | **87 783** | 77 753 |
| **Total liabilities** | | **157 590** | 112 874 |
| **Total equity and liabilities** | | **455 924** | 384 720 |

The consolidated financial statements were authorised for issue by the Board of Directors on 26 November 2018.



**Phoevos Pouroulis**
Director



**Michael Jones**
Director

The notes on pages 52 to 130 are an integral part of these financial statements.

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**for the year ended 30 September 2018**

| | Notes | Share capital US$'000 | Share premium US$'000 | Other reserve US$'000 | Foreign currency translation reserve US$'000 | Retained earnings US$'000 | Total US$'000 | Non-controlling interest US$'000 | Total equity US$'000 |
|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | | | | |
| **Balance at 30 September 2016** | | 257 | 456 181 | 47 245 | (73 411) | (193 521) | 236 751 | (34 892) | 201 859 |
| **Total comprehensive income for the year** | | | | | | | | | |
| Profit for the year | | - | - | - | - | 57 601 | 57 601 | 10 072 | 67 673 |
| *Other comprehensive income:* | | | | | | | | | |
| Foreign currency translation differences | 26 | - | - | - | (150) | - | (150) | (237) | (387) |
| **Total comprehensive income for the year** | | - | - | - | (150) | 57 601 | 57 451 | 9 835 | 67 286 |
| **Transactions with owners of the Company** | | | | | | | | | |
| *Contributions by and distributions to owners* | | | | | | | | | |
| Capital reduction | 26 | - | (179 175) | - | - | 179 175 | - | - | - |
| Capital distribution | 40 | - | - | - | - | (2 570) | (2 570) | - | (2 570) |
| Issue of ordinary shares | 26 | 3 | 3 076 | - | - | - | 3 079 | - | 3 079 |
| Equity-settled share based payments | 26 | - | - | - | - | 1 331 | 1 331 | - | 1 331 |
| Deferred tax on equity-settled share based payments | 20 | - | - | - | - | 861 | 861 | - | 861 |
| Contributions by owners of the Company | | 3 | (176 099) | - | - | 178 797 | 2 701 | - | 2 701 |
| Total transactions with owners of the Company | | 3 | (176 099) | - | - | 178 797 | 2 701 | - | 2 701 |
| **Balance at 30 September 2017** | | 260 | 280 082 | 47 245 | (73 561) | 42 877 | 296 903 | (25 057) | 271 846 |

The notes on pages 52 to 130 are an integral part of these financial statements.

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**for the year ended 30 September 2018**

| | Note | Share capital US$'000 | Share premium US$'000 | Other reserve US$'000 | Foreign currency translation reserve US$'000 | Retained earnings US$'000 | Total US$'000 | Non-controlling interest US$'000 | Total equity US$'000 |
|---|---|---|---|---|---|---|---|---|---|
| | | **Attributable to owners of the Company** | | | | | | | |
| Balance at 30 September 2017 | | 260 | 280 082 | 47 245 | (73 561) | 42 877 | 296 903 | (25 057) | 271 846 |
| Impact of adopting IFRS 16 | 2.2 | - | - | - | - | (15) | (15) | - | (15) |
| **Balance at 1 October 2017** | | **260** | **280 082** | **47 245** | **(73 561)** | **42 862** | **296 888** | **(25 057)** | **271 831** |
| **Total comprehensive income for the year** | | | | | | | | | |
| Profit for the year | | **-** | **-** | **-** | **-** | **48 433** | **48 433** | **2 539** | **50 972** |
| *Other comprehensive income:* | | | | | | | | | |
| Foreign currency translation differences | 26 | **-** | **-** | **-** | **(6 643)** | **-** | **(6 643)** | **(4 020)** | **(10 663)** |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **(6 643)** | **48 433** | **41 790** | **(1 481)** | **40 309** |
| **Transactions with owners of the Company** | | | | | | | | | |
| *Contributions by and distributions to owners* | | | | | | | | | |
| Dividends paid | 40 | **-** | **-** | **-** | **-** | **(18 214)** | **(18 214)** | **-** | **(18 214)** |
| Issue of ordinary shares | 26 | **1** | **463** | **-** | **-** | **-** | **464** | **-** | **464** |
| Equity-settled share based payments | 26 | **-** | **-** | **-** | **-** | **3 638** | **3 638** | **-** | **3 638** |
| Deferred tax on of equity-settled share based payments | 20 | **-** | **-** | **-** | **-** | **306** | **306** | **-** | **306** |
| Contributions by owners of the Company | | **1** | **463** | **-** | **-** | **(14 270)** | **(13 806)** | **-** | **(13 806)** |
| Total transactions with owners of the Company | | **1** | **463** | **-** | **-** | **(14 270)** | **(13 806)** | **-** | **(13 806)** |
| **Balance at 30 September 2018** | | **261** | **280 545** | **47 245** | **(80 204)** | **77 025** | **324 872** | **(26 538)** | **298 334** |

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the ultimate shareholders at the end date of the period of two years from the end of the year of assessment to which the profits refer are both Cypriot tax residents and Cypriot domiciled entities. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the shareholders. These provisions do not apply for ultimate beneficial owners that are non-Cypriot tax resident individuals. Retained earnings is the only reserve that is available for distribution.

The notes on pages 52 to 130 are an integral part of these financial statements.

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# CONSOLIDATED STATEMENT OF CASH FLOWS

**for the year ended 30 September 2018**

| | *Notes* | **2018 US$'000** | 2017 US$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | **50 972** | 67 673 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 10 | **29 858** | 16 929 |
| Loss on disposal of property, plant and equipment | 14 | **37** | 196 |
| Gain on bargain purchase | 33 | **(1 884)** | - |
| Share of loss of investment accounted for using the equity method | 16 | **62** | - |
| Impairment loss on goodwill | | **-** | 57 |
| Impairment (reversal)/loss on inventory | | **(13)** | 24 |
| Impairment and write off of property, plant and equipment | 14 | **3 897** | - |
| Changes in fair value of financial assets at fair value through profit or loss | | **(1 262)** | 813 |
| Changes in fair value of financial liabilities at fair value through profit or loss | | **(155)** | - |
| Interest income | 10 | **(1 279)** | (1 122) |
| Interest expense | 10 | **10 189** | 7 689 |
| Tax | 12 | **14 011** | 23 316 |
| Equity-settled share based payments | | **4 019** | 4 342 |
| | | **108 452** | 119 917 |
| Changes in: | | | |
| Inventories | | **(2 326)** | (5 063) |
| Trade and other receivables and contract assets | | **(19 491)** | (21 839) |
| Trade and other payables and contract liabilities | | **2 979** | (15 068) |
| Provisions | | **5 614** | 1 792 |
| Cash from operations | | **95 228** | 79 739 |
| Income tax paid | 32 | **(5 457)** | (3 990) |
| **Net cash flows from operating activities** | | **89 771** | 75 749 |
| **Cash flows from investing activities** | | | |
| Interest received | | **1 172** | 708 |
| Additions to property, plant and equipment | 14 | **(40 454)** | (26 398) |
| Net cash outflow from business combination | 33 | **(21 840)** | - |
| Proceeds from disposal of property, plant and equipment | 14 | **119** | - |
| Additions to investments accounted for using the equity method | 16 | **(2 500)** | - |
| Additions to other financial assets | 19 | **(4 008)** | (925) |
| Refund of long term deposits | 17 | **7 110** | 5 726 |
| **Net cash flows used in investing activities** | | **(60 401)** | (20 889) |
| **Cash flows from financing activities** | | | |
| Net proceeds from bank credit facilities | 28 | **114** | 6 073 |
| Advances received | 28 | **68 220** | - |
| Repayment of borrowings | 28 | **(48 503)** | (17 917) |
| Lease payments | 28 | **(6 463)** | - |
| Dividends and capital distribution paid | 40 | **(18 214)** | (2 570) |
| Interest paid | | **(6 619)** | (6 371) |
| **Net cash flows used in financing activities** | | **(11 465)** | (20 785) |
| **Net increase in cash and cash equivalents** | | **17 905** | 34 075 |
| Cash and cash equivalents at the beginning of the year | | **49 742** | 15 826 |
| Effect of exchange rate fluctuations on cash held | | **(856)** | (159) |
| **Cash and cash equivalents at the end of the year** | 25 | **66 791** | 49 742 |

The notes on pages 52 to 130 are an integral part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2018**

## 1. CORPORATE INFORMATION

Tharisa plc (the Company) was incorporated in Cyprus on 20 February 2008 under registration number HE223412. The name of the Company was changed from Tharisa Limited to Tharisa plc on 19 January 2012. On 10 April 2014, the Company listed its ordinary share capital on the main board of the Johannesburg Stock Exchange ('JSE') as the primary listing. On 8 June 2016 the Company listed its ordinary share capital as a standard listing on the main board of the London Stock Exchange ('LSE').

Its registered office is at Sofoklis Pittokopitis Business Centre, Offices 108-110, 17 Neophytou Nicolaides and Kilkis Street, 8011 Paphos, Cyprus.

The principal activity of the Group is the exploitation of metals and minerals, principally platinum group metals ('PGMs') and chrome, and associated sales and logistics operations

On 9 February 2009, the Company acquired 74.0% of the share capital of Tharisa Minerals Proprietary Limited, a company established in South Africa. The principal activity of Tharisa Minerals Proprietary Limited is PGM and chrome mining and processing.

On 2 November 2010, the Company incorporated Tharisa Investments Limited, a company established in Cyprus. The principal activity of Tharisa Investments Limited is that of investment holding.

On 15 February 2012, Tharisa Investments Limited incorporated Tharisa Fujian Industrial Co., Ltd, a company established in China. The principal activity of Tharisa Fujian Industrial Co., Ltd is that of ferrochrome smelting. Tharisa Fujian Industrial Co., Ltd has not commenced operations up to the date of this report. During April 2011, Tharisa Investments Limited issued additional shares representing 15.0% of its expanded share capital to Fujian Wuhang Stainless Steel Products Co. Ltd ('Fujian'). On 22 November 2011, the Company and Fujian signed an agreement, according to which Fujian transferred its 15.0% equity interests in Tharisa Investments Limited to the Company. The consideration for this transfer was the par value of the shares transferred of US$22.5 and a call option written by the Company which conferred to Fujian a right to purchase 15.0% of the equity capital of Tharisa Fujian Industrial Co., Ltd at Chinese Yuan Renminbi (YUAN) 100 at any time after 31 December 2012. As at 30 September 2018, the call option had yet to be exercised.

On 24 August 2011, Tharisa Investments Limited incorporated Tharisa Investments (Hong Kong) Limited, a company established in Hong Kong. Tharisa Investments (Hong Kong) Limited has not commenced operations up to the date of this report.

On 4 February 2011, the Company incorporated Arxo Resources Limited, a company established in Cyprus. The principal activity of Arxo Resources Limited is the selling and distribution of chrome concentrates. On 7 December 2011, Arxo Resources Limited incorporated Arxo Metals Proprietary Limited, a company established in South Africa. The principal activity of Arxo Metals Proprietary Limited is metal processing. It currently produces foundry and chemical grade chrome concentrates, operates a chrome plant owned by a third party and is involved in the beneficiation of PGM concentrates.

On 1 March 2011, the Company acquired 100% of the share capital of Arxo Logistics Proprietary Limited, a company established in South Africa. The principal activity of Arxo Logistics Proprietary Limited is the provision of logistics services.

On 31 May 2011, the Company incorporated Tharisa Administration Services Limited, a company established in Cyprus. Tharisa Administration Services Limited provides management and administration services to the Group. On 1 April 2013, Tharisa Administration Services Limited acquired Braeston Corporate Consulting Services Proprietary Limited, a company established in South Africa. The principal activity of Braeston Corporate Consulting Services Proprietary Limited is the provision of management services to the Group. On 19 July 2018, Braeston Corporate Consulting Services Proprietary Limited incorporated Ubhova Security Proprietary Limited, a company incorporated in South Africa. The principal activity of Ubhova Security Proprietary Limited is the provision of security services. At 30 September 2018, Ubhova Security Proprietary Limited has not yet commenced operations.

On 30 May 2013, the Company incorporated Dinami Limited, a company established in Guernsey. The principal activity of Dinami Limited is the provision of consultancy services in relation to the sale of the Group's foundry and chemical grade chrome concentrate products.

## 1. CORPORATE INFORMATION (continued)

On 29 June 2018, the Company incorporated Arxo Finance Limited, a company incorporated in Cyprus. The principal activity of Arxo Finance Limited is to provide funding arrangements for Group entities. At 30 September 2018, Arxo Finance Limited has not yet commenced operations.

On 12 June 2018, the Company acquired a 26.8% shareholding in Karo Mining Holding Limited, a company incorporated in Cyprus. The principal activity of Karo Mining Holdings Limited is that of an investment holding company. Karo Mining Holdings Limited entered into an Investment Project Framework Agreement with the Republic of Zimbabwe in terms of which Karo Mining Holdings Limited, through any of its subsidiaries, has undertaken to establish a platinum group metals mine, concentrators, smelters, a base metal and precious metals refinery as well as power generation capacity for the operations with surplus energy capacity made available to the Zimbabwe power grid.

The Company has been granted a call option to acquire a 90.0% shareholding in Salene Chrome Zimbabwe (Private) Limited, a company incorporated in Zimbabwe. Salene Chrome Zimbabwe (Private) Limited's principal activity is an exploration and mining company. Salene has been awarded three special grants under the Zimbabwe Mines and Minerals Act on the eastern side of the Great Dyke in Zimbabwe, which entitles it to mine the minerals thereon.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1. BASIS OF PREPARATION

**Statement of compliance**
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs'). IFRS comprise the standards issued by the International Accounting Standards Board ('IASB') and IFRS Interpretations Committee ('IFRIC') as issued by the IASB. In addition, the consolidated financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113.

**Basis of measurement**
The consolidated financial statements are prepared on the historical cost basis except as otherwise stated in the accounting policies set out below.

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

**Going concern**
After making enquiries which include reviews of current cash resources, forecasts and budgets, timing of cash flows, borrowing facilities and sensitivity analyses and considering the associated uncertainties to the Group's operations, the Directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements, which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

These consolidated financial statements have been prepared on a going concern basis.

Refer to note 35 for statements on the Group's objectives, policies and processes for managing its capital, details of its financial instruments and hedging activities; its exposures to market risk in relation to commodity prices and foreign exchange risks; interest rate risk; credit risk; and liquidity risk.

### 2.2. CHANGE IN ACCOUNTING POLICIES

**New and amended standards and Interpretations**
The Group has early adopted IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. The nature and effect of the changes as a result of the adoption of these new accounting standards are described in the following paragraphs.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2. CHANGE IN ACCOUNTING POLICIES (continued)

**IFRS 9 Financial Instruments**
The Group has early adopted all of the requirements of IFRS 9 Financial Instruments ('IFRS 9') as of 1 October 2017. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ('IAS 39'). IFRS 9 utilises a revised model for recognition and measurement of financial instruments and a single, forward-looking expected loss impairment model. Most of the requirements of IAS 39 for classification and measurements of financial liabilities were carried forward in IFRS 9, therefore the Group's accounting policy with respect to financial liabilities remains unchanged. The Group applied IFRS 9 using the full retrospective method of adoption on initial date of application.

As a result of the early adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively for assets that were recognised at the date of application. The change did not impact the carrying value of any financial assets on transition date.

*Classification*
The Group classifies its financial instruments in the following categories:
- At fair value through profit or loss
- At fair value through other comprehensive income
- At amortised cost

The Group determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Group's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified at fair value through profit or loss, for other equity instruments, on the day of acquisition the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at fair value through other comprehensive income. Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss (such as derivatives) or the Group has designated to measure them at fair value through profit or loss.

The Group completed a detailed assessment of its financial assets and liabilities at 1 October 2017. The following table presents the original classification according to IAS 39 and the new classification according to IFRS 9:

| Financial assets | Original classification IAS 39 | New classification IFRS 9 |
|---|---|---|
| Long-term deposits | Amortised cost | Amortised cost |
| Other financial assets | | |
| Investments in money markets, current accounts, cash funds and income funds | Fair value through profit or loss | Fair value through profit or loss |
| Discount facility | Fair value through profit or loss | Fair value through profit or loss |
| Forward exchange contracts | Held for trading | Fair value through profit or loss |
| Investment in equity instruments | Held for trading | Fair value through profit or loss |
| Option to acquire shares | Fair value through profit or loss | Fair value through profit or loss |
| Trade and other receivables | Amortised cost | Amortised cost |
| Contract asset | Amortised cost | Amortised cost |
| PGM receivable | Held for trading | Fair value through profit or loss |
| Cash and cash equivalents | Amortised cost | Amortised cost |

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2. CHANGE IN ACCOUNTING POLICIES (continued)

**IFRS 9 Financial Instruments (continued)**

| Financial liabilities | Original classification IAS 39 | New classification IFRS 9 |
|---|---|---|
| Borrowings | Amortised cost | Amortised cost |
| Discount facility | Fair value through profit or loss | Fair value through profit or loss |
| Trade and other payables | Amortised cost | Amortised cost |
| Contract liability | Amortised cost | Amortised cost |

Upon adoption of IFRS 9, the Group made an irrevocable election to classify marketable securities at fair value through profit or loss.

*Measurement: Financial assets and liabilities at amortised cost*
Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost less any impairment.

*Measurement: Financial assets and liabilities at fair value through profit or loss*
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest' ('SPPI') on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets and liabilities carried at fair value through profit or loss are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise. Where management has designated to recognise a financial liability at fair value through profit or loss, any changes associated with the Group's own credit risk will be recognised in other comprehensive income.

*Derecognition: Financial assets*
The Group derecognises financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognised in the statement of profit or loss. However, gains and losses on derecognition of financial assets classified as fair value through other comprehensive income remain within equity.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2. CHANGE IN ACCOUNTING POLICIES (continued)

**IFRS 9 Financial Instruments (continued)**

*Derecognition: Financial liabilities*
The Group derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

*Hedge accounting*
The Group does not apply hedge accounting.

**Impact of adopting IFRS 9 on the Group's consolidated financial statements**
The adoption of IFRS 9 did not impact the carrying value of any financial assets on transition date, consequently adopting IFRS 9 did not result in a restatement of comparative results.

**IFRS 15 Revenue from contracts with customers**
The Group has early adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers ('IFRS 15') with a date of initial application of 1 October 2017. IFRS 15 supersedes IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards of IFRS. The Group applied IFRS 15 using the modified retrospective method and therefore, comparative information has not been restated and continues to be presented in accordance with IAS 18. IFRS 15 was applied to all open contracts on date of initial application. As a result, the Group has changed its accounting policy for revenue recognition as detailed in the accounting policies.

*Comparative accounting policy in terms of IAS 18*
Revenue was measured at the fair value of the consideration received or receivable. Revenue from the sale of goods was recognised when significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods and the amount of revenue could be measured reliably.

Revenue from the sale of PGMs was initially recognised at the estimated fair value of the consideration receivable at the date of delivery. Adjustments to the sale price occurred based on movements in the metal market price and currency up to the date of final pricing. Final pricing was based on the monthly average market price in the month of settlement. The period between initial recognition and final pricing was typically three months. The revenue adjustment mechanism embedded within the sale arrangement had the characteristics of a commodity derivative. Accordingly the fair value of the final sales price adjustment was re-estimated continuously and changes in fair value were recognised as a re-estimated adjustment to revenue in profit or loss and trade receivables in the statement of financial position.

The Group entered into contracts for the sale of chrome concentrates. Revenue arising from chrome sales under these contracts was recognised when the price was determinable, the product had been delivered in accordance with the terms of the contract, the significant risks and rewards of ownership had been transferred to the customer, collection of the sale price was probable and associated costs could be reliably estimated. These criteria might vary per contract. As sales from chrome contracts were subject to a customer survey adjustment with regards to quality, sales were initially recorded on a provisional basis using management's best estimate of the chrome quality. Subsequent adjustments were recorded in revenue to take into account final adjustments, if different from the initial estimates.

Revenue from the rendering of services was recognised in proportion to the stage of completion of the work performed at the reporting date.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2. CHANGE IN ACCOUNTING POLICIES (continued)

**IFRS 15 Revenue from contracts with customers (continued)**

**Accounting policy in terms of IFRS 15**

Sales revenue is recognised on individual sales when control transfers to the customer. Control transfers to the customer upon satisfaction of performance obligations within each contract. In most instances, control passes and sales revenue is recognised when the product is delivered to the vessel or vehicle on which it will be transported once loaded, the destination port or the customer's premises. There may be circumstances when judgment is required based on the five indicators of control below:

- The customer has the significant risks and rewards of ownership and has the ability to direct the use of, and obtain substantially all of the remaining benefits from the good or service.
- The customer has a present obligation to pay in accordance with the terms of the sales contract. For shipments under the Incoterms Cost, Insurance and Freight ('CIF') this is generally when the ship is loaded, at which time the obligation for payment is for both product and freight.
- The customer has accepted the asset. Sales revenue may be subject to adjustment if the product specification does not conform to the terms specified in the sales contract but this does not impact the passing of control. Assay and specification adjustments have been immaterial historically.
- The customer has legal title to the asset. The Group usually retains legal title until payment is received for credit risk purposes only.
- The customer has physical possession of the asset. This indicator may be less important as the customer may obtain control of an asset prior to obtaining physical possession, which may be the case for goods in transit.

Revenue is presented net of Value Added Tax, rebates and discounts and after eliminating intergroup sales. Multiple performance obligations exist which are described in the following paragraphs.

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. The Board of Directors is of the view that the Group had three operating segments during the reporting period, the PGM segment, the chrome segment and the agency and trading segment.

The following is a description of the Group's current principal activities separated by reportable segment, from which the Group recognises its revenue.

**PGM segment**

The PGM segment principally generates revenue from the sale of PGM concentrate, which consists of the sale of platinum, palladium, rhodium, gold, ruthenium, iridium, nickel and copper. The Group enters into off-take agreements with customers for the supply of PGM concentrate. Revenue from the sale of PGM concentrate is recognised based on the quantity of PGM concentrate delivered, prevailing market prices and exchange rates, when delivered to the customers in terms of the off-take agreements. Revenue recognised includes variable consideration as revenue is subject to quantity adjustments, final pricing and currency adjustments after the beneficiation process is completed. Revenue recognised is adjusted for expected final adjustments based on finally determined quantity and spot rates, which are estimated based on prevailing market information and recognised as a separate component within revenue. Adjustments to the sale price occur based on movements in the metal market price and exchange rates up to the date of final pricing.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2. CHANGE IN ACCOUNTING POLICIES (continued)**

**IFRS 15 Revenue from contracts with customers (continued)**

**PGM segment (continued)**
Any subsequent changes that arise due to differences between initial and final assay are still considered within the scope of IFRS 15 and are subject to the constraint on estimates of variable consideration. When considering the initial assay estimate, the Group has considered the requirements of IFRS 15 in relation to the constraint on estimates of variable consideration. It will only include amounts in the calculation of revenue where it is highly probable that a significant revenue reversal will not occur when the uncertainty relating to final quantity/assay/quality is subsequently resolved.

Consequently, at the time the concentrate passes to the customer, the Group will recognise a receivable as from that time it considers it has an unconditional right to consideration. This receivable is accounted for in accordance with IFRS 9.

The PGM commodity derivative is no longer separated from the host contract. This is because the existence of the provisional pricing features means the concentrate receivable fails to meet the requirements to be measured at amortised cost. Instead, the entire receivable is measured at fair value, with subsequent movements being recognised in profit or loss.

**Chrome segment**
The Group currently produces two specifications of chrome concentrates, metallurgical chrome concentrate and specialty chrome concentrates. It generates revenue from the sale of these products. The chrome market is typically a 'spot' market. The Group enters into short-term sale contracts. The Group also enters into long-term volume off-take agreements for the supply of chrome concentrates.

Revenue arising from chrome concentrate sales under short-term sale contracts and off-take agreements is recognised when the chrome concentrate is delivered and a customer takes control of the chrome concentrate. Revenue is recognised based on the fixed sale price in terms of the contract, the quantity delivered and the quality as determined by an independent survey. Export sales may, as specified in the contract, be subject to a final survey upon arrival at destination port. Revenue recognised for export sales is adjusted for expected final adjustments, which are estimated based on historical data for similar transactions.

The majority of the Group's metallurgical chrome concentrate is exported. For these export sales, the point of revenue recognition is dependent on the contract sales terms, known as the International Commercial Terms ('Incoterms'). For the Incoterms Cost, Insurance and Freight ('CIF') the seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination. This means that the Group is responsible (acts as principal) for providing shipping services and, in some instances, insurance after the date at which control of goods passes to the customer at the loading port.

Consequently, the freight service on export commodity contracts with CIF Incoterms represents a separate performance obligation as defined under IFRS 15 and as such, a portion of the revenue earned under these contracts, representing the obligation to perform the freight service, is deferred and recognised when this obligation has been fulfilled, along with the associated costs.

Since separate performance conditions exist for export commodity contracts with CIF Incoterms, the Group allocates the transaction price to the separate performance conditions on a relative stand-alone selling price basis. Observable information with specific reference to sea freight costs is used for allocation of the transaction price.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2. CHANGE IN ACCOUNTING POLICIES (continued)

**IFRS 15 Revenue from contracts with customers (continued)**

**Agency and trading segment**
The Group operates a third party chrome plant and markets and sells the chrome concentrate produced at this plant. The Group determines whether it acts as principal or agent by assessing whether the Group controls the transaction and what its performance obligations are. Considerations to determine control include whether the Group provides the performance obligation itself, the Group is primarily responsible for fulfilling the promise to provide the specified chrome concentrates, the Group has inventory risk before the specified products are transferred to the customer and the Group determines the selling price. In the absence of any of the aforementioned factors, control of the transaction may be doubtful and the Group would recognise the margin achieved in revenue as an agent.

Metallurgical and specialty chrome concentrates are produced at this plant. The Group enters into short-term contracts for the sale of these chrome concentrates. Revenue arising from short-term sale contracts is recognised when the chrome concentrate is delivered and a customer takes control of the chrome concentrates. This occurs in accordance with the terms of each contract. Delivery terms also vary between the sale of metallurgical chrome concentrate and specialty chrome concentrates. Sales from chrome concentrates are subject to surveys to determine the chrome quality and quantity. Revenue is recognised based on the fixed sale price in terms of the contract, the quantity delivered and the quality as determined by an independent survey. Export sales may, as specified in the contract, be subject to a final survey upon arrival at destination port. Revenue recognised for export sales is adjusted for expected final adjustments, which are estimated based on historical data for similar transactions.

The majority of the Group’s metallurgical chrome concentrate produced at the third party chrome plant is exported. For these export sales, the point of revenue recognition is dependent on the contract sales terms, known as the International Commercial Terms (‘Incoterms’). For the Incoterms Cost, Insurance and Freight (‘CIF’) the seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination. This means that the Group is responsible (acts as principal) for providing shipping services and, in some instances, insurance after the date at which control of goods passes to the customer at the loading port.

Consequently, the freight service on export commodity contracts with CIF Incoterms represents a separate performance obligation as defined under IFRS 15 and as such, a portion of the revenue earned under these contracts, representing the obligation to perform the freight service, is deferred and recognised when this obligation has been fulfilled, along with the associated costs.

Since separate performance conditions exist for export commodity contracts with CIF Incoterms, the Group allocates the transaction price to the separate performance conditions on a relative stand-alone selling price basis. Observable information with specific reference to sea freight costs is used for allocation of the transaction price.

The Group also provides inland logistics services to customers. These services include long-term contracts and ad hoc logistics services. Revenue is recognised at a point in time as the performance obligation has been fulfilled which is the delivery of the specified goods. Any earned consideration, which is conditional, will be recognised as a contract asset rather than a trade and other receivable.

Revenue is also generated from consulting services rendered. These services include geological, marketing and administration services. Revenue is recognised over time, using an input method to measure progress towards complete customer satisfaction.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2. CHANGE IN ACCOUNTING POLICIES (continued)

**IFRS 15 Revenue from contracts with customers (continued)**

*Contract balances*
Timing of revenue recognition may differ from the timing of invoicing to customers. The Group records a receivable in the statement of financial position, when revenue is recognised prior to invoicing. Similarly, unearned revenue received (income received in advance), is disclosed as a current liability in the statement of financial position, if it will be earned within one year.

Payment terms and conditions vary by contract type and delivery method, although for local sales terms generally include a requirement of payment upon completion of delivery of the products. For export chrome concentrate transactions, payment terms vary from 30 to 90 days, however, the Group obtains a letter of credit from a reputable bank in most instances before shipment occurs.

In the instance where the timing of revenue recognition differs from the timing of invoicing, the Group has determined that due to the short-term nature, the contracts with customers generally do not include a significant financing component. The primary purpose of the Group's invoicing terms is to provide customers with simplified and predictable ways of purchasing products, not to receive financing from customers or to provide financing to customers. Similarly, due to the short-term nature of unearned revenue received, being less than 12 months. No financing component exists in line with the practical expedient.

*Commissions recognised from costs to obtain a contract with a customer*
The Group recognises the incremental costs, arising from the concluding of sale contracts, as expenses in cost of sales in the statement of profit or loss when incurred. Such commission fees relate to the chrome segment and are short-term in nature.

**Impact of adopting IFRS 15 on the Group's consolidated financial statements**
IFRS 15 requires the Group to recognise revenue for sales of products as it transfers control over those products to customers, which generally occurs on delivery and is determined by the agreed delivery terms. This is generally consistent with the timing of revenue recognition in accordance with the previous standard, IAS 18. No incremental costs have been capitalised on adoption of IFRS 15 because lead times for individual orders are less than one year and costs to fulfil contracts are already recognised as inventories. The Group has used the modified retrospective transition method, under which the effect of initially applying IFRS 15 is adjusted against the opening balance of equity at 1 October 2017.

As stated in the new accounting policy, the freight service on export commodity contracts with CIF Incoterms represents a separate performance obligation as defined under the new standard, and a portion of the revenue earned under these contracts, representing the obligation to perform the freight service, is deferred and recognised over time as this obligation is fulfilled, along with the associated costs.

The impact of this transition difference is not considered material to the Group and hence comparative values have not been restated. If comparative values had been restated, the impact would have been to reduce revenue and cost of sales respectively for the year ended 30 September 2017 by $1.3 million with no impact on profit. Current assets and current liabilities as at 30 September 2017 would each have been higher by $1.3 million.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2. CHANGE IN ACCOUNTING POLICIES (continued)

**IFRS 16 Leases**
The Group has early adopted all of the requirements of IFRS 16 Leases ('IFRS 16') effective 1 October 2017 (initial application). IFRS 16 replaces IAS 17 Leases ('IAS 17'). The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported in terms of IAS 17 and IFRIC 4: Determining whether an arrangement contains a lease. The Group recognised the cumulative effect of initial application of IFRS 16, in terms of the modified retrospective approach, in retained earnings at 1 October 2017. Contracts previously assessed not to be a lease in terms of IAS 17 were not reassessed. As a result, the Group has changed its accounting policy for leases as detailed in the accounting policies.

*As a lessee*
*Comparative accounting policy in terms of IAS 17*
In terms of IAS 17, the Group was required to classify its leases as either finance leases or operating leases and account for those two types of leases differently (both as a lessor or a lessee). A lease was classified as a finance lease if it transferred substantially all the risks and rewards incidental to ownership. A lease was classified as an operating lease if all the risks and rewards incidental to ownership did not substantially transfer.

Finance leases were recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor was included in the statement of financial position as a finance lease obligation. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating lease payments, in the event of the Group operating as lessee, were recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments were recognised as an operating lease asset. The liability was not discounted.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of identified assets for a specified period. The commencement date is the date on which a lessor makes an underlying asset available for use by the lessee.

The right-of-use assets are initially measured at cost, which comprises the amount of initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located, less any lease incentives.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2. CHANGE IN ACCOUNTING POLICIES (continued)

**IFRS 16 Leases (continued)**
Subsequent to initial measurement, the right-of-use assets are depreciated from the commencement date using the straight-line method over the shorter of the estimated useful lives of the right-of-use assets or the end of lease term. These are as follows:

| Right-of-use asset | Depreciation term in years |
| --- | --- |
| Buildings and premises | Straight-line over the respective lease terms, between 3 and 5 years |
| Mining fleet | Based on estimated production hours |

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability include the following:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- Lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- Payments of penalties for early terminating the lease, unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, an extension or a termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

*Short-term leases and leases of low-value assets:*
The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of vehicles that have a lease term of 12 months or less and leases of low-value assets such as computer equipment.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2. CHANGE IN ACCOUNTING POLICIES (continued)**

**IFRS 16 Leases (continued)**

*As a lessor*
In the event of lease contracts based on which the Group is acting as a lessor, each of its leases is classified as either an operating or finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Indicators of a finance lease include whether the lease is for the major part of the economic life of the asset, whether the lease transfers ownership of the asset to the lessee by the end of the lease term and whether at inception date of the lease, the present value of the minimum lease payments amount to substantially all of the fair value of the leased asset.

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor, are classified as operating leases.

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

Rental income is classified in other income.

**Impact of adopting IFRS 16 on the Group's consolidated financial statements**
The adoption of IFRS 16 resulted in the Group recognising a number of leases for buildings and premises on 1 October 2017. These were previously treated as operating leases in terms of IAS 17. On 1 October 2017, the previously recognised equalisation of operating lease liabilities in terms of IAS 17 was reversed from trade and other payables and the corresponding after tax impact on retained earnings corrected. Simultaneously the right-of-use assets and the corresponding lease liabilities were recognised while the after tax depreciation and finance charges were corrected to retained earnings.

The following table summarises the impact of adopting IFRS 16 on the Group's extracted consolidated Statement of financial position at 1 October 2017:

| | Note | As previously reported<br>**30 September 2017**<br>**US$'000** | **Adjustments at 1 October 2017**<br>**US$'000** | **1 October 2017**<br>**US$'000** |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 14 | 232 559 | 1 166 | 233 725 |
| Deferred tax asset | 20 | 1 952 | 7 | 1 959 |
| **Equity and liabilities** | | | | |
| Retained earnings | | 42 877 | (15) | 42 862 |
| **Non-current liabilities** | | | | |
| Borrowings | 28 | 4 375 | 1 014 | 5 389 |
| **Current liabilities** | | | | |
| Borrowings | 28 | 45 026 | 191 | 45 217 |
| Trade and other payables | | 31 916 | (17) | 31 899 |

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3. STANDARDS AND INTERPRETATIONS ADOPTED IN THE CURRENT YEAR

The Group has early adopted IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. The nature and effect of the changes as a result of the adoption of these new accounting standards are described in the preceding paragraphs.

During the current year the Group has also adopted all the new and revised IFRS that are relevant to its operations and are effective for accounting periods beginning on 1 January 2017. The following standards, amendments or interpretations apply for the first time for the year ended 30 September 2018.

*IAS 7 Disclosure Initiative (Amendments) (refer to note 28)*
The IASB's Disclosure Initiative assists users of financial statements to better understand changes in an entity's debt. The amendment requires entities to provide disclosures about changes in their financial liabilities arising from financing activities, including both changes arising from cash flows and no-cash flow changes (such as foreign exchange gains or losses). The Group has provided the information for both current and the comparative period in note 28.

*IAS 12 Income Taxes (Amendment)*
The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combine versus separate assessment.

*IFRS 12 Disclosure of Interest in Other Entities – Clarification of the scope of the disclosure requirements of IFRS 12 (Annual improvement project)*

The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

Other than additional disclosures required in the consolidated financial statements of the Group, the adoption of these standards, amendments and interpretations did not have any impact on the Group's consolidated financial statements.

### 2.4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following Standards and Interpretations have been issued but are not yet effective for annual periods beginning on or after 1 October 2017. Earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Those that are relevant to the Group are presented below.

*IFRIC 22 – Foreign Currency Transaction and Advance Consideration*
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have a significant impact on the Group's consolidated financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

*IFRIC 23 – Uncertainty over Income Tax Treatment*
This new interpretation standard clarifies application of recognition and measurement requirements in IAS 12 – Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: whether and entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. The impact of the interpretation will be assessed and applied to uncertain tax positions in future. The interpretation is effective for reporting periods beginning on or after 1 January 2019.

*IAS 23 – Borrowing Costs (Amendment)*
The amendment clarifies that an entity treats as part of general borrowings and borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. This amendment will be taken into account when determining general borrowing costs, which can be capitalised to qualifying assets, in accordance with the transitions provisions.

*IFRS 2 – Classification and Measurement of Share Based Payment Transactions (Amendment)*
The amendment is intended to eliminate diversity in practice in three main areas. The effects of vesting conditions on the measurement of a cash-settled share based payment transaction. The classification of a share based payment transaction with net settlement features for withholding tax obligations. The accounting where a modification on the terms and conditions of a share based payment transaction changes its classification from cash-settled to equity-settled. The amendment of IFRS 2 is effective for accounting periods beginning on or after 1 January 2018, but earlier application is permitted provided it is disclosed. On adoption, prior periods will not be restated. The amendment is believed to have a minimal impact on the results of the Group as the classifications are consistent with current practices applied by the Group.

*FRS 3 - Business Combinations (Amendments)*
The IASB has issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. The amendments aim to:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- and add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The impact of the amendment will be assessed and applied to business combinations in future.

### 2.5. BASIS OF CONSOLIDATION

The consolidated financial statements include, on a line-by-line basis, the financial statements of all subsidiaries.

The following policies have been applied during the consolidation process:

*Business combination*
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at the fair value at the date of acquisition. If an obligation to pay the contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in fair value of the contingent consideration are recognised in profit or loss.

If share based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This termination is based on the market-based measures of the replacements awards compared with the market-based measures of the acquiree's awards and the extent to which the replacement awards related to a pre-combination service.

*Subsidiaries*
Subsidiaries are entities controlled by the Group. Control exists where the Group is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the control commenced until the date on which the control is ceased.

*Joint arrangements*
The Group applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5. BASIS OF CONSOLIDATION (continued)

*Joint ventures*
Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint ventures are accounted for at cost and are adjusted for impairments where appropriate in the Company financial statements.

*Joint operation*
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from its share of the output arising from the joint operation
- its share of the revenue from the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

*Non-controlling interest*
Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of the acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control, are accounted for as equity transactions.

*Transactions eliminated on consolidation*
Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

*Foreign operations*
As at the reporting date, on consolidation, the assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency of the Group ('US$') at the rate of exchange ruling at the reporting date and their statements of comprehensive income are translated at the weighted average exchange rate for the period. The exchange differences arising in the translation on consolidation are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

Monetary assets and liabilities that are receivable from or payable to a foreign subsidiary and for which settlement is neither planned nor likely to occur in the foreseeable future, forms part of the net investment in a foreign operation and the resulting exchange differences are recognised in other comprehensive income. The repayment of such a balance is not considered to be a partial disposal and the cumulative exchange differences recognised in other comprehensive income is not reclassified to profit and loss, until the foreign entity is disposed of.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5. BASIS OF CONSOLIDATION (continued)

*Loss of control*
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any relating gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

### 2.6. OTHER INCOME

*Rental income*
Rental income is recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

### 2.7. FOREIGN CURRENCY TRANSACTIONS

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign currency gains and losses are reported on a net basis.

### 2.8. FINANCE INCOME

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

### 2.9. FINANCE COSTS

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, impairment losses recognised on financial assets (other than trade receivables). Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.10. EMPLOYEE BENEFITS

*Provident funds*
The Group's salaried employees in South Africa are members of defined contribution retirement benefit plans. The contributions to the plans range from a minimum of 3.0% to a maximum of 15.0% of staff's pensionable salary. Contributions to the plans vest immediately. Contributions are accrued in the year in which the associated services are rendered by employees.

The Group's employees in Cyprus do not participate in retirement benefit plans.

*Share based payment transactions*
Equity settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share based transactions are set out in the supporting notes.

The fair value determined at the grant date of the equity settled share based payment is expensed on a straight line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in the equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The amount recognized as an expense is adjusted to reflect the revision of the original estimate.

Equity settled share based payment transactions with parties other than the employees are measured at fair value of the goods and services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Where the Company has the right to elect settlement either equity settled or cash settled, the share based payment transactions will be treated as equity settled share based payments.

*Short term benefits*
Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months from the reporting date are calculated at undiscounted amounts based on remuneration rates that the Group expects to pay as at the reporting date including related costs, such as workers compensation insurance and payroll tax. Non-accumulating monetary benefits such as medical aid contribution are expensed as the benefits are taken by the employees.

*Termination benefits*
Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.11. TAX

Income tax comprises current and deferred taxes. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is established.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.12. EARNINGS PER SHARE

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise instruments convertible into ordinary shares and share options granted to employees. The Group also presents headline earnings per share according to the JSE requirements, by adjusting the earnings as determined in International Accounting Standard 33, excluding separate identifiable re-measurements, net of related tax (current and deferred) and related non-controlling interests other than re-measurements specifically included in headline earnings (included re-measurements).

### 2.13. DIVIDENDS

Dividends are recognised as a liability in the period they are declared according to International Accounting Standard 10.

### 2.14. PROPERTY, PLANT AND EQUIPMENT

*Mining assets and infrastructure*
Mining assets and infrastructure typically include those costs incurred for the development of the mine, including the design of the mine plan, constructing and commissioning the facilities and preparation of the mine and necessary infrastructure for production. The mine development phase generally begins after completion of a feasibility study and ends upon the commencement of commercial production. Mining assets are measured at cost less accumulated depreciation and less any accumulated impairment losses. Expenditure, including evaluation costs, incurred to establish or expand productive capacity, to support and maintain that productive capacity prior to the commencement of commercial levels of production, are capitalised to assets under construction and transferred to mining plant and infrastructure when the mining venture reaches commercial production. Maintenance costs incurred to maintain current production are expensed.

The remaining useful life of mine and infrastructure is currently estimated to be 15 years.

*Deferred stripping costs*
All stripping costs incurred (costs incurred in removing overburden to expose the reef) during the production phase of a mine are treated as variable production costs and as a result are included in the cost of inventory during the period in which the stripping costs are incurred. However, any costs of overburden stripping in excess of the expected open-pit life average stripping ratio are deferred. Any costs deferred are capitalised to property, plant and equipment. This asset is depreciated using the units of production method over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.14. PROPERTY, PLANT AND EQUIPMENT (continued)

*General*
General assets are initially measured at cost and are subsequently measured at cost less accumulated depreciation and less any accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of normal production overheads. Directly attributable expenses relating to major capital projects and site preparation are capitalised until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs. Administrative and other general overhead costs are expensed as incurred. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs directly attributable to the construction or acquisition of qualifying assets are capitalised directly to the cost of the qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, these borrowing costs shall be determined as the actual borrowing costs incurred on that borrowing.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs shall be determined by applying a capitalisation rate to the expenditure on that asset. Borrowing costs specifically to finance the establishment of qualifying mining assets are capitalised until commercial levels of production are achieved. Otherwise, capitalisation of borrowing costs ceases when the asset is substantially complete.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised when the costs can be reliably measured and if it is probable that the future economic benefits embodied within the component will flow to the Group. The carrying amount of the replaced component, if any, are derecognised.

Maintenance and day to day servicing and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are recognised in profit or loss.

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

*Government grants*
Government grants are recognized as a deduction in the carrying amount of the item of property, plant and equipment they relate to, when there is reasonable assurance that they will be received, and the Group will comply with the conditions associated with the grant.

*Depreciation*
Depreciation of mining assets and infrastructure is calculated using the units-of-production method based on estimated economically recoverable proved and probable mineral reserves. Proved and probable reserves reflect estimated quantities of economically recoverable resources which can be recovered in the future from known mineral deposits. Depreciation is first charged on mining assets and infrastructure from the date on which they are available for use.

Mining fleet is depreciated using the units-of-production method based on estimated achievable machine hours.

For other property, plant and equipment, depreciation is recognised in profit or loss on a straight-line basis at rates that will reduce the carrying amounts to estimated residual values over the estimated useful lives of the assets. Leasehold improvements on premises occupied under operating leases are expensed over the shorter of the lease term and the useful lives.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.14. PROPERTY, PLANT AND EQUIPMENT (continued)

*Depreciation (continued)*
Depreciation, unless otherwise stated, is calculated as follows:

- buildings at 10.0% pa
- motor vehicles at 20.0% pa
- computer equipment and software at 33.3% pa
- office equipment between 10.0% and 33.3% pa
- furniture at 20.0% pa

No depreciation is provided on freehold land and mine development assets under construction.

Depreciation methods, residual values and useful lives are reviewed at least annually, and adjusted prospectively if appropriate, at each reporting date.

### 2.15. MINERAL RESERVES

The estimation of reserves impacts the amortisation of property, plant and equipment, the recoverable amount of property, plant and equipment and the timing of rehabilitation expenditure.

Factors impacting the determination of proved and probable reserves:

- commodity prices;
- the grade of mineral reserves;
- operational issues at the mine; and
- the reliability of the measurement of the fair value or cost of the asset.

### 2.16. INTANGIBLE EXPLORATION AND EVALUATION ASSETS

The Group expenses all exploration and evaluation expenditures prior to the directors concluding that a future economic benefit is more likely than not to be realised, i.e. probable, thereafter exploration and evaluation expenses are capitalised. Exploration on greenfield sites, being those where the Group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a final feasibility study has been completed, after which the expenditure is capitalised within development costs, if the final feasibility study demonstrates that future economic benefits are probable.

Exploration and evaluation expenditure on brownfield sites, being those adjacent to mineral deposits which are already being mined or developed, is expensed as incurred until the directors are able to demonstrate that future economic benefits are probable through the completion of a prefeasibility study, after which the expenditure is capitalised as a mine development cost if the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating economic factors and the evaluation of other relevant factors.

The prefeasibility study, when combined with existing knowledge of the mineral property that is adjacent to mineral deposits that are already being mined or developed, allows the directors to conclude that it is more likely than not that the Group will obtain future economic benefit from the expenditures. These commercial reserves are capitalised to assets under construction and subsequently tested for impairment.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.16. INTANGIBLE EXPLORATION AND EVALUATION ASSETS (continued)

Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised as a mine development cost following the completion of an economic evaluation equivalent to a prefeasibility study. This economic evaluation is distinguished from a prefeasibility study in that some of the information that would normally be determined in a prefeasibility study is instead obtained from the existing mine or development. This information when combined with existing knowledge of the mineral property already being mined or developed allows the directors to conclude that the Group will more likely than not obtain future economic benefit from the expenditures.

The initial costs of exploration and evaluation assets acquired in a business combination are based on the fair value at acquisition. Subsequently it is stated at cost less impairment provision. No amortisation is charged during the exploration and evaluation phase.

*Exploration for and evaluation of mineral resources*
Exploration and evaluation costs, including the costs of acquiring prospecting rights and directly attributable exploration expenditure, are capitalised as intangible exploration and evaluation assets on a project-by-project basis, pending determination of the technical feasibility and commercial viability. Costs are recognised as exploration and evaluation costs from the date of granting of a prospecting right. The capitalised costs are presented as intangible exploration and evaluation assets as a result of the nature of the assets acquired.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved reserves are determined to exist. Upon determination of proved reserves intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from intangible exploration and evaluation assets to other appropriate categories of non-current assets. Amortisation of these assets commences once these assets are appropriately reclassified and are in commercial production. Intangible exploration and evaluation assets are assessed for impairment based on the policy provided under the impairment note.

However, additional guidance as provided by IFRS 6 is used to determine indicators of impairment. These include:

- the period to explore, as granted in terms of the prospecting rights acquired, has expired during the period; or will expire in the near future; or is not expected to be renewed;
- further exploration on the projects is neither budgeted nor planned for in the near future;
- a decision was made not to develop a project; and
- there is an indication that the carrying amount of the intangible exploration and evaluation assets is unlikely to be recovered in full from a successful development or the sale of the project.

If a project is abandoned, the related costs are expensed in the statement of profit or loss immediately.

### 2.17. INVENTORIES

Inventories comprising PGM and chrome concentrates, ore stockpiled, in-process metal contained in ore and consumable items are measured at the lower of cost and net realisable value. The cost is determined using the weighted average method and includes direct mining expenditure and an appropriate portion of overhead expenditure. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs to sell. Obsolete, redundant and slow moving inventories are identified and written down to net realisable value.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.18. IMPAIRMENT

*Financial assets*
Financial assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition and the loss event had a negative effect on the estimated future cash flows of that asset, that can be estimated reliably.

Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

All impairment losses are recognised in profit or loss and reflected in an allowance account against such financial assets. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in profit or loss.

*Financial asset at amortised cost*
The Group recognises a forward-looking expected credit loss for all financial assets that are measured at amortised cost. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For contract assets and trade and other receivables, the Group applies the standard's simplified approach and calculates estimated credit losses based on lifetime expected credit losses. The Group establishes a provision matrix that is based on the Group's historical loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets held at amortised cost, at each reporting date, the Group measures the loss allowance (if applicable) for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for the financial asset at an amount equal to twelve months expected credit losses.

Impairment losses on financial assets carried at amortised cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.18. IMPAIRMENT (continued)

*Non-financial assets*
The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset or its related CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs (group of units) and then, to reduce the carrying amount of the other assets in the CGU (group of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of the other assets of the CGU.

For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

### 2.19. PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Long-term environmental obligations are based on the Group's environmental management plans, in compliance with the current environmental and regulatory requirements.

Where it is not possible that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.19. PROVISIONS (continued)

*Rehabilitation costs*
The net present value of estimated future costs for mine closure and rehabilitation is recognised and provided for in the consolidated financial statements and capitalised within mining assets on initial recognition. Rehabilitation will generally occur on closure or after closure of a mine. Initial recognition of the provision is at the time that the disturbance occurs and thereafter as and when additional disturbances take place.

The estimates are reviewed bi-annually to take into account the effects of inflation and changes in estimates and are discounted using rates that reflect the time value of money. Bi-annual increases in the provision due to the passage of time are recognised in profit or loss as an unwinding of the value of the provision expense. The present value of additional disturbances and changes in the estimate of the rehabilitation liability are taken to inventory as a direct cost against an increase in the rehabilitation provision. The rehabilitation asset is depreciated as per the Group's accounting policy on depreciation. Rehabilitation projects undertaken, included in the estimates, are charged to the provision as incurred.

Costs for restoration and rehabilitation which are created on an ongoing basis during production of inventories are provided for at their net present values and included as part of inventory costs. Environmental liabilities, other than rehabilitation costs, which relate to liabilities arising from specific events, are recognised in the consolidated statement of financial position when they are known, probable and may be reasonably estimated.

Gains or losses from the expected disposal of assets are not taken into account when determining the provision.

### 2.20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, having been within three months of maturity at acquisition.

### 2.21. LONG-TERM DEPOSITS

Long term deposits is cash and cash equivalents restricted and designated as a ‘debt service reserve account’ as required in terms of the senior debt facility.

### 2.22. SHARE CAPITAL

The share capital is stated at nominal value. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

When share options are exercised, the Company issues new shares or issues shares from the treasury shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.23. RELATED PARTY TRANSACTIONS**

For the purpose of these consolidated financial statements, a party is considered to be related to the Group if:

I. the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
II. the Group and the party are subject to common control;
III. the party is an associate of the Group or a joint venture in which the Group is a venturer;
IV. the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such individual, or is an entity under the control, joint control or significant influence of such individuals;
V. the party is a close family member of a party referred to in I above or is an entity under the control, joint control or significant influence of such individuals; or
VI. the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

**2.24. EVENTS AFTER THE REPORTING PERIOD**

Assets and liabilities are adjusted for events that occurred during the period from the reporting date to the date of approval of the financial statements by the Board of Directors, when these events provide additional information for the valuation of amounts relating to events existing at the reporting date or imply that the going concern concept in relation to part or whole of the Group is not appropriate.

**3. USE OF JUDGEMENTS AND ESTIMATES**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates made by management in the application of IFRS that have a significant effect on the consolidated financial statements and major sources of estimation uncertainty are as follows:

*Aggregation of segments*
Third-party logistics, third-party trading and third party chrome operations are evaluated individually but aggregated together as the agency and trading segment. The Group believes that the nature of these operations are similar and it will be impractical to report on these operations individually. Consequently, these operations have been aggregated together as the agency and trading segment.

**3. USE OF JUDGEMENTS AND ESTIMATES (continued)**

*Revenue from contracts with customers*
A significant portion of the Group's chrome revenue is derived from commodity sales for which the point of recognition is dependent on the contract sales terms known as the International Commercial Terms ('Incoterms'). Under Incoterms cost, insurance and freight ('CIF'), the seller is required to contract, and pay, for the costs and freight necessary to bring the goods to a named port of destination.

Consequently, the Group believes that the freight service on export commodity contracts with CIF Incoterms represents a separate performance obligation as defined under IFRS 15 and as such, a portion of the revenue earned under these contracts, representing the obligation to perform the freight service, is deferred and recognised when this obligation has been fulfilled, along with the associated costs.

Since separate performance conditions exist for export commodity contracts with CIF Incoterms, the Group allocates the transaction price to the separate performance conditions on a relative stand-alone selling price basis. Observable information with specific reference to sea freight costs is used for allocation of the transaction price.

The determination of revenue from the sale of PGM concentrates from the time of initial recognition of the sale through to final pricing requires management to re-estimate fair value of the price adjustment feature continuously. Management determines this with reference to actual spot prices.

*Joint arrangement*
The Group acquired 26.8% of the issued share capital of Karo Mining Holdings Limited during the year ended 30 September 2018. The Group entered into a Shareholders Agreement with Leto Settlement, whereby decisions about the relevant activities require unanimous consent.

Judgement is required to determine when the Group has joint control of joint arrangements. This requires an assessment when the decisions in relation to relevant activities require unanimous consent. Relevant activities are those relating to the operating and capital decisions of the arrangement, such as the approval of the capital expenditure programme for each year, and appointing, remunerating and terminating the key management personnel or service providers of the operations.

Judgement is also required in determining the classification of a joint arrangement between a joint venture or a joint operation through an evaluation of the rights and obligations arising from the arrangement and in particular, if the joint arrangement has been structured through a separate vehicle, further consideration is required of whether:

- the legal form of the separate vehicle gives the parties rights to the assets and obligations for the liabilities;
- the contractual terms and conditions give the parties rights to the assets and obligations for the liabilities; and
- other facts and circumstances give the parties rights to the assets and obligations for the liabilities.

Differing conclusions around these judgements may materially impact how these businesses are presented in the consolidated financial statements.

Joint arrangements typically convey substantially all the economic benefits of the assets to the parties and judgement is required in assessing whether the terms of the agreements and any other obligations for liabilities of the arrangement result in the parties being substantially the only source of cash flows contributing to the continuity of the operations of the arrangement.

The investment in Karo Mining Holdings Limited, a separate entity, is accounted for as a joint venture. The parties are not obligated to cover any potential funding shortfalls. In management's judgement, the Group is not the only possible source of funding and does not have a direct or indirect obligation to the liabilities of the arrangement, but rather shares in its net assets and, therefore, the arrangement has been accounted for as joint venture.

## 3. USE OF JUDGEMENTS AND ESTIMATES (continued)

*Fair value estimation*
The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment allowance of trade receivables and the carrying value of trade payables are assumed to approximate their fair values as the short term effect of discounting is not material. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

*Assessment of intergroup loans as net investments in foreign operations*
Settlement of certain intergroup loans to South African entities denominated in US$ is neither planned nor likely to occur in the foreseeable future and the loans are therefore considered to be in substance part of the Group’s net investment in the foreign operations. The exchange differences arising on these loans are recognised in the Group’s other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

*Impairment of assets*
The recoverable amount of each non-financial asset or cash-generating-unit (‘CGU’) is determined as the higher of the value-in-use and fair value less costs to sell, in accordance with the Group's accounting policies. Determination of the value-in-use of an asset or CGU based on a discounted cash flow model requires the use of estimates and assumptions, including: the appropriate rate at which to discount the cash flows, the timing of cash flows and expected life of the asset or CGU, exchange rates, commodity prices, ore reserves, future capital requirements and future operating performance. Changes in these estimates and assumptions impact the recoverable amount of the asset or the CGU and, accordingly, could result in an adjustment to the carrying amount of that asset or CGU.

Even though no impairment indicators were identified, the Group prepared an impairment test for its CGU’s. In arriving at the recoverable amount, the Group prepared a discounted cash flow model to determine the value-in-use. The value-in-use was higher than the fair value less cost to sell. The following underlying assumptions were used in the discounted cash flow model:

- a discount rate equal to the Group’s weighted average cost of capital;
- forecast timing of cash flows reflects actual practices;
- the remaining useful life of the open pit mine is estimated at 15 years which is based on the ore reserve and forecast mining profile;
- an exchange rate of ZAR14.13:US$1;
- spot PGM basket price and spot chrome concentrate prices;
- future ongoing capital requirements were included; and
- production guidance for the 2019 financial year of 160 koz of PGMs and 1.5 Mt of chrome concentrates were used.

Sensitivity analyses were performed by adjusting the above assumptions individually and collectively by 90% and 110%. The recoverable amount of the Group’s CGU’s was higher than the current carrying value and consequently no impairment indication exists.

*Share based payments*
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model and a Binomial tree model, using the assumptions detailed in note 8.

## 3. USE OF JUDGEMENTS AND ESTIMATES (continued)

*Taxes*
Judgement is required in determining the liability for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws.

*Mineral reserves*
Economically recoverable ore reserves represent the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The determination of ore reserves includes estimates and assumptions about a range of geological, technical and economic factors, including: quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Changes in ore reserves impact the assessment of recoverability of exploration and evaluation assets, property, plant and equipment, the carrying amount of assets depreciated on a units-of-production basis, provision for site rehabilitation and the recognition of deferred tax assets, including tax losses.

The mineral reserve is re-assessed annually.

*Rehabilitation provision*
The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred in future periods can differ materially from these estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates can affect the carrying amount of the provision. The estimated long-term environmental provision, comprising rehabilitation and mine closure is based on the Group's environmental policy taking into account the current technological, environmental and regulatory requirements. The provision for future rehabilitation was determined using calculations, which required the use of estimates.

These estimates are summarised in note 27 of the consolidated financial statements.

*Inventories*
Net realisable value tests are performed at least annually based on the estimated future sales price of the products based on prevailing metal prices, less estimated costs to complete production and bring the product to sale. The nature of the net realisable value test inherently limits the ability to precisely monitor recoverability levels and may result in additional write-downs of inventories in future periods.

The prevailing PGM basket price and chrome concentrate prices as at 30 September 2018 were used as estimated selling prices less forecast selling costs to determine the net realisable value of the Group’s inventories. At 30 September 2018, the calculated net realisable values exceeded the cost of inventories.

## 4. OPERATING SEGMENTS

For management purposes, the chief operating decision maker of the Group, being the executive directors of the Company and the executive directors of the subsidiaries, reports its results per segment. The Group currently has the following three segments:

- PGM segment
- Chrome segment
- Agency and trading segment

The operating results of each segment are monitored separately by the chief decision maker in order to assist them in making decisions regarding resource allocation as well as enabling them to evaluate performance. Segment performance is evaluated on a PGM ounce production and sales basis and a chrome concentrate tonnes production and sales basis. Third-party logistics, third-party trading and third party chrome operations are evaluated individually but aggregated together as the agency and trading segment. Refer to note 3 for significant judgement applied to aggregate reportable segments.

The Group's administrative costs, financing (including finance income and finance costs) and income taxes are managed on a group basis and are not allocated to a segment.

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 of the consolidated financial statements.

Due to the intrinsic nature of the Group's PGM and chrome concentrate production processes, assets are reported on a consolidated basis and cannot necessarily be allocated to a specific segment. Consequently, assets are not disclosed per segment in the following segmental information.

| | PGM<br>US$'000 | Chrome<br>US$'000 | Agency and trading<br>US$'000 | Total<br>US$'000 |
|---|---|---|---|---|
| **2018** | | | | |
| Revenue | **117 381** | **250 351** | **38 536** | **406 268** |
| Cost of sales | | | | |
| Manufacturing costs | **(87 745)** | **(106 485)** | **(21 695)** | **(215 925)** |
| Selling costs | **(399)** | **(48 343)** | **(9 711)** | **(58 453)** |
| Freight services | **-** | **(19 836)** | **(3 568)** | **(23 404)** |
| | **(88 144)** | **(174 664)** | **(34 974)** | **(297 782)** |
| Gross profit | **29 237** | **75 687** | **3 562** | **108 486** |
| 2017 | | | | |
| Revenue | 90 924 | 252 869 | 5 650 | 349 443 |
| Cost of sales | | | | |
| Manufacturing costs | (54 336) | (107 634) | (4 241) | (166 211) |
| Selling costs | (366) | (44 780) | (1 144) | (46 290) |
| Freight services | - | (14 288) | - | (14 288) |
| | (54 702) | (166 702) | (5 385) | (226 789) |
| Gross profit | 36 222 | 86 167 | 265 | 122 654 |

**4. OPERATING SEGMENTS (continued)**

The shared costs relating to the manufacturing of PGM and chrome concentrates are allocated to the relevant operating segments based on the relative sales value per product on an ex-works basis. During the year ended 30 September 2018, the relative sales value of PGM concentrate increased compared to the relative sales value of chrome concentrates and consequently shared costs were allocated equally. The allocation basis of shared costs was 65.0% (chrome concentrates) and 35.0% (PGM concentrate) in the comparative period.

Cost of sales includes a charge for the write off/impairment of property, plant and equipment totalling US$3.6 million (2017: no charge) which mainly relates to mining equipment. The write off/impairment has been allocated on an equal basis to the PGM and chrome segments.

**Geographical information**

The following table sets out information about the geographical location of:

(i) the Group's revenue from external customers and
(ii) the Group's property, plant and equipment and goodwill ('specified non-current assets').

The geographical location analysis of revenue from external customers is based on the country of establishment of each customer. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment and the location of the operation to which they are allocated in the case of goodwill.

**(i) Revenue from external customers**

| | **PGM US$'000** | **Chrome US$'000** | **Agency and trading US$'000** | **Total US$'000** |
|---|---|---|---|---|
| **2018** | | | | |
| South Africa | **117 381** | **62 464** | **969** | **180 814** |
| China | **-** | **86 866** | **9 894** | **96 760** |
| Singapore | **-** | **10 942** | **17 088** | **28 030** |
| Hong Kong | **-** | **89 733** | **9 453** | **99 186** |
| Other countries | **-** | **346** | **1 132** | **1 478** |
| | **117 381** | **250 351** | **38 536** | **406 268** |

| | PGM US$'000 | Chrome US$'000 | Agency and trading US$'000 | Total US$'000 |
|---|---|---|---|---|
| 2017 | | | | |
| South Africa | 90 924 | 59 150 | 1 811 | 151 885 |
| China | - | 82 196 | 3 839 | 86 035 |
| Singapore | - | 13 961 | - | 13 961 |
| Hong Kong | - | 94 866 | - | 94 866 |
| Other countries | - | 2 696 | - | 2 696 |
| | 90 924 | 252 869 | 5 650 | 349 443 |

Revenue represents the sales value of goods supplied to customers, net of value-added tax. The following table summarises sales to customers with whom transactions have individually exceeded 10.0% of the Group's revenues.

**4. OPERATING SEGMENTS (continued)**

| | **2018 Segment** | **US$'000** | 2017 Segment | US$'000 |
|---|---|---|---|---|
| Customer 1 | **PGM** | **101 560** | PGM | 88 118 |
| Customer 2 | **Chrome** | **62 583** | Chrome | 60 370 |
| Customer 3 | **Chrome** | **46 186** | Chrome | 43 676 |

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| **(ii) Specified non-current assets** | | |
| South Africa | **264 933** | 233 394 |
| Zimbabwe | **4 438** | - |
| Cyprus | **73** | 3 |
| | **269 444** | 233 397 |

Non-current assets includes property, plant and equipment, goodwill and the investment accounted for using the equity method.

**5. REVENUE**

| | **PGM US$'000** | **Chrome US$'000** | **Agency and trading US$'000** | **Total US$'000** |
|---|---|---|---|---|
| **2018** | | | | |
| Revenue | | | | |
| Variable revenue based on initial results | **110 619** | **169 092** | **33 957** | **313 668** |
| Quantity adjustments | **254** | **(1 041)** | **42** | **(745)** |
| Revenue based on fixed selling prices | **-** | **62 464** | **915** | **63 379** |
| Freight services | **-** | **19 836** | **3 622** | **23 458** |
| | **110 873** | **250 351** | **38 536** | **399 760** |
| Fair value adjustments | **6 508** | **-** | **-** | **6 508** |
| Total revenue | **117 381** | **250 351** | **38 536** | **406 268** |
| 2017 | | | | |
| Total revenue | 90 924 | 252 869 | 5 650 | 349 443 |

### 5. REVENUE (continued)

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| **Variable revenue recognised:** | | |
| PGM revenue recognised in preceding year based on initial results | **(28 994)** | - |
| PGM revenue based on final results | **30 823** | - |
| PGM revenue adjustment recognised in current year | **1 829** | - |
| | | |
| Chrome revenue recognised in preceding year based on initial results | **(41 197)** | - |
| Chrome revenue based on final results | **41 177** | - |
| Chrome revenue adjustment recognised in current year | **(20)** | - |

The period ended 30 September 2018 includes PGM revenue of US$42.5 million and chrome revenue of US$48.5 million that was based on provisional results as final prices and surveys were not yet available at the date of this report. Contract balances are disclosed in note 23.

### 6. COST OF SALES

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Mining | **105 376** | 96 005 |
| Salaries and wages | **15 124** | 12 467 |
| Utilities | **10 319** | 9 495 |
| Diesel | **650** | 705 |
| Materials and consumables | **11 174** | 8 274 |
| Re-agents | **4 471** | 3 653 |
| Steel balls | **6 715** | 6 757 |
| Overhead | **4 117** | 8 055 |
| State royalties | **2 916** | 1 665 |
| Depreciation – property, plant and equipment | **29 008** | 16 476 |
| Cost of commodities | **18 644** | 4 241 |
| Impairment and write off of property, plant and equipment | **3 630** | - |
| Change in inventories – finished products and ore stockpile | **3 781** | (1 582) |
| Total cost of sales excluding selling costs | **215 925** | 166 211 |
| Selling costs | **58 453** | 46 290 |
| Freight services | **23 404** | 14 288 |
| Cost of sales | **297 782** | 226 789 |

### 7. OTHER INCOME

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Gain on bargain purchase (refer to note 33) | **1 884** | - |
| Sundry sales | **-** | 91 |
| Consulting fees received | **282** | 5 |
| Rental income | **14** | 20 |
| Other income | **252** | 44 |
| | **2 432** | 160 |

## 8. SHARE BASED PAYMENTS

At 30 September 2018, the Group had the following share based payment arrangements:

**First issue - 2014 Conditional Awards ('LTIP') and Appreciation Rights ('SARS')**

LTIP is the grant of shares in the Company where the risks and rewards of share ownership will vest on specific vesting dates with the employee subject to certain conditions. The inaugural award vested in three equal annual tranches. The award, on vesting, may at the election of the Company, be either cash-settled or share-settled as provided for in the rules of the Plan. Management has confirmed that the Company has both the ability and the intent to settle these awards by the issue of equity instruments.

SARS is the grant of an award by the Company where the employee is, subject to certain conditions, entitled to receive the increase in the share value above the award price. The appreciation in value may, at the election of the Company, be either cash settled or share settled as provided for in the rules of the Plan. The inaugural award is at an award price of ZAR38.00 per share and vested in two equal annual tranches with the ability to exercise the award at any time up to five years from the date of grant.

**Second issue - 2015 LTIP and SARS**

The LTIP and SARS are contingent on there being no fatality at the Tharisa Mine in the case of Tranche 1 between the date of grant and 30 June 2016 (1st twelve month period), in the case of Tranche 2 between 1 July 2016 and 30 June 2017 (2nd twelve month period) and in the case of Tranche 3 between 1 July 2017 and 30 June 2018 (3rd twelve month period). For example if there was a fatality during the 1st twelve month period, the Tranche 1 LTIP and SARS would lapse, however if there was no fatality during the 2nd twelve month period, the Tranche 2 LTIP and SARS would be eligible for vesting subject to the remaining performance conditions 1 and 2 disclosed below.

**Third issue – 2016 LTIP and SARS**

The LTIP and SARS are contingent on there being no fatality at the Tharisa Mine in the case of Tranche 1 between the date of grant and 30 June 2017 (1st twelve month period), in the case of Tranche 2 between 1 July 2017 and 30 June 2018 (2nd twelve month period) and in the case of Tranche 3 between 1 July 2018 and 30 June 2019 (3rd twelve month period). For example if there was a fatality during the 1st twelve month period, the Tranche 1 LTIP and SARS would lapse, however if there was no fatality during the 2nd twelve month period, the Tranche 2 LTIP and SARS would be eligible for vesting subject to the remaining performance conditions 1 and 2 disclosed below.

**Fourth issue - 2017 LTIP and SARS**

The LTIP and SARS are contingent on there being no fatality at the Tharisa Mine in the case of Tranche 1 between the date of grant and 30 June 2018 (1st twelve month period), in the case of Tranche 2 between 1 July 2018 and 30 June 2019 (2nd twelve month period) and in the case of Tranche 3 between 1 July 2019 and 30 June 2020 (3rd twelve month period). For example if there was a fatality during the 1st twelve month period, the Tranche 1 LTIP and SARS would lapse, however if there was no fatality during the 2nd twelve month period, the Tranche 2 LTIP and SARS would be eligible for vesting subject to the remaining performance conditions 1 and 2 disclosed below.

**8. SHARE BASED PAYMENTS (continued)**

**Performance conditions applicable to Second, Third and Fourth issues**

1. Subject to there being no fatality during the vesting periods as detailed above for the LTIP and the SARS:
   - 33.3% of each tranche of the LTIP and SARS will be subject to continuing employment in good standing (as determined by the Remuneration Committee) during the applicable vesting period;
   - 33.3% of each tranche of the LTIP and SARS will be subject to the production of 147.4 k 6E PGM ounces during the 1st twelve month period, 2nd twelve month period or 3rd twelve month period, respectively. However 16.6% of each such tranche of the LTIP and SARS will vest (subject to the preceding paragraphs) if the production during the applicable 12 month period is below 147.4 k 6E PGM ounces but above 140.0 k 6E PGM ounces. 33.3% of each tranche of the award will be forfeited if production in any applicable 12 month period falls below 140.0 k 6E PGM ounces; and
   - 33.3% of each tranche of the LTIP and SARS will be subject to the production of 1.33 Mt of chrome concentrates comprising metallurgical grade, foundry grade and chemical grade within contract specifications during the 1st twelve month period, 2nd twelve month period or 3rd twelve month period, respectively. However 16.6% of each tranche of the LTIP and SARS will vest (subject to the preceding paragraphs) if the production during the applicable 12 month period is below 1.33 Mt of chrome concentrates but above 1.26 Mt of chrome concentrates. 33.3% of each tranche of the award will be forfeited if production in any applicable 12 month period falls below 1.26 Mt of chrome concentrates.
2. For the avoidance of doubt, if any tranche of the LTIP and SARS is forfeited (either wholly or partially) as a result of failure to achieve the above PGM and chrome production targets in any applicable 12 month period but the said targets (for full or partial vesting) are achieved in subsequent 12 month periods during the applicable vesting periods, provided there has not been a fatality as detailed above, the awards will vest (wholly or partially as applicable) for that period as provided.

**Fifth issue - 2018 for LTIP and SARS**

The LTIP and the SARS are contingent on there being no fatality at the Tharisa Mine in the case of Tranche 1 between the date of grant and 30 June 2019 (1st twelve month period), in the case of Tranche 2 between 1 July 2019 and 30 June 2020 (2nd twelve month period) and in the case of Tranche 3 between 1 July 2020 and 30 June 2021 (3rd twelve month period). For example, if there was a fatality during the 1st twelve month period, the Tranche 1 LTIP and SARS would lapse, however if there was no fatality during the 2nd twelve month period, the Tranche 2 LTIP and SARS would be eligible for vesting subject to the remaining performance conditions below. The SARS vests only in the 1st twelve month period and the 2nd twelve month period.

**Performance conditions applicable to Fifth issue**

1. Subject to there being no fatality during the vesting periods as detailed above for the LTIP and the SARS:
   - 33.3% of each tranche of the LTIP and SARS will be subject to continuing employment in good standing (as determined by the Remuneration Committee) during the applicable vesting period;
   - 16.67% of each tranche of the LTIP and SARS will be subject to the production of a minimum of 163.7 k 6E PGM ounces during the 1st twelve month period, 2nd twelve month period or 3rd twelve month period, respectively (in the case of the SARS the 1st twelve month period or 2nd twelve month period, respectively). However 8.34% of each such tranche of the LTIP and SARS will vest (subject to paragraph 1 above) if the production during the applicable 12 month period is below 163.7 k 6E PGM ounces but above 155.5 k 6E PGM ounces. 16.67% of each tranche of the award will be forfeited if production in any applicable 12 month period falls below 155.5 k 6E PGM ounces.

**8. SHARE BASED PAYMENTS (continued)**

- 16.67% of each tranche of the LTIP and SARS will be subject to the production of a minimum of 1.49 Mt of chrome concentrates comprising metallurgical grade, foundry grade and chemical grade within contract specifications during the 1st twelve month period, 2nd twelve month period or 3rd twelve month period, respectively (in the case of the SARS the 1st twelve month period or 2nd twelve month period, respectively). However 8.34% of each tranche of the LTIP and SARS will vest (subject to paragraph 1 above) if the production during the applicable 12 month period is below 1.49 Mt of chrome concentrates but above 1.42 Mt of chrome concentrates.
- 33.33% of each tranche of the LTIP and SARS will be subject to the Earnings Before Interest, Tax, Depreciation and Amortization ('EBITDA') of the Group at least meeting the board approved budget for the 12 month period commencing on 1 July and ending the following year on 30 June, with the EBITDA being adjusted for the actual commodity selling prices and exchange rate (USD:ZAR). However, 16.67% of each tranche of the LTIP and SARS will vest if the applicable EBITDA is below the budgeted EBITDA (as recalculated) but equal to or above 95% of the budgeted EBITDA (as recalculated). 33.33% of each tranche of the LTIP and SARS will be forfeited if EBITDA in the applicable 12 month period falls below 95% of the budgeted EBITDA (as adjusted).

2. For the avoidance of doubt, if any tranche of the LTIP or SARS is forfeited (either wholly or partially) as a result of failure to achieve the above PGM and chrome production targets and/or EBITDA target in any applicable 12 month period but the said targets (for full or partial vesting) are achieved in subsequent 12 month periods during the applicable vesting periods, provided there has not been a fatality as detailed above, the awards will vest (wholly or partially as applicable) for that period as provided.

The awards are subject to the rules governing the Plan and the final discretion of the Tharisa plc Remuneration Committee will prevail should there be any discrepancy. The LTIP and SARS vest in three and two annual equal tranches respectively.

**LTIP**

| | First tranche | Second tranche | Third tranche |
|---|---|---|---|
| **Valuation of share award at grant date:** | | | |
| First issue – 2014 | R23.94 | R23.10 | R22.29 |
| Second issue – 2015 | R3.31 | R3.18 | R3.06 |
| Third issue – 2016 | R10.54 | R10.33 | R10.12 |
| Fourth issue – 2017 | R14.21 | R13.93 | R13.66 |
| Fifth issue - 2018 | R17.42 | R16.87 | R16.33 |

A reconciliation of the movement in the Group's LTIP and SARS in the period under review is as follows:

| | Opening balance | Allocated | Vested/ exercised* | Forfeited | Total |
|---|---|---|---|---|---|
| **LTIP 2018 Ordinary shares** | | | | | |
| LTIP | **5 801 889** | **3 028 380** | **(2 781 336)** | **(164 730)** | **5 884 203** |
| LTIP 2017 Ordinary shares | | | | | |
| LTIP | 6 268 105 | 2 899 212 | (2 983 647) | (381 781) | 5 801 889 |

* The 2018 vested number of shares have not yet been transferred to the respective employees.
An expense of US$2.7 million (2017: US$3.3 million) was recognised in profit or loss.

**8. SHARE BASED PAYMENTS (continued)**

**SARS**

| | First tranche | Second tranche |
|---|---|---|
| **Valuation of share option at grant date:** | | |
| First issue – 2014 | R4.18 | R4.32 |
| Second issue - 2015 | R1.95 | R2.07 |
| Third issue – 2016 | R4.16 | R4.90 |
| Fourth issue – 2017 | R5.28 | R6.25 |
| Fifth issue - 2018 | R6.96 | R7.89 |

| | Opening balance | Allocated | Vested | Forfeited | Total |
|---|---|---|---|---|---|
| **SARS 2018 Ordinary shares** | | | | | |
| SARS | **4 515 204** | **3 028 380** | **(3 082 141)** | **(146 033)** | **4 315 410** |
| SARS 2017 Ordinary shares | | | | | |
| SARS | 5 097 442 | 2 899 212 | (3 156 725) | (324 725) | 4 515 204 |

An expense of US$1.3 million (2017: US$1.0 million) was recognised in profit or loss.

Number of SARS vested, not yet exercised:

| Vesting date | Expiry date | Number of rights 2018 | 2017 |
|---|---|---|---|
| 9 April 2015 | 9 April 2020 | **947 471** | 1 739 013 |
| 30 June 2016 | 30 June 2021 | **798 437** | 1 398 478 |
| 30 June 2017 | 30 June 2022 | **1 484 742** | 1 663 693 |
| 30 June 2018 | 30 June 2023 | **2 866 033** | - |

**Information on awards granted during the year**
Fair values were determined by a Black Scholes model for the LTIP awards and a Binomial tree model for the SARS awards. The inputs summarised in the following table were used for the fifth issue – 2018. The comparative inputs were used for the fourth issue:

| | 2018 | 2017 |
|---|---|---|
| Spot price | **R17.50** | R19.40 |
| Strike price | **R17.96** | R17.53 |
| Expected volatility | **65.00%** | 70.00% |
| Dividend yield | **3.25%** | 2.00% |
| The risk-free interest rate | **BESA curve** | Zero coupon swap curve |
| Forfeiture assumption | **5.00%** | 5.00% |

The expected volatility is based on historical share price data of the Company and similar companies in the mining sector incorporating a range of weekly and monthly volatilities over different maturities.

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## 9. ADMINISTRATIVE EXPENSES

| | 2018<br>US$'000 | 2017<br>US$'000 |
|---|---|---|
| Directors and staff costs | | |
| Non-Executive Directors (note 11) | **612** | 536 |
| Employees: salaries | **15 459** | 9 213 |
| bonuses | **3 262** | 1 339 |
| pension fund, medical aid and other contributions | **1 707** | 1 405 |
| | **21 040** | 12 493 |
| Audit – external audit services | **490** | 429 |
| Audit – other services * | **90** | - |
| Consulting | **2 611** | 2 773 |
| Corporate and social investment | **157** | 73 |
| Depreciation | **850** | 453 |
| Discount facility and related fees | **701** | 516 |
| Equity-settled share based payment expense | **4 019** | 4 342 |
| Internal audit | **206** | - |
| Listing fees and investor relations | **461** | 260 |
| Health and safety | **1 019** | 300 |
| Impairment and write off of property, plant and equipment | **267** | - |
| Insurance | **697** | 914 |
| Legal and professional | **634** | 873 |
| Loss on disposal of property, plant and equipment | **37** | 196 |
| Office administration, rent and utilities | **1 296** | 660 |
| Security | **1 776** | 828 |
| Telecommunications and IT related | **1 374** | 719 |
| Training | **504** | 313 |
| Travelling and accommodation | **410** | 358 |
| Sundry | **593** | 403 |
| | **39 232** | 26 903 |

* Other services paid to the former external auditor relates to tax and accounting services as approved by the Audit Committee.

| | 2018 | 2017 |
|---|---|---|
| Number of employees | **1 758** | 701 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2018**

## 10. FINANCE INCOME AND FINANCE COSTS

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| **Finance income** | | |
| Interest received | **1 279** | 1 122 |
| **Finance costs** | | |
| Interest expense | **(9 448)** | (7 081) |
| Unwinding of present value adjustment for rehabilitation costs (refer note 27) | **(741)** | (494) |
| Bank charges* | **-** | (114) |
| | **(10 189)** | (7 689) |

* Bank charges have been classified as part of administrative costs

## 11. DIRECTORS REMUNERATION

The remuneration of the Directors is set out in the following tables:

| **2018** | **Directors' fees US$'000** | **Salary US$'000** | **Bonus US$'000** | **Expense allowance US$'000** | **Share based payments US$'000** | **Provident fund and risk benefits US$'000** | **Total US$'000** |
|---|---|---|---|---|---|---|---|
| LC Pouroulis | **-** | **549** | **253** | **-** | **476** | **-** | **1 278** |
| P Pouroulis | **-** | **443** | **233** | **9** | **404** | **46** | **1 135** |
| MG Jones | **-** | **369** | **214** | **-** | **356** | **37** | **976** |
| JD Salter | **182** | **-** | **-** | **-** | **-** | **-** | **182** |
| A Djakouris | **129** | **-** | **-** | **-** | **-** | **-** | **129** |
| OM Kamal | **61** | **-** | **-** | **-** | **-** | **-** | **61** |
| C Bell | **97** | **-** | **-** | **-** | **-** | **-** | **97** |
| J Ka Ki Cheng | **43** | **-** | **-** | **-** | **-** | **-** | **43** |
| R Davey | **79** | **-** | **-** | **-** | **-** | **-** | **79** |
| ZL Hong* | **21** | **-** | **-** | **-** | **-** | **-** | **21** |
| Total | **612** | **1 361** | **700** | **9** | **1 236** | **83** | **4 001** |

* Appointed on 1 April 2018

**11. DIRECTORS REMUNERATION (continued)**

| 2017 | Directors' fees US$'000 | Salary US$'000 | Bonus US$'000 | Expense allowance US$'000 | Share based payments US$'000 | Provident fund and risk benefits US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|
| LC Pouroulis | - | 540 | 56 | - | 318 | - | 914 |
| P Pouroulis | - | 428 | 47 | 9 | 265 | 38 | 787 |
| MG Jones | - | 365 | 40 | - | 238 | 35 | 678 |
| JD Salter | 181 | - | - | - | - | - | 181 |
| A Djakouris | 129 | - | - | - | - | - | 129 |
| OM Kamal | 61 | - | - | - | - | - | 61 |
| C Bell | 97 | - | - | - | - | - | 97 |
| J Ka Ki Cheng* | 28 | - | - | - | - | - | 28 |
| R Davey** | 26 | - | - | - | - | - | 26 |
| B Chi Ming Cheng*** | 14 | - | - | - | - | - | 14 |
| Total | 536 | 1 333 | 143 | 9 | 821 | 73 | 2 915 |

* Appointed on 1 February 2017
** Appointed on 1 June 2017
*** Retired by rotation on 1 February 2017

**Directors' share awards**
Details of each plan are disclosed in note 8. Non-Executive Directors are not entitled to participate in the Group's share award plan. The number of LTIP and SARS awarded to the Executive Directors are set out in the following tables:

| **LTIP 2018 Ordinary shares** | **Opening balance** | **Allocated** | **Vested *** | **Forfeited** | **Total** |
|---|---|---|---|---|---|
| LC Pouroulis | **695 382** | **264 138** | **(346 888)** | **-** | **612 632** |
| P Pouroulis | **594 376** | **239 592** | **(294 037)** | **-** | **539 931** |
| MG Jones | **518 558** | **193 476** | **(259 174)** | **-** | **452 860** |
| | **1 808 316** | **697 206** | **(900 099)** | **-** | **1 605 423** |

* At 30 September 2018 these share have not been transferred to the relevant directors' yet.

| LTIP 2017 Ordinary shares | Opening balance | Allocated | Vested | Forfeited | Total |
|---|---|---|---|---|---|
| LC Pouroulis | 667 170 | 321 588 | (293 376) | - | 695 382 |
| P Pouroulis | 555 974 | 282 882 | (244 480) | - | 594 376 |
| MG Jones | 500 378 | 238 212 | (220 032) | - | 518 558 |
| | 1 723 522 | 842 682 | (757 888) | - | 1 808 316 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2018**

## 11. DIRECTORS REMUNERATION (continued)

| **SARS 2018 Ordinary shares** | **Opening balance** | **Allocated** | **Vested** | **Forfeited** | **Total** |
|---|---|---|---|---|---|
| LC Pouroulis | **522 741** | **264 138** | **(361 947)** | **-** | **424 932** |
| P Pouroulis | **450 509** | **239 592** | **(309 068)** | **-** | **381 033** |
| MG Jones | **389 077** | **193 476** | **(269 971)** | **-** | **312 582** |
| | **1 362 327** | **697 206** | **(940 986)** | **-** | **1 118 547** |

| SARS 2017 Ordinary shares | Opening balance | Allocated | Vested | Forfeited | Total |
|---|---|---|---|---|---|
| LC Pouroulis | 481 498 | 321 588 | (280 345) | - | 522 741 |
| P Pouroulis | 401 248 | 282 882 | (233 621) | - | 450 509 |
| MG Jones | 361 124 | 238 212 | (210 259) | - | 389 077 |
| | 1 243 870 | 842 682 | (724 225) | - | 1 362 327 |

## 12. TAX

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Corporate income tax for the year | | |
| Cyprus | **2 913** | 1 554 |
| South Africa | **3 002** | 2 596 |
| | **5 915** | 4 150 |
| Special contribution for defence in Cyprus | **5** | 4 |
| Deferred tax | | |
| Originating and reversal of temporary differences (note 20) | **7 933** | 19 162 |
| Dividend withholding tax | **158** | - |
| Tax charge | **14 011** | 23 316 |

The entities within the Group are taxed in the countries in which they are incorporated and operate at the relevant tax rates as follows:

| | **Country** | **2018** | 2017 |
|---|---|---|---|
| Tharisa plc | Cyprus | **12.5%** | 12.5% |
| Arxo Resources Limited | Cyprus | **12.5%** | 12.5% |
| Arxo Finance Limited | Cyprus | **12.5%** | - |
| Tharisa Administration Services Limited | Cyprus | **12.5%** | 12.5% |
| Tharisa Investments Limited | Cyprus | **12.5%** | 12.5% |
| Dinami Limited | Guernsey | **0.0%** | 0.0% |
| Tharisa Investments (Hong Kong) Limited | Hong Kong | **16.5%** | 16.5% |
| Tharisa Fujian Industrial Co., Ltd | China | **25.0%** | 25.0% |
| Tharisa Minerals Proprietary Limited | South Africa | **28.0%** | 28.0% |
| Arxo Logistics Proprietary Limited | South Africa | **28.0%** | 28.0% |
| Arxo Metals Proprietary Limited | South Africa | **28.0%** | 28.0% |
| Braeston Corporate Consulting Services Proprietary Limited | South Africa | **28.0%** | 28.0% |
| Ubhova Security Proprietary Limited | South Africa | **28.0%** | - |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2018**

**12. TAX (continued)**

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| **Reconciliation between tax charge and accounting profit at applicable tax rates:** | | |
| Profit before tax | **64 983** | 90 989 |
| Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned | **10 181** | 23 165 |
| Non taxable income | | |
| Profits on revaluation of intergroup US$ denominated preference shares | **-** | (695) |
| Gain on bargain purchase | **(516)** | - |
| Intergroup dividends received | **(4 300)** | (2 423) |
| Interest received | **(13)** | (6) |
| Non deductible expenses | | |
| Losses on revaluation of intergroup US$ denominated preference shares | **4 070** | - |
| Intergroup dividends paid | **3 001** | 2 415 |
| Investment related | **877** | 526 |
| Interest paid | **10** | 51 |
| Capital expenses | **161** | 170 |
| Other | **472** | 73 |
| Recognition of deemed interest income for tax purposes | **68** | 40 |
| Tax charge | **14 011** | 23 316 |

Tax is recognised 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 year.

Under certain conditions interest income may be subject to defence contribution at the rate of 30.0% in Cyprus. Such interest income is treated as non-taxable in the computation of corporation taxable income. In certain instances, dividends received from abroad may be subject to defence contribution at the rate of 17.0%.

The Group's consolidated effective tax rate for the year ended 30 September 2018 was 21.6% (2017: 25.6%).

At 30 September 2018, the Group's unredeemed capital balance available for offset against future mining taxable income in South Africa amounted to US$111.1 million (2017: US$99.6 million).

Special contribution for defence is provided in Cyprus on certain interest income at the rate of 30%. 100% of such interest income is treated as non taxable in the computation of chargeable income for corporation tax purposes.

Other than Cyprus and South Africa, no provision for tax in other jurisdictions was made as these entities either sustained losses for taxation purposes or did not earn any assessable profits.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2018**

## 13. EARNINGS PER SHARE

### 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. Treasury shares are excluded from the weighted average number of ordinary shares outstanding. Vested Share Appreciation Rights ('SARS') issued to employees at award prices lower than the current share price, results in a potential dilutive impact on the weighted average number of issued ordinary shares and have been included in the calculation of dilutive weighted average number of issued ordinary shares. Vested SARS issued to employees at award prices higher than the current share price, were excluded from the calculation of diluted weighted average number of issued ordinary shares because their effect would have been anti-dilutive. Vested but unissued Conditional Awards ('LTIP') have been included in the calculation of dilutive weighted average number of issued ordinary shares. 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 year during which the options were outstanding.

| | **2018** | 2017 |
|---|---|---|
| Profit for the year attributable to ordinary shareholders (US$'000) | **48 433** | 57 601 |
| Weighted average number of issued ordinary shares for basic earnings per share ('000) | **260 329** | 257 393 |
| Weighted average number of issued ordinary shares for diluted earnings per share ('000) | **264 531** | 257 393 |
| **Earnings per share** | | |
| Basic (US$ cents) | **19** | **22** |
| Diluted (US$ cents) | **18** | **22** |

### Headline and diluted headline earnings per share

The calculation of basic and diluted headline 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. Treasury shares are excluded from the weighted average number of ordinary shares outstanding. Vested SARS issued to employees at award prices lower than the current share price, results in a potential dilutive impact on the weighted average number of issued ordinary shares and have been included in the calculation of dilutive weighted average number of issued ordinary shares. Vested SARS issued to employees at award prices higher than the current share price, were excluded from the calculation of diluted weighted average number of issued ordinary shares because their effect would have been anti-dilutive. Vested but unissued LTIP have been included in the calculation of dilutive weighted average number of issued ordinary shares.

| | **2018** | 2017 |
|---|---|---|
| Headline earnings for the year attributable to ordinary shareholders (US$'000) | **49 134** | 57 799 |
| Weighted average number of issued ordinary shares for basic headline earnings per share ('000) | **260 329** | 257 393 |
| Weighted average number of issued ordinary shares for diluted headline earnings per share ('000) | **264 531** | 257 393 |
| **Headline earnings per share** | | |
| Basic (US$ cents) | **19** | 22 |
| Diluted (US$ cents) | **19** | 22 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2018**

**13. EARNINGS PER SHARE (continued)**

**Reconciliation of profit to headline earnings**

| | **2018** | | | | 2017 |
|---|---|---|---|---|---|
| | **Gross US$'000** | **Tax US$'000** | **Non-controlling interest US$'000** | **Net US$'000** | Net US$'000 |
| Profit attributable to ordinary shareholders | | | | **48 433** | 57 601 |
| Adjustments: | | | | | |
| Gain on bargain purchase | **(1 884)** | **-** | **490** | **(1 394)** | - |
| Impairment of property, plant and equipment | **3 897** | **(1 091)** | **(730)** | **2 076** | - |
| Impairment losses on goodwill | **-** | **-** | **-** | **-** | 57 |
| Loss on disposal of property, plant and equipment | **36** | **(10)** | **(7)** | **19** | 141 |
| Headline earnings | | | | **49 134** | 57 799 |

## 14. PROPERTY, PLANT AND EQUIPMENT

| 30 September 2018 | Freehold land and buildings US$'000 | Mining assets and infrastructure US$'000 | Mining fleet US$'000 | Right-of-use asset: mining fleet US$'000 | Motor vehicles US$'000 | Computer equipment and software US$'000 | Office equipment and furniture, community and site office improvements US$'000 | Right-of-use asset: buildings US$'000 | Leasehold improvements US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| Balance at 30 September 2017 | **15 354** | **266 019** | **7 030** | **-** | **594** | **5 542** | **796** | **-** | **220** | **295 555** |
| Adoption of IFRS 16 (refer note 2.2) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **1 503** | **(220)** | **1 283** |
| Balance at 1 October 2017 | **15 354** | **266 019** | **7 030** | **-** | **594** | **5 542** | **796** | **1 503** | **-** | **296 838** |
| Additions | **150** | **21 429** | **16 473** | **6 910** | **88** | **2 167** | **147** | **791** | **-** | **48 155** |
| Business combination (note 33) | **-** | **1 886** | **21 466** | **6 527** | **-** | **-** | **-** | **-** | **-** | **29 879** |
| Transfers | **-** | **-** | **(2 203)** | **2 203** | **-** | **(15)** | **(114)** | **129** | **-** | **-** |
| Disposals | **-** | **-** | **(145)** | **-** | **-** | **(97)** | **(29)** | **-** | **-** | **(271)** |
| Assets written off | **-** | **(266)** | **(2 539)** | **(159)** | **-** | **(1)** | **-** | **-** | **-** | **(2 965)** |
| Exchange differences on translation | **(643)** | **(12 723)** | **(3 210)** | **(1 299)** | **(31)** | **(373)** | **(29)** | **(127)** | **-** | **(18 435)** |
| **Balance at 30 September 2018** | **14 861** | **276 345** | **36 872** | **14 182** | **651** | **7 223** | **771** | **2 296** | **-** | **353 201** |
| **Accumulated depreciation** | | | | | | | | | | |
| Balance at 30 September 2017 | **592** | **59 337** | **299** | **-** | **289** | **1 914** | **518** | **-** | **47** | **62 996** |
| Adoption of IFRS 16 | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **164** | **(47)** | **117** |
| Balance at 1 October 2017 | **592** | **59 337** | **299** | **-** | **289** | **1 914** | **518** | **164** | **-** | **63 113** |
| Charge for the year | **188** | **16 761** | **7 700** | **2 963** | **69** | **1 712** | **93** | **372** | **-** | **29 858** |
| Transfers | **-** | **-** | **(80)** | **80** | **-** | **(6)** | **(23)** | **29** | **-** | **-** |
| Disposals | **-** | **-** | **-** | **-** | **-** | **(87)** | **(28)** | **-** | **-** | **(115)** |
| Impairment/assets written off | **-** | **-** | **1 020** | **(88)** | **-** | **-** | **-** | **-** | **-** | **932** |
| Exchange differences on translation | **(40)** | **(3 708)** | **(665)** | **(223)** | **(17)** | **(193)** | **(19)** | **(33)** | **-** | **(4 898)** |
| **Balance at 30 September 2018** | **740** | **72 390** | **8 274** | **2 732** | **341** | **3 340** | **541** | **532** | **-** | **88 890** |

**14. PROPERTY, PLANT AND EQUIPMENT (continued)**

30 September 2017

| | Freehold land and buildings US$'000 | Mining assets and infrastructure US$'000 | Mining fleet US$'000 | Leasehold improvements US$'000 | Computer equipment and software US$'000 | Motor vehicles US$'000 | Office equipment and furniture, community and site office improvements US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 30 September 2016 | | | | | | | | |
| Opening balance | 14 504 | 248 588 | - | 130 | 2 077 | 515 | 554 | 266 368 |
| Additions | 666 | 14 602 | 7 124 | 189 | 3 504 | 73 | 240 | 26 398 |
| Disposals | - | (231) | - | (99) | (19) | - | - | (349) |
| Exchange differences | 184 | 3 060 | (94) | - | (20) | 6 | 2 | 3 138 |
| Balance at 30 September 2017 | 15 354 | 266 019 | 7 030 | 220 | 5 542 | 594 | 796 | 295 555 |
| | | | | | | | | |
| Accumulated depreciation | | | | | | | | |
| Balance at 30 September 2016 | 414 | 43 429 | - | 127 | 1 203 | 198 | 463 | 45 834 |
| Charge for the year | 174 | 15 570 | 303 | 16 | 725 | 90 | 51 | 16 929 |
| Disposals | - | (35) | - | (99) | (19) | - | - | (153) |
| Exchange differences | 4 | 373 | (4) | 3 | 5 | 1 | 4 | 386 |
| Balance at 30 September 2017 | 592 | 59 337 | 299 | 47 | 1 914 | 289 | 518 | 62 996 |

## 14. PROPERTY, PLANT AND EQUIPMENT (continued)

| | **30 September 2018 US$'000** | 30 September 2017 US$'000 |
|---|---|---|
| **Net book value** | | |
| Freehold land and buildings | **14 121** | 14 762 |
| Mining assets and infrastructure | **203 955** | 206 682 |
| Mining fleet | **28 598** | 6 731 |
| Right-of-use mining fleet | **11 450** | - |
| Motor vehicles | **310** | 305 |
| Computer equipment and software | **3 883** | 3 628 |
| Office equipment and furniture, community and site office improvements | **230** | 278 |
| Right-of-use buildings and premises | **1 764** | |
| Leasehold improvements | **-** | 173 |
| | **264 311** | 232 559 |

Included in additions to mining assets and infrastructure are additions to the deferred stripping asset of US$1.3 million (2017: no additions).

The estimated economically recoverable proved and probable mineral reserve was reassessed at 1 October 2017 which gave rise to a change in accounting estimate. The remaining reserve that management had previously assessed was 100.3 Mt (at 30 September 2016) and at 30 September 2017 was assessed to be 97.0 Mt.

As a result, and taking into account depletion of the reserve during the year ended 30 September 2017 (5.0 Mt), the expected useful life of the plant increased. The impact of the change on the actual depreciation expense, included in cost of sales, is a reduced depreciation charge of US$0.2 million.

Included in mining assets and infrastructure are projects under construction of US$20.5 million (2017: US$9.0 million).

Freehold land and buildings comprises various portions of the farms Elandsdrift 467 JQ, Buffelspoort 343 JQ and 342 JQ, North West Province, South Africa. All land is freehold.

Property, plant and equipment, with the exception of motor vehicles, is insured at approximate cost of replacement. Motor vehicles are insured at market value. Land is not insured.

**Capital commitments**
At 30 September 2018, the Group's capital commitments for contracts to purchase property, plant and equipment amounted to US$6.0 million (2017: US$6.5 million).

**Securities**
At 30 September 2018, US$11.4 million of the carrying amount of the Group's mining fleet was pledged as security against the equipment loan facility. At 30 September 2017, US$213.5 million was secured against the secured bank borrowings. The secured bank borrowings was settled in full during the year ended 30 September 2018.

**Assets written off/impairment**
During the year ended 30 September 2018, the Group impaired and scrapped assets totalling US$3.9 million. The impairment and assets written off relate to costs capitalised to the construction of a new plant and to yellow fleet equipment identified as no longer fit for use and premature component failures. The Group decided not to proceed with the construction of the new plant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2018**

## 15. GOODWILL

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| **Reconciliation of carrying amount** | | |
| **Cost** | | |
| Balance at 1 October | **1 118** | 1 103 |
| Effect of movement in exchange rates | **(46)** | 15 |
| Balance at 30 September | **1 072** | 1 118 |
| **Accumulated impairment losses** | | |
| Balance at 1 October | **280** | 220 |
| Impairment of goodwill | **-** | 57 |
| Effect of movement in exchange rates | **(12)** | 3 |
| Balance at 30 September | **268** | 280 |
| **Carrying amount** | **804** | 838 |

**Impairment test of goodwill**

Impairment losses were recognised in relation to goodwill which arose from the acquisition of Arxo Logistics Proprietary Limited and Braeston Corporate Consulting Services Proprietary Limited as follows:

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Arxo Logistics Proprietary Limited | **-** | 43 |
| Braeston Corporate Consulting Services Proprietary Limited | **-** | 14 |
| **Impairment loss** | **-** | 57 |

**Impairment losses**

At 30 September 2017, the carrying amounts of the CGU's of Arxo Logistics Proprietary Limited and Braeston Corporate Consulting Services Proprietary Limited exceeded their recoverable amounts and thus an impairment was recognised to reduce the carrying amount of goodwill. The recoverable amounts were determined based on value-in-use calculation. The calculations used discounted cash flows approved by management covering a fifteen-year period. The cash flows were discounted using a real discount rate of 8%. The discount rate used was a pre-tax real rate and reflects specific risks relating to the relevant segment.

## 16. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

The Group acquired 26.8% of the issued share capital of Karo Mining Holdings Limited ('Karo Holdings'), a company incorporated in Cyprus, for a total cash consideration of US$4.5 million from the Leto Settlement, a related party.

Karo Holdings entered into an Investment Project Framework Agreement with the Republic of Zimbabwe in terms of which Karo Holdings, through any of its subsidiaries, has undertaken to establish a platinum group metals mine, concentrators, smelters, a base metal and precious metals refinery as well as power generation capacity for the operations with surplus energy capacity made available to the Zimbabwe power grid (collectively referred to as 'the Project').

Karo Holdings' principal place of business is in Cyprus. The table below details Karo Holdings' interest in subsidiaries as at 30 September 2018.

| Company name | Effective interest | Country of incorporation and principal place of business | Principal activity |
|---|---|---|---|
| Karo Zimbabwe Holdings (Private) Limited | 100% | Zimbabwe | Investment holding |
| Karo Platinum (Private) Limited* | 100% | Zimbabwe | Platinum mining |
| Karo Coal Mines (Private) Limited** | 100% | Zimbabwe | Coal |
| Karo Power Generation (Private) Limited** | 100% | Zimbabwe | Power generation |
| Karo Refinery (Private) Limited** | 100% | Zimbabwe | PGM smelting and refining |

* In terms of the Investment Project Framework Agreement, 50% of the shareholding in this company will transfer to an investment entity wholly-owned by the Republic of Zimbabwe.

** In terms of the Investment Project Framework Agreement, 25% of the shareholding in these companies will transfer to an investment entity wholly-owned by the Republic of Zimbabwe.

The Group entered into a Shareholders Agreement with Leto Settlement whereby management of the Project will exclusively vest in the Company or any of its subsidiaries. Any decisions about the relevant activities require unanimous consent of the shareholders. The Group has determined that a joint arrangement exists and consequently has classified its investment in Karo Holdings as a joint venture. The Group accounts for joint ventures using the equity method in the consolidated financial statements.

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| **Investment in Karo Holdings** | | |
| Opening balance | **-** | - |
| Shares acquired | **4 500** | - |
| Share of total comprehensive loss | **(62)** | - |
| | **4 438** | - |
| Total share of comprehensive loss from joint venture | **(62)** | - |

## 16. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (continued)

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| **Summarised consolidated financial information of Karo Holdings** | | |
| **Summarised statement of financial position** | | |
| Non-current assets | **122** | - |
| Current assets | **3** | - |
| Non-current liabilities | **(264)** | - |
| Current liabilities | **(91)** | - |
| Net deficit (100%) | **(230)** | - |
| **Summarised statement of comprehensive income** | | |
| Operating expenses | **(290)** | - |
| Tax | **60** | - |
| Total comprehensive loss | **(230)** | - |
| **Carrying amount of investment in joint venture** | | |
| Group's share of net deficit (26.8%) | **(62)** | - |
| Purchase consideration | **4 500** | - |
| Carrying amount | **4 438** | - |

**Contingencies and commitments**
The Group has undertaken to provide funding up to US$8.0 million to Karo Holdings as a repayable debt facility. This will be utilised to undertake initial geological exploration and sampling work to determine a compliant mineral resource which will enhance the value of the investment in Karo Holdings.

**Unrecognised losses**
The Group has not recognised any cumulative losses in relation to its interest in Karo Holdings.

## 17. LONG-TERM DEPOSITS

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Long-term deposits | **-** | 4 505 |

The long-term deposits represented restricted cash which was designated as a 'debt service reserve account' which was required by the terms of the Common Terms Agreement for the senior debt facility payable by Tharisa Minerals Proprietary Limited.

Effective 28 March 2018, the senior debt facility was settled in full (refer to note 28) and consequently the restricted cash was released and became available to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2018**

## 18. GROUP COMPOSITION

Details of the subsidiaries including direct and indirect holdings are disclosed in note 1.

The Group holds 100% of the voting rights in all subsidiaries apart from Tharisa Minerals Proprietary Limited.

The following table summarises the information relating to the Company's subsidiary, Tharisa Minerals Proprietary Limited, that is 74.0% owned by the Company and which has material non-controlling interests before any inter-group eliminations:

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Non-current assets | **251 135** | 219 483 |
| Current assets | **83 086** | 71 573 |
| Borrowings | **43 403** | 2 574 |
| Secured bank borrowings | **-** | 17 755 |
| Net assets | **(107 062)** | (107 293) |
| Carrying amount of non-controlling interest | **(27 836)** | (27 896) |
| Revenue | **321 175** | 304 465 |
| Net (loss)/profit after tax | **(4 001)** | 43 558 |
| Non-controlling interest in (loss)/profit after tax | **(1 040)** | 11 325 |
| Cash flows from operating activities | **41 602** | 51 288 |
| Cash flows from investing activities | **(54 060)** | (20 278) |
| Cash flows from financing activities | **3 258** | (22 206) |
| Net change in cash and cash equivalents | **(9 200)** | 8 804 |

## 19. OTHER FINANCIAL ASSETS

| | Fair value hierarchy | **2018 US$'000** | 2017 US$'000 |
|---|---|---|---|
| *Non-current assets:* | | | |
| Investments in money markets, current accounts, cash funds and income funds | Level 2 | **5 012** | 3 767 |
| *Current assets:* | | | |
| Investments in equity instruments | Level 1 | **40** | 49 |
| Forward exchange contracts (note 29) | Level 2 | **804** | - |
| Option to acquire shares in Salene Chrome Zimbabwe (Private) Limited | Level 3 | **142** | - |
| | | **986** | 49 |

**Investments in money markets, current accounts, cash funds and income funds – fair value through profit or loss**
Investment in Money Market and Current Accounts totalling US$3.8 million (2017: US$2.6 million) is managed by Centriq Insurance Company Limited ('Centriq') (2017: Guardrisk Insurance Company Limited). The investment serves as security for the guarantee issued by Centriq (2017: Guardrisk Insurance Company Limited) to the Department of Mineral Resources (DMR) for the rehabilitation provision. The guarantee issued by Centriq has a fixed cover period from 1 December 2014 to 30 November 2020.

Investment in Cash Funds and Income Funds of US$1.2 million (2017: US$1.2 million) managed by Stanlib Collective Investments. The investment is ceded to Lombard Insurance Group ('Lombard') against a ZAR12.0 million (2017: ZAR12.0 million) guarantee issued by Lombard on behalf of Arxo Logistics Proprietary Limited to Transnet Freight Rail, a division of Transnet SOC Limited.

The investments in cash funds and income funds are unsecured and held at fair value through profit or loss (designated). The underlying investments are in money market and other funds and the fair value has been determined by reference to their quoted prices.

**Investments in equity instruments – fair value through profit or loss**
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. The investment represents shares in the Bank of Cyprus Public Co Limited.

**Forward exchange contracts – fair value through profit or loss**
The Group entered into a number of forward exchange contracts to hedge certain aspects of the foreign exchange risk associated to the conversion of the US$ to the ZAR. The net exposure of these contracts is US$28.6 million (2017: US$36.2 million) with various expiries no later than 20 December 2018 (2017: no later than 30 November 2017).

**Option to acquire shares in Salene Chrome Zimbabwe (Private) Limited**
The Company has been granted a call option to acquire a 90.0% shareholding in Salene Chrome Zimbabwe (Private) Limited ('Salene') a company incorporated in Zimbabwe from the Leto Settlement, a related party (refer note 36). Salene has been awarded three special grants under the Zimbabwe Mines and Minerals Act covering an area of approximately 9 500 hectares (95 km$^2$) on the eastern side of the Great Dyke in Zimbabwe, which entitles it to mine the minerals thereon including illuvial chrome, being at surface chrome fines generated from seams as a result of weathering. The call option is exercisable upon completion of an initial exploration programme. In consideration of the call option, the Group will undertake the initial exploration programme including the costs thereof up to an amount of US$3.2 million. The decision to exercise the call option is at the Group's election.

At the date of this report, insufficient information was available to accurately determine the fair value of the call option, more specifically the value of the net assets of the special grants or the profits attributable thereto. The Group believes this may only be possible once the initial exploration programme has been completed. As a result, the fair value represents the aggregate of the initial exploration programme costs incurred to 30 September 2018.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**for the year ended 30 September 2018**

## 20. DEFERRED TAX

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Deferred tax assets | **1 880** | 1 952 |
| Deferred tax liabilities | **(29 892)** | (23 823) |
| Net deferred tax liability | **(28 012)** | (21 871) |
| **Deferred tax assets** | | |
| Property, plant and equipment | **(35)** | (54) |
| Unrealised foreign currency exchange losses | **610** | 752 |
| Accrued leave | **165** | 164 |
| Share based payments | **1 040** | 1 073 |
| Other | **100** | 17 |
| | **1 880** | 1 952 |
| **Deferred tax liabilities** | | |
| Property, plant and equipment | **63 212** | 57 765 |
| Tax losses not utilised | **(28 755)** | (30 065) |
| Accrued leave | **(3 573)** | (1 977) |
| Share based payments | **(782)** | (809) |
| Other | **(210)** | (1 091) |
| | **29 892** | 23 823 |
| **Reconciliation of deferred tax liability** | | |
| Balance at the beginning of the year | **(21 871)** | (3 878) |
| Adoption of IFRS 16 (refer note 2.2) | **7** | - |
| | **(21 864)** | (3 878) |
| Temporary differences recognised in profit or loss and equity in relation to: | | |
| Capital allowances on property, plant and equipment | **(8 470)** | (2 731) |
| Provisions | **440** | 649 |
| Tax losses | **(79)** | (17 364) |
| Other | **482** | 1 145 |
| | **(7 627)** | (18 301) |
| Exchange differences | **1 479** | 308 |
| Balance at the end of the year | **(28 012)** | (21 871) |
| **Amounts recognised in:** | | |
| Profit and loss (note 12) | **(7 933)** | (19 162) |
| Equity | **306** | 861 |
| | **(7 627)** | (18 301) |

Deferred tax assets and deferred tax liabilities are not offset unless the Group has a legally enforceable right to offset such assets and liabilities.

**20. DEFERRED TAX (continued)**

All of the above amounts have used the currently enacted income taxation rates of the respective tax jurisdictions the Group operates in. South African taxation losses normally expire within 12 months of the respective entities not trading. The deductible temporary timing differences do not expire under current taxation legislation. Deferred tax assets have only been recognised in terms of these items when it is probable that taxable profit will be available in the immediate future against which the respective entities can utilise the benefits therefrom.

The estimates used to assess the recoverability of recognised deferred tax assets include a forecast of the future taxable income and future cash flow projections based on a three year period. The Group did not have tax losses and temporary differences for which deferred tax was not recognised.

**21. INVENTORIES**

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Finished products | **7 199** | 6 620 |
| Ore stockpile | **1 338** | 5 807 |
| Consumables | **14 623** | 8 399 |
| | **23 160** | 20 826 |
| Impairment of consumables | **(117)** | (24) |
| Total carrying amount | **23 043** | 20 802 |

Inventories are stated at the lower of cost or net realisable value. The Group impaired certain consumables and spares as the operational use became doubtful with no anticipated recoverable amount or value in use. The impaired consumables are allocated equally to the PGM and chrome operating segments (2017: 35.0% and 65.0% respectively to the PGM and chrome operating segments). There were no write-downs to net realisable value during the year (2017: no write downs).

**22. TRADE AND OTHER RECEIVABLES**

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Trade receivables | **38 645** | 55 602 |
| PGM receivable | **25 355** | - |
| Total trade receivables | **64 000** | 55 602 |
| Other receivables – related parties (note 36) | **417** | 59 |
| Deposits, prepayments and other receivables | **1 000** | 1 081 |
| Accrued income | **5 088** | 3 167 |
| Value added tax receivable (VAT) | **14 577** | 9 327 |
| Provision for royalty tax | **1 120** | 1 138 |
| | **86 202** | 70 374 |

### 22. TRADE AND OTHER RECEIVABLES (continued)

Trade and other receivables of the Group are expected to be recoverable within one year from each reporting date. Trade receivables terms vary from 0 to 120 days (2017: 0 to 120 days). No impairment of trade receivables was recognised during the year ended 30 September 2018 (2017: no impairment).

The Group applies a simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime expected loss provision. The expected credit loss on trade receivables is estimated using a provision matrix by reference to past default experience and credit rating if available, adjusted as appropriate for current observable data. The following table details the risk profile of trade receivables based on the Group's provision matrix.

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Current | **61 674** | 43 677 |
| Less than 90 days past due but not impaired | **2 143** | 7 540 |
| Greater than 90 days past due but not impaired | **183** | 4 385 |
| | **64 000** | 55 602 |

Included in VAT is an amount of US$10.0 million (ZAR141.3 million) (2017: US$5.9 million (ZAR79.5 million)) that relates to diesel rebates receivable from the South African Revenue Service ('SARS') in respect of the mining operations. The Group received a letter of intent from SARS disputing the refundability of this amount. The Group is strongly of the view that it fully complies with all the regulations to be entitled to this refund and is opposing SARS's intent not to pay out this claim. The Group will take the necessary legal action to recover the amount due.

Based on current observable data, available credit quality information of clients and client's past default experience, management believes that no impairment allowance (2017: no impairment allowance) is required in respect of the trade and other receivables as balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 35.

### 23. CONTRACT ASSETS

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Freight services | **2 229** | - |

The balance represents prepaid freight costs.

### 24. CURRENT TAXATION

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Current taxation in the statement of financial position represents: | | |
| Corporate income tax recoverable | **228** | 132 |
| Corporate income tax payable | **1 012** | 212 |
| Special contribution to the defence fund - Cyprus | **1** | - |
| | **1 013** | 212 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2018**

## 25. CASH AND CASH EQUIVALENTS

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Bank balances | **55 433** | 39 983 |
| Short-term bank deposits | **11 358** | 9 759 |
| | **66 791** | 49 742 |

The amounts reflected above approximate fair value.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are generally call deposit accounts and earn interest at the respective short-term deposit rates.

At 30 September 2018, an amount of US$1.6 million (2017: US$1.6 million) was provided as security for a bank guarantee issued in favour of a trade creditor of a subsidiary of the Group and US$0.3 million (2017: US$0.3 million) was provided as security against certain credit facilities of the Group.

## 26. SHARE CAPITAL AND RESERVES

**Share capital**

| | **30 September 2018** | | 30 September 2017 | |
|---|---|---|---|---|
| | **Number of Shares** | **US$'000** | Number of Shares | US$'000 |
| **Authorised – ordinary shares of US$0.001 each** | | | | |
| As at 30 September | **10 000 000 000** | **10 000** | 10 000 000 000 | 10 000 |
| **Authorised – convertible redeemable preference shares of US$1 each** | | | | |
| As at 30 September | **1 051** | **1** | 1 051 | 1 |
| **Issued** | | | | |
| **Ordinary shares** | | | | |
| Balance at the beginning of the year | **261 000 000** | **261** | 256 981 571 | 257 |
| Issued as part of management share award plans | **-** | **-** | 2 984 853 | 3 |
| Issued to treasury shares | **4 000 000** | **4** | 1 033 576 | 1 |
| Balance at the end of the year | **265 000 000** | **265** | 261 000 000 | 261 |
| **Treasury shares** | | | | |
| Balance at the beginning of the year | **987 274** | **1** | - | - |
| Issued | **4 000 000** | **4** | 1 033 576 | 1 |
| Transferred as part of management share award plans | **(889 703)** | **(1)** | (46 302) | - |
| Balance at the end of the year | **4 097 571** | **4** | 987 274 | 1 |
| **Issued and fully paid** | **260 902 429** | **261** | 260 012 726 | 260 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2018**

## 26. SHARE CAPITAL AND RESERVES (continued)

| Share premium | 30 September 2018 Number of Shares | 30 September 2018 US$'000 | 30 September 2017 Number of Shares | 30 September 2017 US$'000 |
|---|---|---|---|---|
| Balance at the beginning of the year | **260 012 726** | **280 082** | 256 981 571 | 456 181 |
| Capital reduction | **-** | **-** | - | (179 175) |
| Shares issued | **889 703** | **463** | 3 031 155 | 3 076 |
| Balance at the end of the year | **260 902 429** | **280 545** | 260 012 726 | 280 082 |

**Share capital**

Allotments during the year were in respect of 4 000 000 (2017: 1 033 576) ordinary shares issued as treasury shares to satisfy the vesting of Conditional Awards and potential future settlement of Appreciation Rights of the participants' of the Tharisa Share Award Plan. Allotments during the previous year were in respect of the award of 2 984 853 ordinary shares granted in terms of the Share Award Plan (Conditional Awards) of the participants' of the Tharisa Share Award Plan.

During the year ended 30 September 2018, 889 703 (2017: 46 302) ordinary shares were transferred from treasury shares to satisfy the exercise of Appreciation Rights by the participants of the Tharisa Share Award Plan.

At 30 September 2018, 4 097 571 (2017: 987 274) ordinary shares were held in treasury.

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares, other than treasury shares, are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**Share premium**

The share premium represents the excess of the issue price of ordinary shares over their nominal value, to the extent that it is registered at the Registrar of Companies in Cyprus, less share issue costs. The share premium is not distributable for dividend purposes.

During the year ended 30 September 2017, the share premium account was reduced by US$179.2 million with a corresponding increase in the retained earnings to reduce the accumulated losses to US$nil. The required Court Order was obtained on 8 March 2017 and filed at the Registrar of Companies on 9 March 2017.

The distribution during the year ended 30 September 2017 of US$2.6 million (US$1 cent per share) was approved by way of a Special Resolution on 1 February 2017. The Special Resolution was ratified by the Court Order on 8 March 2017.

During the years ended 30 September 2018 and 30 September 2017, the increases in the share premium account related to the issue and allotment of ordinary shares granted in terms of the Share Award Plan.

## 26. SHARE CAPITAL AND RESERVES (continued)

**Other reserve**

Other reserve represents the discount between the fair value and the acquisition consideration paid at the time for the Company's 74.0% shareholding in Tharisa Minerals Proprietary Limited. The Company acquired the shares from its non-controlling shareholders and in accordance with the requirements of IAS 1, the gain on bargain purchase was recognised in equity.

**Foreign currency translation reserve**

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations with a functional currency other than US$ and foreign currency differences relating to translation of intergroup loans and funding arrangements which are considered to be part of the Company's net investment in a foreign operation.

**Retained earnings**

The retained earnings includes the accumulated retained profits and losses of the Group and the share based payment reserve. Retained earnings are distributable for dividend purposes.

**Capital management**

The Group's target is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business in a way that optimises the cost of capital and matches the current strategic business plan. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital. Capital is defined as equity attributable to owners of the Company. Management is aware of the risks associated to capital management. Capital needs are monitored on a regular basis and whenever needed management takes steps in an attempt to effectively manage any corresponding risks.

**Non-controlling interests**

Non-controlling interests comprise amounts attributable to Black Economic Empowerment shareholders in South Africa for their respective shareholding in the ordinary shares of Tharisa Minerals Proprietary Limited together with associated foreign exchange translations. The non-controlling interest share of total comprehensive income amounts to a loss of US$1.5 million (2017: profit of US$9.8 million).

## 27. PROVISIONS

| Provision for rehabilitation | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **Restoration US$'000** | **Decommis-sioning US$'000** | **Total provision US$'000** | Restoration US$'000 | Decommis-sioning US$'000 | Total provision US$'000 |
| Opening balance | **3 962** | **2 961** | **6 923** | 2 343 | 2 264 | 4 607 |
| Recognised in profit and loss | **1 693** | **-** | **1 693** | 1 340 | - | 1 340 |
| Capitalised to mining assets and infrastructure | **-** | **3 922** | **3 922** | - | 451 | 451 |
| Business combination (note 33) | **76** | **57** | **133** | - | - | - |
| Unwinding of discount (note 10) | **529** | **212** | **741** | 269 | 225 | 494 |
| Exchange differences | **(339)** | **(439)** | **(778)** | 10 | 21 | 31 |
| Closing balance | **5 921** | **6 713** | **12 634** | 3 962 | 2 961 | 6 923 |

## 27. PROVISIONS

The Group has a legal obligation to rehabilitate the mining area, once the mining operations cease. The provision has been calculated based on total estimated rehabilitation costs, discounted back to their present values. The pre-tax discount rates are adjusted annually and reflect current market assessments. These costs are expected to be utilised mostly towards the end of the life of mine and associated infrastructure, which is currently estimated to be within 15 years. The provision is determined using commercial closure cost assessments and not the inflation adjusted Department of Mineral Resources published rates as were used during 2017.

The table below illustrates the movement in the provision as a result of mining operations, changes in variables and adopting commercial rates in comparison to the previously used Department of Mineral Resources rates.

| 30 September 2018 | Opening balance US$'000 | Mining operations US$'000 | Changes in variables US$'000 | Commercial rates US$'000 | Exchange differences US$'000 | Closing Balance US$'000 |
|---|---|---|---|---|---|---|
| Provision for restoration | **3 962** | **1 839** | **882** | **(423)** | **(339)** | **5 921** |
| Provision for decommissioning | **2 961** | **(597)** | **368** | **4 420** | **(439)** | **6 713** |
| | **6 923** | **1 242** | **1 250** | **3 997** | **(778)** | **12 634** |

The current estimated rehabilitation cost to be incurred mostly at the end of the life of mine taking escalation factors into account is US$21.8 million (2017: US$13.7 million). The estimate was calculated by an independent external expert.

In determining the amounts attributable to the rehabilitation provisions at 30 September 2018, management used a discount rate of 9.4% (2017: 8.6%) which represents the rate associated to a 10-year and longer daily average yield based on South African government bonds (2017: R186 government bond of South Africa), estimated rehabilitation timing of 15 years (2017: 18 years) and an inflation rate of 6.3% (2017: 4.5%).

An insurance company has provided a guarantee to the Department of Mineral Resources to satisfy the legal requirements 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**for the year ended 30 September 2018**

## 28. BORROWINGS

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| *Non-current* | | |
| Facilities | **13 711** | - |
| Equipment loan facility | **1 931** | - |
| Finance leases | **7 505** | 1 497 |
| Loan | **4 134** | - |
| Secured bank borrowings | **-** | 2 878 |
| | **27 281** | 4 375 |
| *Current* | | |
| Facilities | **9 104** | - |
| Equipment loan facility | **5 564** | - |
| Finance leases | **4 299** | 847 |
| Loan | **1 928** | - |
| Bank credit facilities | **29 243** | 29 072 |
| Secured bank borrowings | **-** | 14 876 |
| Guardrisk loan | **-** | 231 |
| | **50 138** | 45 026 |

**Facilities**
Effective 28 March 2018, the Group concluded the ZAR800 million Facilities which comprises of:
- a three year senior secured amortising term loan of ZAR400 million ('Term loan'),
- a three year secured committed revolving facility of ZAR300 million ('Revolving facility'); and
- an overdraft facility of ZAR100 million ('Overdraft').

The financing was obtained by Tharisa Minerals Proprietary Limited and guaranteed by the Company.

The Term loan bears interest at the three-month JIBAR plus 320 basis points nominal annual compounded quarterly and is repayable in twelve equal consecutive quarterly instalments commencing on 30 June 2018. The Revolving facility is available for three years and bears interest at the one-month JIBAR plus 340 basis points nominal annual compounded quarterly and is repayable in full at least once every twelve months. Interest is payable monthly in arrears. The Overdraft facility is available for one year and bears interest at the South African prime rate payable monthly in arrears.

The Facilities contains the following financial covenants for Tharisa Minerals Proprietary Limited:
- Debt to equity ratio of less than 0.67 times;
- Net debt to EBITDA of less than 2.0 times; and
- EBITDA to interest of greater than 4.0 times.

At 30 September 2018, Tharisa Minerals Proprietary Limited complied with all financial covenants.

The Term loan was utilised, *inter alia*, to settle the secured bank borrowings at 29 March 2018 and in part to settle the bridge loan at 31 March 2018. The unutilised facilities at 30 September 2018 amounted to ZAR400 million.

**28. BORROWINGS (continued)**

**Equipment loan facility**
Tharisa Minerals Proprietary Limited entered into an equipment loan facility of US$25 million with Caterpillar Financial Services Corporation for the funding of certain Caterpillar mining equipment. The funding was partially utilised for the purchase of existing mining equipment acquired from MCC Contracts Proprietary Limited as well as replacement parts and new mining equipment. The loan is structured in three tranches and repayment of each tranche varies between twenty four and forty eight equal monthly instalments, payable in arrears. Interest is calculated on the three month US$ Libor plus between 350 and 400 basis points.

The equipment loan facility is secured by a first notarial bond over the equipment and is guaranteed by the Company.

The equipment loan facility contains the following Group financial covenants:

- Net debt to tangible net worth not higher than 1.4 times;
- Net debt to EBITDA lower than 2.0 times; and
- EBITDA to interest greater than 4.0 times.

At 30 September 2018, the Group complied with all financial covenants.

**Finance leases**
The Group entered into a number of lease arrangements for the renting of office buildings, premises, computer equipment, vehicles and mining fleet. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of vehicles that have a lease term of 12 months or less and leases of low-value assets such as computer equipment.

Lease expenses of US$0.2 million (2017: US$ nil) and US$0.1 million (2017: US$0.7 million) were included in cost of sales and administrative expenses respectively for the year ended 30 September 2018.

The duration of leases relating to buildings and premises are for a period of five years, payments are due at the beginning of the month escalating annually on average by 8.0%. At 30 September 2018, the remaining term of these leases vary between four and four and a half years. These leases are secured by cash deposits varying from one to three times the monthly lease payments.

The duration of leases relating to the mining fleet are for periods between fourteen and thirty-six months and bear interest at interest rates between the South African prime interest rate and the South African prime interest rate plus 300 basis points. The leases are secured by the mining fleet leased.

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| **Minimum lease payments due:** | | |
| Within one year | **5 284** | 1 046 |
| Two to five years | **8 930** | 1 620 |
| | **14 214** | 2 666 |
| Less future finance charges | **(2 410)** | (322) |
| Present value of minimum lease payments due | **11 804** | 2 344 |
| | | |
| Present value of minimum lease payments due: | | |
| Within one year | **4 293** | 847 |
| Two to five years | **7 511** | 1 497 |
| | **11 804** | 2 344 |

**28. BORROWINGS (continued)**

**Loan**

A subsidiary of the Company, Arxo Metals Proprietary Limited, entered into a loan agreement with Rand York Minerals Proprietary Limited for the advance of ZAR90 million. The loan is repayable in thirty six equal monthly instalments that commenced on 31 August 2018. The loan is unsecured and interest is calculated at the South African prime rate plus 100 basis points.

**Bank credit facilities**

The bank credit facilities relate to the discounting of the letters of credit by the Group's banks following performance of the letter of credit conditions by the Group, which results in funds being received in advance of the normal payment date. Interest on these facilities at the reporting date was US Libor plus 1.6% pa (2017: US Libor plus 1.6% pa).

**Secured bank borrowings**

Effective 29 March 2018, the secured bank borrowings of ZAR1 billion obtained from a consortium of banks was prepaid and settled in full. The financing was obtained by Tharisa Minerals Proprietary Limited, a subsidiary of the Group, and was for a period of seven years repayable in twenty two equal quarterly instalments with the first repayment date at 31 December 2013. The Group was required to maintain funds in a debt service reserve account, which was consequently released.

**Guardrisk loan**

The loan payable at 30 September 2017 was settled in full during the year ended 30 September 2018.

**Bridge loan**

During the year ended 30 September 2018, Tharisa Minerals Proprietary Limited concluded a bridge loan of ZAR250 million from Absa Bank Limited. The bridge loan part funded the acquisition of mining fleet and equipment of MCC Contracts Proprietary Limited (refer to note 33). The bridge loan was repayable by 31 March 2018 and carried interest at JIBAR plus 325 basis points. The bridge loan was repaid in full on 29 March 2018.

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| | Facilities US$'000 | Equipment loan facility US$'000 | Finance leases US$'000 | Bank credit facilities US$'000 | Loan US$'000 | Secured bank borrowings US$'000 | Guardrisk loan US$'000 | Bridge loan US$'000 | Total borrowings US$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance 30 September 2017** | - | - | 2 344 | 29 072 | - | 17 754 | 231 | - | **49 401** |
| Adoption of IFRS 16 (refer note 2.2) | - | - | 1 205 | - | - | - | - | - | **1 205** |
| **Balance at 1 October 2017** | **-** | **-** | **3 549** | **29 072** | **-** | **17 754** | **231** | **-** | **50 606** |
| **Changes from financing cash flows** | | | | | | | | | |
| Advances: bank credit facilities | - | - | - | 192 834 | - | - | - | - | **192 834** |
| Repayment: bank credit facilities | - | - | - | (192 720) | - | - | - | - | **(192 720)** |
| Net repayment of bank credit facilities | - | - | - | 114 | - | - | - | - | **114** |
| Advances received | 29 523 | 12 694 | - | - | 6 883 | - | - | 19 120 | **68 220** |
| Repayment of borrowings | (5 099) | (5 295) | - | - | (326) | (18 424) | (239) | (19 120) | **(48 503)** |
| Lease payments | - | - | (6 463) | - | - | - | - | - | **(6 463)** |
| Repayment of interest | (1 464) | (528) | - | (395) | (62) | (1 088) | (7) | (889) | **(4 433)** |
| **Changes from financing cash flows** | **22 960** | **6 871** | **(6 463)** | **(281)** | **6 495** | **(19 512)** | **(246)** | **(889)** | **8 935** |
| **Foreign currency translation differences** | **(1 865)** | **(612)** | **(982)** | **-** | **(495)** | **661** | **8** | **-** | **(3 285)** |

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## 28. BORROWINGS (continued)

| | Facilities US$'000 | Equipment loan facility US$'000 | Finance leases US$'000 | Bank credit facilities US$'000 | Loan US$'000 | Secured bank borrowings US$'000 | Guardrisk loan US$'000 | Bridge loan US$'000 | Total borrowings US$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Liability-related changes** | | | | | | | | | |
| Lease agreements entered into | - | - | 7 656 | - | - | - | - | - | **7 656** |
| Business combination (note 33) | - | - | 7 003 | - | - | - | - | - | **7 003** |
| Interest expense | 1 720 | 708 | 1 086 | 452 | 62 | 1 097 | 7 | 889 | **6 021** |
| Revaluation of foreign denominated loan | - | 528 | (45) | - | - | - | - | - | **483** |
| **Total liability-related changes** | 1 720 | 1 236 | 15 700 | 452 | 62 | 1 097 | 7 | 889 | **21 163** |
| **Balance at 30 September 2018** | **22 815** | **7 495** | **11 804** | **29 243** | **6 062** | **-** | **-** | **-** | **77 419** |
| Non-current borrowings | **13 711** | **1 931** | **7 505** | **-** | **4 134** | **-** | **-** | **-** | **27 281** |
| Current borrowings | **9 104** | **5 564** | **4 299** | **29 243** | **1 928** | **-** | **-** | **-** | **50 138** |
| **Total borrowings** | **22 815** | **7 495** | **11 804** | **29 243** | **6 062** | **-** | **-** | **-** | **77 419** |

## 29. OTHER FINANCIAL LIABILITIES

| | *Fair value hierarchy* | **2018 US$'000** | 2017 US$'000 |
|---|---|---|---|
| Discount facility | Level 2 | **1 000** | 449 |
| Forward exchange contracts (refer note 19) | Level 2 | **-** | 150 |
| | | **1 000** | 599 |

**Discount facility**

Discount facility relates to fair value adjustments on the limited recourse disclosed receivables discounting facility with ABSA, Nedbank and HSBC in terms of which 98.0% of the sales of platinum, palladium and gold (included in PGM) are discounted at JIBAR (3 month) plus 200 basis points. The facility is for an amount of ZAR300.0 million. The balance is held at fair value through profit or loss.

## 30. TRADE AND OTHER PAYABLES

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Trade payables | **18 363** | 14 958 |
| Accrued expenses | **8 314** | 9 922 |
| Interest bearing – accrued dividends | **-** | 4 750 |
| Leave pay accrual | **3 738** | 1 932 |
| Value added tax payable | **794** | 192 |
| Other payables – related parties (note 36) | **2 175** | 123 |
| Operating lease payable | **-** | 18 |
| Other payables | **19** | 21 |
| | **33 403** | 31 916 |

The amounts above are payable within one year from the reporting period.

## 31. CONTRACT LIABILITIES

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Freight services | **2 229** | - |

Timing of revenue recognition may differ from the timing of invoicing to customers. The balance represents deferred revenue for which performance conditions still have to be satisfied.

## 32. TAX PAID

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Opening balance | | |
| Current taxation receivable | **(212)** | (54) |
| Current taxation payable | **132** | 134 |
| Corporate income tax for the year | **(5 915)** | (4 150) |
| Special contribution for defence in Cyprus | **(5)** | (4) |
| Dividend withholding tax | **(158)** | - |
| Tax refunds received | **(83)** | - |
| Closing balance | | |
| Current taxation receivable | **1 013** | 212 |
| Current taxation payable | **(228)** | (132) |
| Exchange differences on translation | **(1)** | 4 |
| Tax paid | **(5 457)** | (3 990) |

## 33. BUSINESS COMBINATION

Effective 1 October 2017, the acquisition of mining equipment, spares and consumables from MCC Contracts Proprietary Limited ('MCC'), the previous mining contractor of Tharisa Minerals Proprietary Limited, became unconditional. The transaction included the transfer of the employment of 876 personnel of MCC. In addition, Tharisa Minerals Proprietary Limited took cession and assignment of certain leases entered into by MCC.

The fair value of plant and equipment and inventories acquired was determined by an external independent valuator. The carrying values of trade and other receivables acquired and liabilities assumed were equal to their fair values on date of acquisition. The bargain purchase gain arose due to differences in the carrying values and fair values of plant and equipment.

The total cash consideration paid for the acquisition was ZAR279.5 million. No deferred consideration or contingent consideration exists.

The purchase consideration was funded by a bridge loan from ABSA Bank Limited and an original equipment manufacturer finance facility from Caterpillar Financial Services Corporation (refer to note 28).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**for the year ended 30 September 2018**

## 33. BUSINESS COMBINATION

The fair values of the identifiable assets and liabilities of MCC as at the date of acquisition were:

| | **Fair value recognised on acquisition US$'000** |
|---|---|
| **Assets** | |
| Property, plant and equipment (note 14) | **29 879** |
| Inventories | **1 051** |
| Trade and other receivables | **150** |
| | **31 080** |
| **Liabilities** | |
| Borrowings (note 28) | **(7 003)** |
| Provisions (note 27) | **(133)** |
| Trade and other payables | **(220)** |
| | **(7 356)** |
| Total identifiable net assets at fair value | **23 724** |
| Bargain purchase arising on acquisition (note 7) | **(1 884)** |
| Purchase consideration transferred | **21 840** |
| Net cash flow on acquisition | **21 840** |

Transaction costs of US$0.1 million relating to the acquisition were included in administrative expenses during the year ended 30 September 2018.

## 34. DIRECTORS INTEREST IN STATED CAPITAL

| | **2018 %** | 2017 % |
|---|---|---|
| LC Pouroulis | **0.11** | 0.11 |
| P Pouroulis | **2.74** | 2.75 |
| MG Jones | **0.08** | 0.08 |
| A Djakouris | **0.02** | 0.02 |
| C Bell | **0.01** | 0.01 |
| Total | **2.96** | 2.97 |

Where a member of the Board of Directors holds no direct or indirect interest, the director is not reflected in the table above.

At 30 September 2018 and the date of this report, conditional awards that vested on 30 June 2018 have not yet been transferred to the respective executive directors, refer to note 8. The effective shareholding of the executive directors will change once the amount of shares have been transferred.

There has been no change in the Director's interests in the share capital of the Company between the end of the financial year and the date of the approval of the consolidated financial statements.

## 35. FINANCIAL RISK MANAGEMENT

In the ordinary course of business the Group is exposed to credit risk, liquidity risk, and market risk. This note presents information about the Group's exposure to each of the above risks and its objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout this note.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

**Credit risk**
Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade and other receivables and cash and cash equivalents and long term deposits.

*Trade and other receivables*
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk. In monitoring customer credit risk, management reviews on a regular basis the ageing of trade and other receivables to obtain comfort that there are no past due amounts.

The Group establishes an allowance for credit losses that represents its estimate of expected credit losses in respect of trade and other receivables. The Group applies a simplified approach to measure the loss allowance for trade receivables, using the lifetime expected loss provision. The expected credit loss on trade receivables is estimated using a provision matrix by reference to past default experience and credit rating if available, adjusted as appropriate for current observable data.

The main component of the allowance for credit losses (if applicable) is a specific loss component that relates to individually significant exposures. As at 30 September 2018 and 30 September 2017, none of the carrying amounts of trade and other receivables is either past due or impaired, for which an allowance for credit losses is necessary. Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default and who have a good track record with the Group.

The allowance for credit losses in respect of trade and other receivables is used to record credit losses unless management is satisfied that no recovery of the amount owing is possible and at that point the amount considered irrecoverable is written off against the financial asset directly.

The most significant exposure of the Group to credit risk is represented by the carrying amount of trade receivables. The Board of Directors performs regular ageing reviews of trade receivables to identify any doubtful balances. Based on the review performed for the reporting period, the Board of Directors concluded that no allowance for credit losses is required in respect of trade receivables. 33.7% and 31.0% of the trade receivables were due from the Group's largest customer as at 30 September 2018 and 30 September 2017, respectively.

## 35. FINANCIAL RISK MANAGEMENT

**Credit risk (continued)**

*Cash and cash equivalents and long term deposits*

The Group limits its exposures on cash and cash equivalents by dealing only with well-established financial institutions of high quality credit standing. The majority of the Group's cash resources were deposited with HSBC based in Hong Kong and South Africa, Bank of China in South Africa and Nedbank in South Africa.

*Investments in money markets, current accounts, cash funds and income funds*

The Group invests only in well-known reputable financial institutions. The majority of the investment in money markets, current accounts, cash funds and income funds are kept in cash at financial institutions of high credit quality standing.

*Long-term deposits*

The Group limits its exposures on long-term deposits by dealing only with well-established financial institutions of high quality credit standing. The majority of the Group's cash resources were deposited with HSBC based in Hong Kong and South Africa.

The maximum exposure to credit risk at the reporting date of the consolidated financial statements was:

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Trade and other receivables | **86 202** | **70 374** |
| Contract balances | **2 229** | **-** |
| Cash and cash equivalents | **66 791** | **49 742** |
| Long term deposits | **-** | **4 505** |
| | **155 222** | **124 621** |

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. At 30 September 2018 the Group had undrawn banking facilities of ZAR400 million available (refer note 28).

Management is aware of the above risk. Liquidity risk is monitored on a regular basis and management is taking steps deemed necessary in an attempt to manage the corresponding risk. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, financial risk management may not be possible for instances where weakened commodity prices persist, forecast production not being achieved and further funding is not raised.

**35. FINANCIAL RISK MANAGEMENT (continued)**

**Liquidity risk (continued)**
The following table presents the remaining contractual maturities of the Group's financial liabilities at the end of the reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

**30 September 2018**

| | Contractual undiscounted cash flow | | | | | |
|---|---|---|---|---|---|---|
| | **Within 1 year or on demand US$'000** | **More than 1 year but less than 2 years US$'000** | **More than 2 years but less than 5 years US$'000** | **More than 5 years US$'000** | **Total US$'000** | **Carrying amount US$'000** |
| Borrowings | **54 162** | **18 647** | **12 943** | **-** | **85 752** | **77 419** |
| Trade and other payables | **20 538** | **-** | **-** | **-** | **20 538** | **20 538** |
| | **74 700** | **18 647** | **12 943** | **-** | **106 290** | **97 957** |

30 September 2017

| | Contractual undiscounted cash flow | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year or on demand US$'000 | More than 1 year but less than 2 years US$'000 | More than 2 years but less than 5 years US$'000 | More than 5 years US$'000 | Total US$'000 | Carrying amount US$'000 |
| Borrowings | 46 922 | 3 820 | 773 | - | 51 515 | 49 401 |
| Trade and other payables | 19 831 | - | - | - | 19 831 | 19 831 |
| | 66 753 | 3 820 | 773 | - | 71 346 | 69 232 |

**Market risk**
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income and the values of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Currency risk*
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

The Group is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currency of the Group entities. These currency risk exposures arise primarily from exchange rate movements in ZAR, Euro ('€'), British Sterling ('GBP') and US$.

Management is aware of the above risk. Currency risk arising from currency fluctuations is monitored on a regular basis and management is taking steps deemed necessary in an attempt to manage the corresponding risk. These steps may include to enter, from time to time, into forward exchange contracts within board-approval limits. Financial risk management may not be possible for instances where weakened commodity prices persist, forecast production not being achieved and further funding is not raised.

## 35. FINANCIAL RISK MANAGEMENT (continued)

**Market risk (continued)**

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate. Exposures in US$ relate to recognized assets and liabilities denominated in US$ of entities of the Group that have a functional currency other than US$. For presentation purposes, the amounts of the exposure are shown in US$, translated using the spot rate at the reporting date. The spot rates used at the reporting date against the US$ are a) US$:ZAR, 14.14 (2017: 13.56); b) US$:EUR, 0.86 (2017: 0.85) and c) US$:GBP, 0.77 (2017: 0.75). Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

The Group entered into a number of forward exchange contracts to hedge certain aspects of the foreign exchange risk associated to the conversion of the US$ to the ZAR. The net exposure of these contracts is US$28.6 million (2017: US$36.2 million) with various expiries no later than 20 December 2018 (2017: 30 November 2017).

At the reporting date the Group's exposure to currency risk was as follows:

| | **30 September 2018** | | | | 30 September 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | **US$** | **ZAR** | **€** | **GBP** | US$ | ZAR | € | GBP |
| Amounts in US$'000 | | | | | | | | |
| Other financial assets | **-** | **-** | **156** | | - | - | 49 | - |
| Trade and other receivables | **4 679** | **491** | **206** | **22** | 2 493 | 9 | 111 | 22 |
| Cash and cash equivalents | **4 369** | **717** | **164** | **6** | 15 467 | 48 | 112 | 8 |
| Trade and other payables | **(362)** | **(121)** | **(71)** | **(9)** | - | (103) | (1 303) | (1) |
| Current taxation | **-** | **-** | **(724)** | **-** | - | - | (166) | - |
| | **8 686** | **1 087** | **(269)** | **19** | 17 960 | (46) | (1 197) | 29 |

A 10.0% strengthening of the US$ against the above currencies at the reporting date would have changed profits and equity by the amounts presented below. This analysis assumes that all other variables, and in particular interest rates, remain constant. The analysis has been performed on the same basis for each reporting date.

| | **2018 Increase/ (decrease) in profit or loss and equity US$'000** | 2017 Increase/ (decrease) in profit or loss and equity US$'000 |
|---|---|---|
| ZAR | **95** | 4 |
| € | **(24)** | 105 |
| US$ | **(650)** | (1 292) |
| STG | **2** | (3) |

A 10.0% weakening of the US$ against the above currencies at each reporting date would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

**35. FINANCIAL RISK MANAGEMENT (continued)**

*Interest rate risk*

Interest rate risk is the Group's exposure to adverse movements in interest rates. It arises as a result of timing differences on the repricing of assets and liabilities. Management is aware of the above risk. Interest rate risk is monitored on a regular basis and management is taking steps deemed necessary in an attempt to manage the corresponding risk. As at the reporting date, the interest rate profile of the Group was as follows :

| | **2018** | 2017 | **2018 US$'000** | 2017 US$'000 |
|---|---|---|---|---|
| **Variable rate financial assets** | | | | |
| Investments in money markets, current accounts, cash funds and income funds | **3.5%** | 3.5% | **5 012** | 3 767 |
| Cash and cash equivalents | **5.5% - 5.7%** | 5.5% - 5.7% | **21 701** | 27 126 |
| | | | **26 713** | 30 893 |
| **Variable rate financial liabilities** | | | | |
| Facilities | 3-month JIBAR + 3.2% | - | **22 815** | - |
| Equipment loan facility | US LIBOR + 3.5% | - | **7 495** | - |
| Finance leases | RSA prime + 3.0% | RSA prime + 3.0% | **11 804** | 2 344 |
| Loan facility | RSA prime + 1.0% | - | **6 062** | - |
| Bank credit facilities | US LIBOR + 1.6% | US LIBOR + 1.6% | **29 243** | 29 072 |
| Secured bank borrowings | - | JIBAR + 3.4% | **-** | 17 754 |
| Guardrisk loan | - | 9.1% | **-** | 231 |
| Interest bearing – accrued dividends | - | RSA prime + 2.0% | **-** | 4 750 |
| | | | **77 419** | 54 151 |

A change of 100 basis points in interest rates at each reporting date would have changed profits and equity by the amounts presented below. This analysis assumes that all other variables, and in particular foreign currency rates, remain constant. The analysis has been performed on the same basis for each reporting date.

| | **2018 Increase/ (decrease) in profit or loss and equity US$'000** | 2017 Increase/ (decrease) in profit or loss and equity US$'000 |
|---|---|---|
| Investments in money markets, current accounts, cash funds and income funds | **34** | 27 |
| Cash and cash equivalents | **199** | 106 |
| Facilities | **(148)** | - |
| Equipment loan facility | **(97)** | - |
| Finance leases | **(109)** | (7) |
| Loan facility | **(18)** | - |
| Bank credit facilities | **(256)** | (254) |
| Secured bank borrowings | **(84)** | (305) |
| Guardrisk loan | **(1)** | (7) |
| Interest bearing - accrued dividends | **(434)** | (44) |
| | **(914)** | (484) |

A decrease of 100 basis points in interest rates at each reporting date would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

**35. FINANCIAL RISK MANAGEMENT (continued)**

**Fair values**

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

*Financial instruments carried at fair value:*

The following table presents the carrying values of financial instruments measured at fair value at the end of each reporting period across the three levels of the fair value hierarchy defined in IFRS 13, *Fair Value Measurement*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement.

The levels are defined as follows:
Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments (highest level).
Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation methodologies in which all significant inputs are directly or indirectly based on observable market data.
Level 3: fair values measured using valuation methodologies in which any significant inputs are not based on observable market data.

| | Fair value level | **2018 US$'000** | 2017 US$'000 |
|---|---|---|---|
| **30 September 2018** | | | |
| **Financial assets measured at fair value** | | | |
| Investments in equity instruments | Level 1 | **40** | 49 |
| Investments in money markets, current accounts, cash funds and income funds | Level 2 | **5 012** | 3 767 |
| Forward exchange contracts | Level 2 | **804** | - |
| Option to acquire shares in Salene Chrome Zimbabwe (Private) Limited | Level 3 | **142** | - |
| **Trade and other receivables measured at fair value** | | | |
| PGM receivable | Level 2 | **25 355** | - |
| **Financial liabilities measured at fair value** | | | |
| Discount facility | Level 2 | **1 000** | 449 |
| Forward exchange contracts | Level 2 | **-** | 150 |
| **Financial assets at amortised cost** | | | |
| Long-term deposits | | **-** | 4 505 |
| Trade and other receivables | | **38 645** | 55 602 |
| Contract assets | | **2 229** | - |
| Cash and cash equivalents | | **66 791** | 49 742 |
| **Financial liabilities at amortised cost** | | | |
| Borrowings | | **77 419** | 49 401 |
| Contract liabilities | | **2 229** | - |
| Trade and other payables | | **18 363** | 19 708 |

**Estimation of fair values**

The fair value of financial assets and liabilities at amortised cost approximates its fair value. The fair value of financial instruments traded in an organised financial market is measured at the applicable quoted prices. The fair values of financial instruments not traded in an organised financial market are determined using a variety of methods and assumptions that are based on market conditions and risk existing at the reporting date, including independent appraisals and discounted cash flow methodology. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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## 36. RELATED PARTY TRANSACTIONS AND BALANCES

In the normal course of the business, the Group enters into various transactions with related parties. Related party transactions exist between shareholders, directors, directors of subsidiaries and key management personnel. Outstanding balances at the year-end are unsecured and settlement occurs in cash. All intergroup transactions have been eliminated on consolidation.

| | **2018** | 2017 |
|---|---|---|
| | **US$'000** | US$'000 |
| **Trade and other receivables** (note 22) | | |
| The Tharisa Community Trust | **1** | 5 |
| Rocasize Proprietary Limited | **71** | 54 |
| Karo Mining Holdings Limited | **20** | - |
| Karo Zimbabwe Holdings (Private) Limited | **254** | - |
| Karo Platinum (Private) Limited | **40** | - |
| Salene Chrome Zimbabwe (Private) Limited | **12** | - |
| Salene Technologies Proprietary Limited | **4** | - |
| Salene Mining Proprietary Limited | **15** | - |
| | **417** | 59 |
| **Trade and other payables** (note 30) | | |
| The Leto Settlement | **2 000** | - |
| Rocasize Proprietary Limited | **31** | - |
| | **2 031** | - |
| **Amounts due to Directors** | | |
| A Djakouris | **22** | 21 |
| JD Salter | **31** | 30 |
| OM Kamal | **16** | 16 |
| C Bell | **25** | 26 |
| R Davey | **20** | 19 |
| J Ka Ki Chen | **11** | 11 |
| ZL Hong | **19** | - |
| | **144** | 123 |
| **Total other payables** | **2 175** | 123 |
| **Interest bearing – accrued dividends to related parties** | | |
| Arti Trust | **-** | 2 486 |
| Ditodi Trust | **-** | 214 |
| Makhaye Trust | **-** | 214 |
| The Phax Trust | **-** | 425 |
| The Rowad Trust | **-** | 213 |
| MJ Jacquet-Briner | **-** | 213 |
| | **-** | 3 765 |
| **Acquisition of 26.8% of Karo Mining Holdings Limited from:** | | |
| The Leto Settlement | **4 500** | - |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**for the year ended 30 September 2018**

## 36. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

**Transactions and balances with related parties: (continued):**

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| **Cost of sales** | | |
| Rocasize Proprietary Limited | **234** | - |
| **Consulting fees received** | | |
| Rocasize Proprietary Limited | **32** | - |
| Karo Zimbabwe Holdings (Private) Limited | **128** | - |
| **Consulting fees paid** | | |
| Rocasize Proprietary Limited | **234** | - |
| Salene Mining Proprietary Limited | **17** | - |
| **Interest expense** | | |
| Langa Trust | **-** | 3 |
| Arti Trust | **514** | 262 |
| Ditodi Trust | **47** | 27 |
| Makhaye Trust | **47** | 27 |
| The Phax Trust | **93** | 53 |
| The Rowad Trust | **47** | 27 |
| MJ Jacquet-Briner | **47** | 27 |
| | **795** | 426 |

**Compensation to key management:**

| **2018** | **Salary and fees US$'000** | **Expense allowances US$'000** | **Share based payments US$'000** | **Provident fund and risk benefits US$'000** | **Bonus US$'000** | **Total US$'000** |
|---|---|---|---|---|---|---|
| Non-Executive Directors | **612** | **-** | **-** | **-** | **-** | **612** |
| Executives Directors | **1 361** | **9** | **760** | **83** | **700** | **2 913** |
| Other key management | **932** | **31** | **1 222** | **107** | **420** | **2 712** |
| | **2 905** | **40** | **1 982** | **190** | **1 120** | **6 237** |

| 2017 | Salary and fees US$'000 | Expense allowances US$'000 | Share based payments US$'000 | Provident fund and risk benefits US$'000 | Bonus US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| Non-Executive Directors | 536 | - | - | - | - | 536 |
| Executives Directors | 1 333 | 9 | 821 | 73 | 143 | 2 379 |
| Other key management | 865 | 27 | 518 | 95 | 117 | 1 622 |
| | 2 734 | 36 | 1 339 | 168 | 260 | 4 537 |

**36. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

Share based awards to the Directors are disclosed in note 11. Details of each plan are disclosed in note 8. Awards to the key management in the period under review are as follows:

| **2018 Ordinary shares** | **Opening balance** | **Allocated** | **Vested*** | **Forfeited** | **Total** |
|---|---|---|---|---|---|
| LTIP | **1 202 153** | **483 348** | **(586 062)** | **-** | **1 099 439** |
| 2017 Ordinary shares | | | | | |
| LTIP | 1 115 106 | 564 792 | (477 745) | - | 1 202 153 |

| **2018 Ordinary shares** | **Opening balance** | **Allocated** | **Vested** | **Forfeited** | **Total** |
|---|---|---|---|---|---|
| SARS | **924 136** | **483 348** | **(641 740)** | **-** | **765 744** |
| 2017 Ordinary shares | | | | | |
| SARS | 885 344 | 564 792 | (526 000) | - | 924 136 |

* At 30 September 2018 the vested shares have not yet been transferred to the respective employees.

**Relationships between parties:**

*The Tharisa Community Trust and Rocasize Proprietary Limited*

The Tharisa Community Trust is a shareholder of Tharisa Minerals Proprietary Limited and owns 100% of the issued ordinary share capital of Rocasize Proprietary Limited.

*Langa Trust, Arti Trust, Phax Trust and Rowad Trust*

A Director of the Company is a beneficiary of these trusts.

*Ditodi Trust and Makhaye Trust*

Certain of the non-controlling shareholders of Tharisa Minerals Proprietary Limited are beneficiaries of these trusts.

*MJ Jaquet-Briner*

MJ Jaquet-Briner is a director of Tharisa Minerals Proprietary Limited and is a shareholder in the non-controlling interest of Tharisa Minerals Proprietary Limited.

*The Leto Settlement*

The beneficial shareholder of Medway Developments Limited, a material shareholder in the Company.

*Salene Chrome Zimbabwe (Private) Limited*

This company is a wholly owned subsidiary of the Leto Settlement, the beneficial shareholder of Medway Developments Limited, a material shareholder in the Company.

*Salene Mining Proprietary Limited and Salene Technologies Proprietary Limited*

A Director of the Company is a director of these entities.

*Karo Mining Holdings Limited, Karo Zimbabwe Holdings (Private) Limited and Karo Platinum (Private) LImited*

The Company owns 26.8% of the issued share capital of Karo Mining Holdings Limited. Karo Mining Holdings Limited owns 100% of the issued share capital of Karo Zimbabwe Holdings (Private) Limited and Karo Platinum (Private) Limited.

## 37. CONTINGENT LIABILITIES

As at 30 September 2018, there is no litigation (2017: no litigation), current or pending, which is considered likely to have a material adverse effect on the Group.

## 38. CAPITAL COMMITMENTS AND GUARANTEES

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| **Capital commitments** | | |
| Authorised and contracted | **4 929** | 6 455 |
| Authorised and not contracted | **1 091** | 25 |
| | **6 020** | 6 480 |

The above commitments are with respect to property, plant and equipment and are outstanding at the respective reporting period. All contracted amounts will be funded through existing funding mechanisms within the Group and cash generated from operations. Balances denominated in currencies other than the US$ were converted at the closing rates of exchange ruling at 30 September 2018.

The Company has made a commitment to Karo Mining Holdings Limited to fund the initial exploration programme, feasibility study and development of the projects in Zimbabwe not exceeding US$8.0 million. Refer to note 16.

**Guarantees**

The Company issued a guarantee to ABSA Bank Limited and Nedbank Limited amounting to ZAR800 million for the Facilities entered into with Tharisa Minerals Proprietary Limited.

Tharisa Minerals Proprietary Limited entered into an equipment loan facility of US$25.0 million with Caterpillar Financial Services Corporation. The equipment loan facility is secured by a first notarial bond over the equipment and is guaranteed by the Company.

The Company issued a guarantee to ABSA Bank Limited which guarantees the payment of certain liabilities of Arxo Logistics Proprietary Limited to Transnet totalling ZAR19.4 million (2017: ZAR19.4 million).

The Company guarantees performance of payment due from time to time between a third party supplier and Tharisa Minerals Proprietary Limited for the supply and sale of mining materials.

The Company issued guarantees limited to US$12.5 million (2017: US$12.5 million) and US$20.0 million (2017: no guarantee) as securities for trade finance facilities provided by two banks to Arxo Resources Limited.

A guarantee was issued to Lombard Insurance Company Limited which guarantees the payment of certain liabilities of Arxo Logistics Proprietary Limited to Transnet totalling ZAR12.0 million (2017: ZAR12.0 million).

The Company and Arxo Metals Proprietary Limited jointly indemnify a third party for any claims which may result from negligence or breach in terms of the plant operating agreement between Arxo Metals Proprietary Limited and the third party.

The Company holds an indirect 100% equity interest in Tharisa Fujian Industrial Co., Limited, the registered capital of which is US$10.0 million. Up to 30 September 2018, US$6.5 million has been paid up. The remaining US$3.5 million needs to be paid up by 14 February 2021.

## 39. EVENTS AFTER THE REPORTING PERIOD

On 26 November 2018, the Board has proposed a final dividend of US$ 2 cents per share, subject to the necessary shareholder approval at the Annual General Meeting.

The Board of Directors are not aware of any matter or circumstance arising since the end of the financial year that will impact these financial results.

## 40. DIVIDENDS AND CAPITAL DISTRIBUTION

During the year ended 30 September 2018, the Company declared and paid a final dividend of US$ 5 cents per share in respect of the year ended 30 September 2017.

During the year ended 30 September 2018, an interim dividend of US$ 2 cents per share was declared and paid. On 26 November 2018, the Board has proposed a final dividend of US$ 2 cents per share with respect to the year ended 30 September 2018. The proposed dividend is subject to shareholder approval at the Annual General Meeting.

A capital distribution of US$2.6 million (US$ 1 cent per share) was declared as a reduction of share premium during the year ended 30 September 2017.

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# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**for the year ended 30 September 2018**

| | Notes | **2018 US$'000** | 2017 US$'000 |
|---|---|---|---|
| Income | 5 | **31 241** | 19 614 |
| Administrative expenses | 7 | **(4 310)** | (4 246) |
| Operating profit | | **26 931** | 15 368 |
| Finance income | 8 | **10** | 6 |
| Finance costs | 8 | **(2 769)** | (239) |
| Changes in fair value of financial assets at fair value through profit or loss | | **(10)** | 6 |
| Profit before tax | | **24 162** | 15 141 |
| Tax | 9 | **(62)** | (36) |
| **Profit for the year** | | **24 100** | 15 105 |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified subsequently to profit or loss* | | **-** | - |
| *Items that may be reclassified subsequently to profit or loss* | | **-** | - |
| **Other comprehensive income** | | **-** | - |
| **Total comprehensive income for the year** | | **24 100** | 15 105 |

The notes on pages 135 to 169 are an integral part of these financial statements.

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# STATEMENT OF FINANCIAL POSITION
**as at 30 September 2018**

| | Notes | 2018 US$'000 | 2017 US$'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Long-term deposits | 10 | - | 2 267 |
| Investment in subsidiaries | 11 | **325 880** | 316 502 |
| Investments in joint arrangements | 12 | **4 500** | |
| Other receivables | 13 | **8 138** | 10 459 |
| **Total non-current assets** | | **338 518** | 329 228 |
| **Current assets** | | | |
| Other receivables | 13 | **17 881** | 15 328 |
| Financial assets at fair value through profit or loss | 14 | **181** | 49 |
| Cash and cash equivalents | 15 | **1 816** | 3 284 |
| **Total current assets** | | **19 878** | 18 661 |
| **Total assets** | | **358 396** | 347 889 |
| **Equity and liabilities** | | | |
| Share capital and premium | 16 | **280 806** | 280 342 |
| Other reserve | 16 | **47 245** | 47 245 |
| Retained earnings | 16 | **27 904** | 18 380 |
| **Total equity** | | **355 955** | 345 967 |
| **Current liabilities** | | | |
| Other payables | 17 | **2 373** | 1 887 |
| Current taxation | 18 | **68** | 35 |
| **Total current liabilities** | | **2 441** | 1 922 |
| **Total liabilities** | | **2 441** | 1 922 |
| **Total equity and liabilities** | | **358 396** | 347 889 |

The financial statements were authorised for issue by the Board of Directors on 26 November 2018.

**Phoevos Pouroulis**
Director

**Michael Jones**
Director

The notes on pages 135 to 169 are an integral part of these financial statements.

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# STATEMENT OF CHANGES IN EQUITY

**for the year ended 30 September 2018**

| | Note | Share capital US$'000 | Share premium US$'000 | Other reserve US$'000 | Retained earnings US$'000 | Total equity US$'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 October 2016** | | 257 | 456 180 | 47 245 | (174 661) | 329 021 |
| **Total comprehensive income for the year** | | | | | | |
| Profit for the year | | - | - | - | 15 105 | 15 105 |
| **Total comprehensive income for the year** | | - | - | - | 15 105 | 15 105 |
| **Transactions with owners of the Company** | | | | | | |
| *Contributions by and distributions to owners* | | | | | | |
| Capital reduction | | - | (179 174) | - | 179 174 | - |
| Capital distribution | | - | - | - | (2 570) | (2 570) |
| Issue of ordinary shares | 16 | 3 | 3 076 | - | - | 3 079 |
| Equity-settled share based payments | 16 | - | - | - | 1 332 | 1 332 |
| Contributions by owners of the Company | | 3 | (176 098) | - | 177 936 | 1 841 |
| Total transactions with owners of the Company | | 3 | (176 098) | - | 177 936 | 1 841 |
| **Balance at 30 September 2017** | | **260** | **280 082** | **47 245** | **18 380** | **345 967** |
| **Total comprehensive income for the year** | | | | | | |
| Profit for the year | | **-** | **-** | **-** | **24 100** | **24 100** |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **24 100** | **24 100** |
| **Transactions with owners of the Company** | | | | | | |
| *Contributions by and distributions to owners* | | | | | | |
| Issue of ordinary shares | 16 | **1** | **463** | **-** | **-** | **464** |
| Dividends paid | | **-** | **-** | **-** | **(18 214)** | **(18 214)** |
| Equity-settled share based payments | 16 | **-** | **-** | **-** | **3 638** | **3 638** |
| Contributions by owners of the Company | | **1** | **463** | **-** | **(14 576)** | **(14 112)** |
| Total transactions with owners of the Company | | **1** | **463** | **-** | **(14 576)** | **(14 112)** |
| **Balance at 30 September 2018** | | **261** | **280 545** | **47 245** | **27 904** | **355 955** |

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the ultimate shareholders at the end of the period of two years from the end of the year of assessment to which the profits refer are both Cyprus tax residents and Cyprus domiciled entities. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the shareholders. These provisions do not apply for ultimate beneficial owners that are non-Cyprus tax resident individuals. Retained earnings is the only reserve that is available for distribution.

The notes on pages 135 to 169 are an integral part of these financial statements.

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## STATEMENT OF CASH FLOWS
**for the year ended 30 September 2018**

| | Notes | 2018 US$'000 | 2017 US$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | **24 100** | 15 105 |
| Adjustments for: | | | |
| Equity-settled share based payments | 7 | **18** | 604 |
| Net impairment losses | 7 | **146** | 152 |
| Dividend income | 5 | **(31 241)** | (19 614) |
| Interest income | 8 | **(10)** | (6) |
| Changes in fair value of financial assets at fair value through profit or loss | 8 | **10** | (6) |
| Tax | 9 | **62** | 36 |
| | | **(6 915)** | (3 729) |
| Changes in: | | | |
| Other receivables | | **104** | 35 |
| Other payables | | **873** | 926 |
| Cash flows used in operations | | **(5 938)** | (2 768) |
| Income tax paid | | **(29)** | (54) |
| **Net cash flows used in operating activities** | | **(5 967)** | (2 822) |
| | | | |
| **Cash flows from investing activities** | | | |
| Additions to investments in joint arrangements | | **(2 500)** | - |
| Increase in investment in subsidiaries | | **(146)** | (859) |
| Additions to other financial assets | | **(142)** | - |
| Repayment of loan receivable | | **2 322** | 1 945 |
| Dividends received | | **21 325** | 6 530 |
| Interest received | | **10** | 6 |
| **Net cash flows from investing activities** | | **20 869** | 7 622 |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from long term deposits | | **2 267** | 985 |
| Repayment of other payables | | **(423)** | (2 500) |
| Dividends and capital reduction paid | | **(18 214)** | (2 570) |
| **Net cash flows from financing activities** | | **(16 370)** | (4 085) |
| | | | |
| **Net (decrease)/increase in cash and cash equivalents** | | **(1 468)** | 715 |
| Cash and cash equivalents at the beginning of the year | | **3 284** | 2 569 |
| **Cash and cash equivalents at the end of the year** | 15 | **1 816** | 3 284 |

The notes on pages 135 to 169 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**for the year ended 30 September 2018**

## 1. INCORPORATION AND PRINCIPAL ACTIVITIES

Tharisa plc (the 'Company') was incorporated in Cyprus on 20 February 2008 under registration number HE223412 as a private limited liability company under the Cyprus Companies Law, Cap. 113. The name of the Company was changed from Tharisa Limited to Tharisa plc on 19 January 2012. The registered office is at Sofoklis Pittokopitis Business Center, Office 108-110, 17 Neophytou Nicolaides & Kilkis Street, 8011, Paphos, Cyprus. On 10 April 2014, the Company listed its ordinary share capital on the main board of the Johannesburg Stock Exchange ('JSE'). On 8 June 2016 the Company listed its ordinary share capital as a standard listing on the main board of the London Stock Exchange ('LSE').

The principal activity of the Company is that of an investment holding company with controlling interests in PGM and chrome mining and processing operations and associated sales and logistics operations.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1. BASIS OF PREPARATION

**Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and the requirements of the Cyprus Companies Law, Cap. 113. IFRS comprises the standards issued by the International Accounting Standards Board ('IASB') and IFRS Interpretation Committee ('IFRIC') as issued by the IASB.

These financial statements are the separate financial statements of the Company.

The Company has also prepared consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries ('the Group'). The consolidated financial statements can be obtained from Sofoklis Pittokopitis Business Center, Office 108-110, 17 Neophytou Nicolaides & Kilkis Street, 8011, Paphos, Cyprus.

Users of these separate financial statements of the Company should read them together with the Group's consolidated financial statements as at and for the year ended 30 September 2018 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and its subsidiaries.

**Basis of measurement**

The financial statements are prepared on the historical cost basis, except as otherwise stated in the accounting policies set out below.

**Functional and presentation currency**

The financial statements are presented in United States Dollars ('US$') which is the functional and presentation currency of the Company.

**Going concern**

After making enquiries which include reviews of current cash resources, forecasts and budgets, timing of cash flows, borrowing facilities and sensitivity analyses and considering the associated uncertainties to the Company's operations, the Directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements which assumes that the Company will be able to meet its liabilities as they fall due for the foreseeable future.

Refer to note 20 for statements on the Company's objectives, policies and processes for managing its capital, details of its financial instruments; its exposures to market risk in relation to commodity prices and foreign exchange risks; interest rate risk; credit risk; and liquidity risk.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2. CHANGE IN ACCOUNTING POLICIES

The Company has early adopted IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. The nature and effect of the changes as a result of the adoption of these new accounting standards are described below.

**IFRS 9 Financial Instruments**
The Company has early adopted all of the requirements of IFRS 9 Financial Instruments ('IFRS 9') as of 1 October 2017. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ('IAS 39'). IFRS 9 utilises a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. Most of the requirements of IAS 39 for classification and measurements of financial liabilities were carried forward in IFRS 9, therefore the Company's accounting policy with respect to financial liabilities remains unchanged. The Company applied IFRS 9 using the full retrospective method of adoption on initial date of application.

As a result of the early adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively for assets that were recognised at the date of application. The change did not impact the carrying value of any financial assets on transition date.

*Classification*
The Company classifies its financial instruments in the following categories:
- At fair value through profit or loss
- At fair value through other comprehensive income
- At amortised cost

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified at fair value through profit or loss, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at fair value through other comprehensive income. Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss (such as derivatives) or the Group has designated to measure them at fair value through profit or loss.

The Company completed a detailed assessment of its financial assets and liabilities at 1 October 2017. The following table presents the original classification according to IAS 39 and the new classification according to IFRS 9:

| Financial assets | Original classification IAS 39 | New classification IFRS 9 |
|---|---|---|
| Long-term deposits | Amortised cost | Amortised cost |
| Other financial assets | | |
| Investment in equity instruments | Held for trading | Fair value through profit or loss |
| Option to acquire shares | Fair value through profit or loss | Fair value through profit or loss |
| Other receivables | Amortised cost | Amortised cost |
| Cash and cash equivalents | Amortised cost | Amortised cost |

| Financial liabilities | Original classification IAS 39 | New classification IFRS 9 |
|---|---|---|
| Other payables | Amortised cost | Amortised cost |

Upon adoption of IFRS 9, the Company made an irrevocable election to classify marketable securities at fair value through profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2. CHANGE IN ACCOUNTING POLICIES (continued)

**IFRS 9 Financial Instruments (continued)**
*Measurement: Financial assets and liabilities at amortised cost*
Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost less any impairment.

*Measurement: Financial assets and liabilities at fair value through profit or loss*
Financial assets and liabilities carried at fair value through profit or loss are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise. Where management has designated to recognise a financial liability at fair value through profit or loss, any changes associated with the Group's own credit risk will be recognised in other comprehensive income.

*Decrecognition: Financial assets*
The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognised in the statement of profit or loss. However, gains and losses on derecognition of financial assets classified as fair value through other comprehensive income remain within equity.

*Derecognition: Financial liabilities*
The Company derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss.

*Hedge accounting*
The Company does not apply hedge accounting.

**Impact of adopting IFRS 9 on the Company's financial statements**
The adoption of IFRS 9 did not impact the carrying value of any financial assets on transition date, consequently adopting IFRS 9 did not result in a restatement of comparative results.

**IFRS 15 Revenue from contracts with customers**
The Company has early adopted all of the requirements of IFRS 15 Revenue from Contracts with Customers ('IFRS 15') with a date of initial application of 1 October 2017. IFRS 15 supersedes IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards of IFRS. The Company applied IFRS 15 using the modified retrospective method and therefore comparative information has not been restated and continues to be presented in accordance with IAS 18. As a result, the Company has changed its accounting policy for revenue recognition as detailed in the accounting policies.

**Impact of adopting IFRS 15 on the Company's financial statements**
Income comprises of dividend income in which the transfer of risks and rewards coincides with the fulfilment of performance obligations and transfer of control as defined in IFRS 15, consequently the adoption of IFRS 15 did not have any impact on the Company's financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.3. STANDARDS AND INTERPRETATIONS ADOPTED IN THE CURRENT YEAR

**New and amended standards and Interpretations**
The Company has early adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The nature and effect of the changes as a result of the adoption of these new accounting standards are described in the preceding paragraphs. The Company has also early adopted IFRS 16 Leases. The adoption of IFRS 16 is described in the paragraphs below.

During the current year the Company has also adopted all the new and revised IFRS that are relevant to its operations and are effective for accounting periods beginning on 1 January 2017. The following standards, amendments or interpretations apply for the first time for the year ended 30 September 2018.

*IFRS 16 Leases*
The Company has early adopted all of the requirements of IFRS 16 Leases ('IFRS 16') effective 1 October 2017 (initial application). IFRS 16 replaces IAS 17 Leases ('IAS 17').

*IAS 7 Disclosure Initiative (Amendments)*
The IASB's Disclosure Initiative assists users of financial statements to better understand changes in an entity's debt. The amendment requires entities to provide disclosures about changes in their financial liabilities arising from financing activities, including both changes arising from cash flows and non-cash flow changes (such as foreign exchange gains or losses).

*IAS 12 Income Taxes (Amendment)*
The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combine versus separate assessment.

*IFRS 12 Disclosure of Interest in Other Entities – Clarification of the scope of the disclosure requirements of IFRS 12 (Annual improvement project)*
The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

The adoption of these standards, amendments and interpretations did not have any impact on the Company's financial statements.

### 2.4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

*IFRS 2 – Classification and Measurement of Share Based Payment Transactions (Amendment)*
The amendment is intended to eliminate diversity in practice in three main areas. The effects of vesting conditions on the measurement of a cash-settled share based payment transaction. The classification of a share based payment transaction with net settlement features for withholding tax obligations. The accounting where a modification on the terms and conditions of a share based payment transaction changes its classification from cash-settled to equity-settled. The amendment of IFRS 2 is effective for accounting periods beginning on or after 1 January 2018, but earlier application is permitted provided it is disclosed. On adoption, prior periods will not be restated. The amendment is believed to have a minimal impact on the results of the Company as the classifications are consistent with current practices applied by the Company.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

The following Standards and Interpretations have been issued but are not yet effective for annual periods beginning on or after 1 October 2017. Earlier application is permitted; however, the Company has not early adopted the following new or amended standards in preparing these consolidated financial statements. Those that are relevant to the Company are presented below.

*IFRIC 22 – Foreign Currency Transaction and Advance Consideration*
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Company's financial statements.

*IFRIC 23 – Uncertainty over Income Tax Treatment*
This new interpretation standard clarifies application of recognition and measurement requirements in IAS 12 – Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: whether and entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. The impact of the interpretation will be assessed and applied to uncertain tax positions in future. The interpretation is effective for reporting periods beginning on or after 1 January 2019.

*IAS 23 – Borrowing Costs (Amendment)*
The amendment clarifies that an entity treats as part of general borrowings and borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. This amendment will be taken into account when determining general borrowing costs, which can be capitalised to qualifying assets, in accordance with the transitions provisions.

*IFRS 3 - Business Combinations (Amendments)*
The IASB has issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. The amendments aim to:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The impact of the amendment will be assessed and applied to business combinations in future.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.5. SUBSIDIARY COMPANIES

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

### 2.6. INVESTMENTS IN JOINT ARRANGEMENTS

*Joint arrangements*
The Company applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

*Joint ventures*
Joint ventures are accounted for using the equity method. Under the equity method of accounting, joint ventures are accounted for at cost and are adjusted for impairments where appropriate in the Company financial statements.

### 2.7. FINANCE INCOME

Finance income comprises interest income on funds invested and net foreign currency gains. Interest income is recognised as it accrues using the effective interest method.

### 2.8. FINANCE COSTS

Finance costs comprise interest expense on borrowings and net foreign currency losses. Interest expense is recognised using the effective interest method. Foreign currency gains and losses are reported on a net basis.

### 2.9. FOREIGN CURRENCY TRANSLATION

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.10. DIVIDENDS

Dividends are recognized as a liability in the period they are declared according to International Accounting Standard 10.

### 2.11. TAX

Income tax comprises current and deferred taxes. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Company controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is established.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.12. IMPAIRMENT

*Financial assets*
Financial assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition and the loss event had a negative effect on the estimated future cash flows of that asset, that can be estimated reliably.

Objective evidence of impairment includes observable data that comes to the attention of the Company about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

All impairment losses are recognised in profit or loss and reflected in an allowance account against such financial assets. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal is recognised in profit or loss.

*Financial assets at amortised cost*
The Company recognises a forward-looking expected credit loss for all financial assets that are measured at amortised cost. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate.

For contract assets and trade and other receivables, the Company applies the standard’s simplified approach and calculates estimated credit losses based on lifetime expected credit losses. The Company establishes a provision matrix that is based on the Company’s historical loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets held at amortised cost, at each reporting date, the Company measures the loss allowance (if applicable) for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve months expected credit losses.

Impairment losses on financial assets carried at amortised cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.12. IMPAIRMENT (continued)

**Non financial assets**
The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset or its related CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs (group of units) and then, to reduce the carrying amount of the other assets in the CGU (group of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of the other assets of the CGU.

For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

### 2.13. SHARE CAPITAL

The share capital is stated at nominal value. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

When share options are exercised, the Company issues new shares or issues shares from the treasury shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

### 2.14. PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### 2.15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and demand deposits with banks.

### 2.16. LONG-TERM DEPOSITS

Long term deposits is cash and cash equivalents restricted and designated as a ‘debt service reserve account’ as required in terms of the senior debt facility.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.17. EVENTS AFTER THE REPORTING PERIOD

Assets and liabilities are adjusted for events that occurred during the period from the reporting date to the date of approval of the financial statements by the Board of Directors, when these events provide additional information for the valuation of amounts relating to events existing at the reporting date or imply that the going concern concept in relation to part or whole of the Company is not appropriate.

### 2.18. SHARE BASED PAYMENT TRANSACTIONS

Equity settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share based transactions are set out in the supporting notes.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in the equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimate, if any, is recognised with a corresponding increase in its investment in each subsidiary such that the cumulative increase reflects the revised estimate, with a corresponding adjustment to the equity. An asset is recognised for the reimbursement by the subsidiary of the portion of the capital contribution with a corresponding adjustment to the carrying amount of the investment in subsidiary.

The asset is initially measured at the fair value. At the end of each reporting period until the asset is settled, and at the date of settlement, the fair value of the asset is remeasured, with any changes in fair value recognised as an adjustment in investment in subsidiaries.

Equity settled share based payment transactions with parties other than the employees are measured at fair value of the goods and services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Where the Company has the right to elect settlement either equity settled or cash settled, the share based payment transactions will be treated as equity settled share based payments.

### 2.19. RELATED PARTY TRANSACTIONS

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

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

## 3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates made by management in the application of IFRS that have a significant effect on the financial statements and major sources of estimation uncertainty are as follows:

*Fair value estimation*
The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment allowance of trade receivables and the carrying value of trade payables are assumed to approximate their fair values as the short term effect of discounting is not material. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

*Share based payments*
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model, using the assumptions detailed in note 4.

*Taxes*
Judgement is required in determining the liability for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws.

*Recoverability of investment in subsidiaries and other receivables*
The recoverable amounts of the Company’s investment in subsidiaries and other receivables have been based on cash flow projections as at 30 September 2018. The internal financial model is based on the known and confirmed resources and circumstances of each receivable, and no future credit losses are expected. Consequently no allowance for credit losses has been made.

**3. USE OF JUDGEMENTS AND ESTIMATES (continued)**

*Joint arrangement*
The Company acquired 26.8% of the issued share capital of Karo Mining Holdings Limited during the year ended 30 September 2018. The Company entered into a Shareholders Agreement with Leto Settlement, whereby decisions about the relevant activities require unanimous consent.

Judgement is required to determine when the Company has joint control of joint arrangements. This requires an assessment when the decisions in relation to relevant activities require unanimous consent. Relevant activities are those relating to the operating and capital decisions of the arrangement, such as the approval of the capital expenditure programme for each year, and appointing, remunerating and terminating the key management personnel or service providers of the operations.

Judgement is also required in determining the classification of a joint arrangement between a joint venture or a joint operation through an evaluation of the rights and obligations arising from the arrangement and in particular, if the joint arrangement has been structured through a separate vehicle, further consideration is required of whether:

- the legal form of the separate vehicle gives the parties rights to the assets and obligations for the liabilities;
- the contractual terms and conditions give the parties rights to the assets and obligations for the liabilities; and

other facts and circumstances give the parties rights to the assets and obligations for the liabilities.

Differing conclusions around these judgements may materially impact how these businesses are presented in the consolidated financial statements.

Joint arrangements typically convey substantially all the economic benefits of the assets to the parties and judgement is required in assessing whether the terms of the agreements and any other obligations for liabilities of the arrangement result in the parties being substantially the only source of cash flows contributing to the continuity of the operations of the arrangement.

The investment in Karo Mining Holdings Limited, a separate entity, is accounted for as a joint venture. The parties are not obligated to cover any potential funding shortfalls. In management's judgement, the Company is not the only possible source of funding and does not have a direct or indirect obligation to the liabilities of the arrangement, but rather shares in its net assets and, therefore, the arrangement has been accounted for as joint venture.

## 4. SHARE BASED PAYMENTS

At 30 September 2018, the Company had the following share based payment arrangements:

**First issue - 2014 Conditional Awards ('LTIP') and Appreciation Rights ('SARS')**

LTIP is the grant of shares in the company where the risks and rewards of share ownership will vest on specific vesting dates with the employee subject to certain conditions. The inaugural award will vest in three equal annual tranches. The award, on vesting, may at the election of the Company, be either cash-settled or share-settled as provided for in the rules of the Plan. Management has confirmed that the Company has both the ability and the intent to settle these awards by the issue of equity instruments.

SARS is the grant of an award by the Company where the employee is, subject to certain conditions, entitled to receive the increase in the share value above the award price. The appreciation in value may, at the election of the Company, be either cash settled or share settled as provided for in the rules of the Plan. The inaugural award is at an award price of ZAR38.00 per share and vests in two equal annual tranches with the ability to exercise the award at any time up to five years from the date of grant.

**Second issue - 2015 LTIP and SARS**

The LTIP and SARS are contingent on there being no fatality at the Tharisa Mine in the case of Tranche 1 between the date of grant and 30 June 2016 ("1st twelve month period"), in the case of Tranche 2 between 1 July 2016 and 30 June 2017 (2nd twelve month period") and in the case of Tranche 3 between 1 July 2017 and 30 June 2018 ("3rd twelve month period"). For example if there was a fatality during the 1st twelve month period, the Tranche 1 LTIP and SARS would lapse, however if there was no fatality during the 2nd twelve month period, the Tranche 2 LTIP and SARS would be eligible for vesting subject to the remaining performance conditions 1 and 2 disclosed below.

**Third issue – 2016 LTIP and SARS**

The LTIP and SARS are contingent on there being no fatality at the Tharisa Mine in the case of Tranche 1 between the date of grant and 30 June 2017 ("1st twelve month period"), in the case of Tranche 2 between 1 July 2017 and 30 June 2018 ("2nd twelve month period") and in the case of Tranche 3 between 1 July 2018 and 30 June 2019 ("3rd twelve month period"). For example if there was a fatality during the 1st twelve month period, the Tranche 1 LTIP and SARS would lapse, however if there was no fatality during the 2nd twelve month period, the Tranche 2 LTIP and SARS would be eligible for vesting subject to the remaining performance conditions 1 and 2 disclosed below.

**Fourth issue - 2017 LTIP and SARS**

The LTIP and SARS are contingent on there being no fatality at the Tharisa Mine in the case of Tranche 1 between the date of grant and 30 June 2018 (1st twelve month period), in the case of Tranche 2 between 1 July 2018 and 30 June 2019 (2nd twelve month period) and in the case of Tranche 3 between 1 July 2019 and 30 June 2020 (3rd twelve month period). For example if there was a fatality during the 1st twelve month period, the Tranche 1 LTIP and SARS would lapse, however if there was no fatality during the 2nd twelve month period, the Tranche 2 LTIP and SARS would be eligible for vesting subject to the remaining performance conditions 1 and 2 disclosed below.

The SARS vest only in the ist twelve month period and the 2nd twelve month period.

**4. SHARE BASED PAYMENTS (continued)**

**Performance conditions applicable to Second, Third and Fourth issues**

1. Subject to there being no fatality during the vesting periods as detailed above for the LTIP and the SARS:

- 33.3% of each tranche of the LTIP and SARS will be subject to continuing employment in good standing (as determined by the Remuneration Committee) during the applicable vesting period;
- 33.3% of each tranche of the LTIP and SARS will be subject to the production of 147.4 k 6E PGM ounces during the 1st twelve month period, 2nd twelve month period or 3rd twelve month period, respectively. However 16.6% of each such tranche of the LTIP and SARS will vest (subject to the preceding paragraphs) if the production during the applicable 12 month period is below 147.4 k 6E PGM ounces but above 140.0 k 6E PGM ounces. 33.3% of each tranche of the award will be forfeited if production in any applicable 12 month period falls below 140.0 k 6E PGM ounces; and
- 33.3% of each tranche of the LTIP and SARS will be subject to the production of 1.33 Mt of chrome concentrates comprising metallurgical grade, foundry grade and chemical grade within contract specifications during the 1st twelve month period, 2nd twelve month period or 3rd twelve month period, respectively. However 16.6% of each tranche of the LTIP and SARS will vest (subject to the preceding paragraphs) if the production during the applicable 12 month period is below 1.33 Mt of chrome concentrates but above 1.26 Mt of chrome concentrates. 33.3% of each tranche of the award will be forfeited if production in any applicable 12 month period falls below 1.26 Mt of chrome concentrates.

2. For the avoidance of doubt, if any tranche of the LTIP and SARS is forfeited (either wholly or partially) as a result of failure to achieve the above PGM and chrome production targets in any applicable 12 month period but the said targets (for full or partial vesting) are achieved in subsequent 12 month periods during the applicable vesting periods, provided there has not been a fatality as detailed above, the awards will vest (wholly or partially as applicable) for that period as provided.

**Fifth issue - 2018 for LTIP and SARS**

The LTIP and the SARS are contingent on there being no fatality at the Tharisa Mine in the case of Tranche 1 between the date of grant and 30 June 2019 (1st twelve month period), in the case of Tranche 2 between 1 July 2019 and 30 June 2020 (2nd twelve month period) and in the case of Tranche 3 between 1 July 2020 and 30 June 2021 (3rd twelve month period). For example, if there was a fatality during the 1st twelve month period, the Tranche 1 LTIP and SARS would lapse, however if there was no fatality during the 2nd twelve month period, the Tranche 2 LTIP and SARS would be eligible for vesting subject to the remaining performance conditions below. The SARS vests only in the 1st twelve month period and the 2nd twelve month period.

**4. SHARE BASED PAYMENTS (continued)**

**Performance conditions applicable to Fifth issues**

1. Subject to there being no fatality during the vesting periods as detailed above for the LTIP and the SARS:

- 33.3% of each tranche of the LTIP and SARS will be subject to continuing employment in good standing (as determined by the Remuneration Committee) during the applicable vesting period;

- 16.67% of each tranche of the LTIP and SARS will be subject to the production of a minimum of 163.7 k 6E PGM ounces during the 1st twelve month period, 2nd twelve month period or 3rd twelve month period, respectively (in the case of the SARS the 1st twelve month period or 2nd twelve month period, respectively). However 8.34% of each such tranche of the LTIP and SARS will vest (subject to paragraph 1 above) if the production during the applicable 12 month period is below 163.7 k 6E PGM ounces but above 155.5 k 6E PGM ounces. 16.67% of each tranche of the award will be forfeited if production in any applicable 12 month period falls below 155.5 k 6E PGM ounces;

- 16.67% of each tranche of the LTIP and SARS will be subject to the production of a minimum of 1.49 Mt of chrome concentrates comprising metallurgical grade, foundry grade and chemical grade within contract specifications during the 1st twelve month period, 2nd twelve month period or 3rd twelve month period, respectively (in the case of the SARS the 1st twelve month period or 2nd twelve month period, respectively). However 8.34% of each tranche of the LTIP and SARS will vest (subject to paragraph 1 above) if the production during the applicable 12 month period is below 1.49 Mt of chrome concentrates but above 1.42 Mt of chrome concentrates; and

- 33.33% of each tranche of the LTIP and SARS will be subject to the Earnings Before Interest, Tax, Depreciation and Amortization ('EBITDA') of the Tharisa Group at least meeting the board approved budget for the 12 month period commencing on 1 July and ending the following year on 30 June, with the EBITDA being adjusted for the actual commodity selling prices and exchange rate (USD:ZAR). However, 16.67% of each tranche of the LTIP and SARS will vest if the applicable EBITDA is below the budgeted EBITDA (as recalculated) but equal to or above 95% of the budgeted EBITDA (as recalculated). 33.33% of each tranche of the LTIP and SARS will be forfeited if EBITDA in the applicable 12 month period falls below 95% of the budgeted EBITDA (as adjusted).

2. For the avoidance of doubt, if any tranche of the LTIP or SARS is forfeited (either wholly or partially) as a result of failure to achieve the above PGM and chrome production targets and/or EBITDA target in any applicable 12 month period but the said targets (for full or partial vesting) are achieved in subsequent 12 month periods during the applicable vesting periods, provided there has not been a fatality as detailed above, the awards will vest (wholly or partially as applicable) for that period as provided.

The awards are subject to the rules governing the Plan and the final discretion of the Tharisa plc Remuneration Committee will prevail should there be any discrepancy. The LTIP and SARS vest in three and two annual equal tranches respectively.

**LTIP**

| | First tranche | Second tranche | Third tranche |
|---|---|---|---|
| **Valuation of share award at grant date:** | | | |
| First issue – 2014 | R23.94 | R23.10 | R22.29 |
| Second issue – 2015 | R3.31 | R3.18 | R3.06 |
| Third issue – 2016 | R10.54 | R10.33 | R10.12 |
| Fourth issue – 2017 | R14.21 | R13.93 | R13.66 |
| Fifth issue - 2018 | R17.42 | R16.87 | R16.33 |

**4. SHARE BASED PAYMENTS (continued)**

A reconciliation of the movement in the Group's LTIP and SARS in the period under review is as follows:

| | Opening balance | Allocated | Vested/ exercised* | Forfeited | Total |
|---|---|---|---|---|---|
| **LTIP 2018 Ordinary shares** | | | | | |
| LTIP | **5 801 889** | **3 028 380** | **(2 781 336)** | **(164 730)** | **5 884 203** |
| LTIP 2017 Ordinary shares | | | | | |
| LTIP | 6 268 105 | 2 899 212 | (2 983 647) | (381 781) | 5 801 889 |

* The 2018 vested shares have not yet been transferred to the respective employees.

An expense of US$2.7 million (2017: US$3.3 million) was recognised in consolidated profit or loss while an expense of US$0.1 million was included in the Company's profit or loss.

**SARS**

| | First tranche | Second tranche |
|---|---|---|
| **Valuation of share option at grant date:** | | |
| First issue – 2014 | R4.18 | R4.32 |
| Second issue - 2015 | R1.95 | R2.07 |
| Third issue – 2016 | R4.16 | R4.90 |
| Fourth issue – 2017 | R5.28 | R6.25 |
| Fifth issue - 2018 | R6.96 | R7.89 |

| | Opening balance | Allocated | Vested | Forfeited | Total |
|---|---|---|---|---|---|
| **SARS 2018 Ordinary shares** | | | | | |
| SARS | **4 515 204** | **3 028 380** | **(3 082 141)** | **(146 033)** | **4 315 410** |
| SARS 2017 Ordinary shares | | | | | |
| SARS | 5 097 442 | 2 899 212 | (3 156 725) | (324 725) | 4 515 204 |

An expense of US$1.3 million (2017: US$1.0 million) was recognised in consolidated profit or loss while an expense of US$0.1 million was included in the Company's profit or loss.

Number of SARS vested, not yet exercised:

| | | Number of rights | |
|---|---|---|---|
| **Vesting date** | **Expiry date** | **2018** | 2017 |
| 30 June 2015 | 9 April 2020 | **947 471** | 1 739 013 |
| 30 June 2016 | 30 June 2021 | **798 437** | 1 398 478 |
| 30 June 2017 | 30 June 2022 | **1 484 742** | 1 663 693 |
| 30 June 2018 | 30 June 2023 | **2 866 033** | - |

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## 4. SHARE BASED PAYMENTS (continued)

**Information on awards granted during the year**

Fair values were determined by a Black Scholes model for the LTIP awards and a Binomial tree model for the SARS awards. The inputs summarised in the following table were used for the fifth issue – 2018. The comparative inputs were used for the fourth issue:

| | **2018** | 2017 |
|---|---|---|
| Spot price | **R17.50** | R19.40 |
| Strike price | **R17.96** | R17.53 |
| Expected volatility | **65.00%** | 70.00% |
| Dividend yield | **3.25%** | 2.00% |
| The risk-free interest rate | **BESA curve** | Zero coupon swap curve |
| Forfeiture assumption | **5.00%** | 5.00% |

The expected volatility is based on historical share price data of the Company and similar companies in the mining sector incorporating a range of weekly and monthly volatilities over different maturities.

## 5. INCOME

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Dividend income (note 21) | **31 241** | 19 614 |

## 6. DIRECTORS REMUNERATION

The remuneration of the Directors is set out in the following table:

| | **2018** | | | | 2017 | |
|---|---|---|---|---|---|---|
| | **Salary US$'000** | **Bonus US$'000** | **Directors' fees US$'000** | **Total US$'000** | Directors' fees US$'000 | Total US$'000 |
| **Paid by the Company:** | | | | | | |
| LC Pouroulis | **128** | **16** | **-** | **144** | - | - |
| JD Salter | **-** | **-** | **129** | **129** | 129 | 129 |
| A Djakouris | **-** | **-** | **129** | **129** | 129 | 129 |
| OM Kamal | **-** | **-** | **60** | **60** | 61 | 61 |
| C Bell | **-** | **-** | **96** | **96** | 97 | 97 |
| R Davey * | **-** | **-** | **79** | **79** | 26 | 26 |
| J Ka Ki Cheng ** | **-** | **-** | **43** | **43** | 28 | 28 |
| ZL Hong *** | **-** | **-** | **21** | **21** | - | - |
| B Chi Ming Cheng **** | **-** | **-** | **-** | **-** | 14 | 14 |
| Total | **128** | **16** | **557** | **701** | 484 | 484 |

* Appointed on 1 June 2017
** Appointed on 1 February 2017
*** Appointed on 1 April 2018
**** Retired by rotation on 1 February 2017

## 6. DIRECTORS REMUNERATION (continued)

**Directors' share awards**

Details of each plan are disclosed in note 4. Non-Executive Directors are not entitled to participate in the Group's share award plan. The number of LTIP and SARS awarded to the Executive Director by the Company, are set out in the following tables:

| LTIP 2018 Ordinary shares | Opening balance | Allocated | Vested * | Forfeited | Total |
|---|---|---|---|---|---|
| LC Pouroulis | **-** | **72 594** | **-** | **-** | **72 594** |

* At 30 September 2018 these share have not been transferred to the Director yet.

| SARS 2018 Ordinary shares | Opening balance | Allocated | Vested | Forfeited | Total |
|---|---|---|---|---|---|
| LC Pouroulis | **-** | **72 594** | **-** | **-** | **72 594** |

## 7. ADMINISTRATIVE EXPENSES

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Directors remuneration (note 6) | **701** | 484 |
| Business development | **301** | - |
| Equity-settled share based payments | **18** | 604 |
| Audit* | **205** | 230 |
| Audit – other services** | **34** | - |
| Consulting and professional | **320** | 574 |
| Management and administration (note 21) | **1 806** | 1 598 |
| Impairment losses (note 11) | **16 300** | 152 |
| Impairment reversal (note 11) | **(16 154)** | - |
| Listing fees | **180** | 252 |
| Sundry expenses | **599** | 352 |
| | **4 310** | 4 246 |

* External audit services
** Other services paid to the former external auditor relates to tax and accounting services as approved by the Audit Committee.

## 8. FINANCE INCOME AND FINANCE COSTS

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Interest income | **10** | 6 |
| Finance income | **10** | 6 |
| | | |
| Net foreign currency losses | **(2 769)** | (231) |
| Bank charges | **-** | (8) |
| Finance costs | **(2 769)** | (239) |

## 9. TAX

| | 2018<br>US$'000 | 2017<br>US$'000 |
|---|---|---|
| Corporation tax – current year | **60** | 35 |
| Special contribution to the defence fund – current year | **2** | 1 |
| | **62** | 36 |

Current tax comprises corporation tax and special contribution for defence. Corporation tax is provided on the chargeable income of the Company at the rate of 12.5% (2017: 12.5%). Special contribution for defence is provided on passive interest at the rate of 30%. 100% of passive interest income is disallowed in the computation of chargeable income for corporation tax purposes (2017: 100%).

There were no significant timing differences between the carrying amounts of assets and liabilities and their tax bases, and as a result no provision for deferred tax has been made in the financial statements.

Tax losses are carried forward for a period of five years.

The tax on the Company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

| | 2018<br>US$'000 | 2017<br>US$'000 |
|---|---|---|
| Profit before tax | **24 162** | 15 141 |
| Tax calculated at the applicable tax rates | **3 020** | 1 893 |
| Tax effect of expenses not deductible for tax purposes | **879** | 526 |
| Tax effect of allowances and income not subject to tax | **(3 906)** | (2 423) |
| Recognition of deemed interest income for tax purposes | **69** | 40 |
| Tax charge | **62** | 36 |

## 10. LONG-TERM DEPOSITS

| | 2018 | 2017 |
|---|---|---|
| Long-term deposits | **-** | 2 267 |

The long-term deposit represented restricted cash which is designated as a 'debt service reserve account' as required by the terms of the Common Terms Agreement for the senior debt facility of Tharisa Minerals Proprietary Limited.

Effective 28 March 2018, the senior debt facility was settled in full and consequently the restricted cash was released and became available to the Company.

## 11. INVESTMENTS IN SUBSIDIARIES

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Unlisted ordinary shares | **8 184** | 9 522 |
| Unlisted preference shares | **317 696** | 306 980 |
| | **325 880** | 316 502 |

The following table contains the particulars of all direct subsidiaries of the Company. Unless stated otherwise, the class of shares is ordinary.

| Name | Country of establishment/ incorporation and operation | Principal activities | 2018 Holding % | 2017 Holding % | Date of incorporation/ establishment/ acquisition | Particulars of issued and paid up capital and other securities | Type of entity |
|---|---|---|---|---|---|---|---|
| Arxo Resources Limited | Cyprus | Selling and distribution of chrome products | 100 | 100 | 04/02/2011 | 1 ordinary share of EUR1 each | Limited liability company |
| Tharisa Minerals Proprietary Limited | South Africa | Mining of platinum group metals and chrome concentrates | 74 | 74 | 09/02/2009 | 370 ordinary shares of ZAR1 each and 2 632 redeemable preference shares of ZAR0.01 each | Limited liability company |
| Tharisa Investments Limited | Cyprus | Investment holding | 100 | 100 | 02/11/2010 | 15 025 class A shares of US$0.01 each | Limited liability company |
| Arxo Logistics Proprietary Limited | South Africa | Logistics operations | 100 | 100 | 01/03/2011 | 170 ordinary shares of ZAR1 each | Limited liability company |
| Tharisa Administration Services Limited | Cyprus | Management and administration services to other entities of the Group and of the Company | 100 | 100 | 31/05/2011 | 1 100 ordinary shares of US$1 each | Limited liability company |
| Arxo Finance Limited | Cyprus | Financing | 100 | - | 29/06/2018 | 1 000 ordinary shares of US$1 each | Limited liability company |
| Dinami Limited | Guernsey | Marketing of chrome products | 100 | 100 | 30/05/2013 | 1 000 ordinary shares of £1 each | Limited liability company |

## 11. INVESTMENTS IN SUBSIDIARIES (continued)

During the year ended 30 September 2018, the Company subscribed for 100 ordinary shares issued by Tharisa Investments Limited for a consideration of US$16.3 million. As part of the transaction, the outstanding balance payable to the Company by Tharisa Investments Limited amounting to US$16.2 million was settled by off setting an amount receivable from Tharisa Investments Limited, previously provided for. The impairment provision previously accounted for by the Company against the outstanding balance of US$16.2 million was reversed and a subsequent impairment was made against the acquisition cost of the investment in Tharisa Investments Limited of US$16.3 million.

As at 30 September 2018, unlisted ordinary shares include a credit amount of US$4.0 million (2017: US$2.6 million) that relates to share based payments granted to employees and other approved consultants of the Group. A credit amount of US$2.0 million (2017: US$1.5 million) relates to Tharisa Fujian Industrial Co., Limited, Braeston Corporate Consulting Services Proprietary Limited and Arxo Metals Proprietary Limited, which are indirect subsidiaries of the Company.

**Terms of preference shares of Tharisa Minerals Proprietary Limited**
The preference shares confer on the holder the right to receive out of distributable profits of the subsidiary a cumulative preferential cash dividend calculated at the rate of LIBOR + 1% pa, on the basis that it shall be due and payable annually on the dividend date (30 September) with the final preference dividend in respect of each preference share being due and payable on the date on which the preference shares are due. The preference dividend shall, in respect of each preference share which has not been redeemed, be declared and paid on each dividend date and will be calculated at the dividend rate on the subscription price. The redemption date is the earlier of the tenth business day after receipt by the preference shareholder of a written notice given by the subsidiary company, which notice the subsidiary company may give at any time, or the tenth business day after receipt by the subsidiary company of a written notice given by the preference shareholder, which the preference shareholder may give only after the third anniversary of the subscription date. Investments in such shares are treated by the Company as investments in preference shares of the subsidiary. The preference shares were subordinated in favour of the subsidiary's bank borrowings.

**Acquisition of 15% equity interest in Tharisa Investments Limited**
On 22 November 2011, the Company and Fujian Wuhang Stainless Steel Products Co. Ltd ('Fujian') signed an agreement, according to which Fujian transferred its 2 250 class A shares in Tharisa Investments Limited, representing 15% equity interest, to the Company. The consideration for this transfer was the par value of the shares transferred and a call option written by the Company which conferred to Fujian a right to purchase 15% of the equity capital of Tharisa Fujian Industrial Co., Ltd, a subsidiary of Tharisa Investments Limited, at Chinese Yuan Renminbi 100 any time after 31 December 2012.

## 12. INVESTMENT IN JOINT ARRANGEMENTS

The Company acquired 26.8% of the issued share capital of Karo Mining Holdings Limited ('Karo Holdings'), a company incorporated in Cyprus, for a total cash consideration of US$4.5 million from the Leto Settlement, a related party (refer to note 21).

Karo Holdings entered into an Investment Project Framework Agreement with the Republic of Zimbabwe in terms of which Karo Holdings, through any of its subsidiaries, has undertaken to establish, a platinum group metals mine, concentrators, smelters, a base metal and precious metals refinery as well as power generation capacity for the operations with surplus energy capacity made available to the Zimbabwe power grid (collectively referred to as 'the Project').

## 12. INVESTMENTS IN JOINT ARRANGEMENTS (continued)

Karo Holdings' principal place of business is in Cyprus. The table below details Karo Holdings' interest in subsidiaries as at 30 September 2018:

| Company name | Effective interest | Country of incorporation and principal place of business | Principal activity |
|---|---|---|---|
| Karo Zimbabwe Holdings (Private) Limited | 100% | Zimbabwe | Investment holding |
| Karo Platinum (Private) Limited* | 100% | Zimbabwe | Platinum mining |
| Karo Coal Mines (Private) Limited** | 100% | Zimbabwe | Coal |
| Karo Power Generation (Private) Limited** | 100% | Zimbabwe | Power generation |
| Karo Refinery (Private )Limited** | 100% | Zimbabwe | PGM smelting and refining |

* In terms of the Investment Project Framework Agreement, 50% of the shareholding in this company will transfer to an investment entity wholly-owned by the Republic of Zimbabwe.

** In terms of the Investment Project Framework Agreement, 25% of the shareholding in these companies will transfer to an investment entity wholly-owned by the Republic of Zimbabwe.

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| **Investment in Karo Holdings** | | |
| Shares acquired | **4 500** | - |
| **Summarised consolidated financial information of Karo Holdings** | | |
| **Summarised statement of financial position** | | |
| Non-current assets | **122** | - |
| Current assets | **3** | - |
| Non-current liabilities | **(264)** | - |
| Current liabilities | **(91)** | - |
| Net deficit (100%) | **(230)** | - |
| **Summarised statement of comprehensive income** | | |
| Operating expenses | **(290)** | - |
| Tax | **60** | - |
| Total comprehensive loss | **(230)** | - |

**Contingencies and commitments**

The Company has undertaken to provide funding up to US$8.0 million to Karo Holdings as a repayable debt facility. This will be utilised to undertake initial geological exploration and sampling work to determine a compliant mineral resource which will enhance the value of the investment in Karo Holdings.

**Unrecognised losses**

The Company has not recognised any cumulative losses in relation to its interest in Karo Holdings.

## 13. OTHER RECEIVABLES

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| **Non-current assets** | | |
| Loans receivable from related parties (note 21) | **7 946** | 10 225 |
| Receivables from related parties (note 21) | **192** | 234 |
| | **8 138** | 10 459 |
| **Current assets** | | |
| Loans receivable from related parties (note 21) | **200** | 322 |
| Dividends receivable (note 21) | **4 200** | 5 000 |
| Receivables from related parties (note 21) | **13 424** | 9 954 |
| Deposits and prepayments | **57** | 52 |
| | **17 881** | 15 328 |

The fair values of other receivables due within one year approximate their carrying amounts. The Directors are of the opinion that no allowance for credit losses in respect of other receivables is required.

The exposure of the Company to credit risk and impairment losses in relation to other receivables is reported in note 20 of the financial statements

## 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Balance at the beginning of the year | **49** | 43 |
| Fair value adjustment | **(10)** | 6 |
| Additions | **142** | - |
| Balance at the end of the year | **181** | 49 |
| | | |
| Shares in Bank of Cyprus Public Co Limited | **39** | 49 |
| Option to acquire shares in Salene Chrome Zimbabwe (Private) Limited | **142** | - |
| | **181** | 49 |

The financial assets at fair value through profit or loss represent shares in Bank of Cyprus Public Co Limited that are marketable securities and are valued at market value at the close of business on 30 September 2018 by reference to latest available stock exchange quoted bid prices and are subject to an impairment provision. Financial assets at fair value through profit or loss are classified as current assets because they are expected to be realised within twelve months from the reporting date.

The Company has been granted a call option to acquire a 90.0% shareholding in Salene Chrome Zimbabwe (Private) Limited ('Salene') a company incorporated in Zimbabwe. Salene has been awarded three special grants under the Zimbabwe Mines and Minerals Act covering an area of approximately 9 500 hectares (95 km²) on the eastern side of the Great Dyke in Zimbabwe, which entitles it to mine the minerals thereon including illuvial chrome, being at surface chrome fines generated from seams as a result of weathering. The call option is exercisable upon completion of an initial exploration programme. In consideration of the call option, the Company will undertake the initial exploration programme including the costs thereof. The decision to exercise the call option is at the Company's election.

At the date of this report, insufficient information was available to accurately determine the fair value of the call option, more specifically the value of the net assets of the special grants or the profits attributable thereto. The Company believes this may only be possible once the initial exploration programme has been completed. As a result, the option is stated at amortised cost.

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# NOTES TO THE FINANCIAL STATEMENTS
**for the year ended 30 September 2018**

## 15. CASH AND CASH EQUIVALENTS

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| Cash at bank | **1 556** | **3 023** |
| Bank deposits | **260** | **261** |
| | **1 816** | **3 284** |

As at 30 September 2018, US$0.3 million (2017: US$0.2 million) served as security against certain credit facilities of the Company and its subsidiaries.

## 16. SHARE CAPITAL AND RESERVES

**Share capital**

| | **30 September 2018 Number of Shares** | **US$'000** | 30 September 2017 Number of Shares | US$'000 |
|---|---|---|---|---|
| **Authorised – ordinary shares of US$0.001 each** | | | | |
| As at 30 September | **10 000 000 000** | **10 000** | 10 000 000 000 | 10 000 |
| **Authorised – convertible redeemable preference shares of US$1 each** | | | | |
| As at 30 September | **1 051** | **1** | 1 051 | 1 |
| **Issued** | | | | |
| **Ordinary shares** | | | | |
| Balance at the beginning of the year | **261 000 000** | **261** | 256 981 571 | 257 |
| Issued as part of management share award plans | **-** | **-** | 2 984 853 | 3 |
| Issued to treasury shares | **4 000 000** | **4** | 1 033 576 | 1 |
| Balance at the end of the year | **265 000 000** | **265** | 261 000 000 | 261 |
| **Treasury shares** | | | | |
| Balance at the beginning of the year | **987 274** | **1** | - | - |
| Issued | **4 000 000** | **4** | 1 033 576 | 1 |
| Transferred as part of management share award plans | **(889 703)** | **(1)** | (46 302) | - |
| Balance at the end of the year | **4 097 571** | **4** | 987 274 | 1 |
| **Issued and fully paid** | **260 902 429** | **261** | 260 012 726 | 260 |

**Share premium**

| | **30 September 2018 Number of Shares** | **US$'000** | 30 September 2017 Number of Shares | US$'000 |
|---|---|---|---|---|
| Balance at the beginning of the year | **260 012 726** | **280 082** | 256 981 571 | 456 181 |
| Capital reduction | **-** | **-** | - | (179 175) |
| Shares issued | **889 703** | **463** | 3 031 155 | 3 076 |
| Balance at the end of the year | **260 902 429** | **280 545** | 260 012 726 | 280 082 |

## 16. SHARE CAPITAL AND RESERVES (continued)

### Share capital

Allotments during the year were in respect of 4 000 000 (2017: 1 033 576) ordinary shares issued as treasury shares to satisfy the vesting of Conditional Awards and potential future settlement of Appreciation Rights of the participants' of the Tharisa Share Award Plan. Allotments during the previous year were in respect of the award of 2 984 853 ordinary shares granted in terms of the Share Award Plan (Conditional Awards) of the participants' of the Tharisa Share Award Plan.

During the year ended 30 September 2018, 889 703 (2017: 46 302) ordinary shares were transferred from treasury shares to satisfy the exercise of Appreciation Rights by the participants of the Tharisa Share Award Plan.

At 30 September 2018, 4 097 571 (2017: 987 274) ordinary shares were held in treasury.

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares, other than treasury shares, are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### Share premium

The share premium represents the excess of the issue price of ordinary shares over their nominal value, to the extent that it is registered at the Registrar of Companies in Cyprus, less share issue costs. The share premium is not distributable for dividend purposes.

During the year ended 30 September 2017, the share premium account was reduced by US$179.2 million with a corresponding increase in the retained earnings to reduce the accumulated losses to US$nil. The required Court Order was obtained on 8 March 2017 and filed at the Registrar of Companies on 9 March 2017.

The distribution during the year ended 30 September 2017 of US$2.6 million (US$ 1 cent per share) was approved by way of a Special Resolution on 1 February 2017. The Special Resolution was ratified by the Court Order on 8 March 2017.

During the years ended 30 September 2018 and 30 September 2017, the increases in the share premium account related to the issue and allotment of ordinary shares granted in terms of the Share Award Plan.

### Other reserve

Other reserve represents the discount between the fair value and the acquisition consideration paid at the time for the Company's 74.0% shareholding in Tharisa Minerals Proprietary Limited. The Company acquired the shares from its non-controlling shareholders and in accordance with the requirements of IAS 1, the gain on bargain purchase was recognised in equity.

### Retained earnings

The retained earnings includes the accumulated retained profits and losses of the Company and the share based payment reserve. Retained earnings are distributable for dividend purposes.

### Capital management

The Company's target is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business in a way that optimises the cost of capital and matches the current strategic business plan. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital. Capital is defined as total equity. Management is aware of the risks associated to capital management. Capital needs are monitored on a regular basis and whenever needed management takes steps in an attempt to effectively manage any corresponding risks.

## 17. OTHER PAYABLES

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Accruals | **197** | 890 |
| Other payables | **31** | 31 |
| Payables to related parties (note 21) | **2 000** | - |
| Loans payable to related parties (note 21) | **-** | 425 |
| Accruals to related parties (note 21) | **-** | 418 |
| Payables to other related parties (note 21) | **145** | 123 |
| | **2 373** | 1 887 |

The amounts above are payable within one year from the reporting period. The exposure of the Company to liquidity risk is disclosed in note 20.

## 18. CURRENT TAXATION

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Corporation tax | **68** | 35 |

The amounts above are payable within one year from the reporting period. The exposure of the Company to liquidity risk is disclosed in note 20.

## 19. DIRECTORS INTEREST IN STATED CAPITAL

| | 2018 % | 2017 % |
|---|---|---|
| LC Pouroulis | **0.11** | 0.11 |
| P Pouroulis | **2.74** | 2.75 |
| MG Jones | **0.08** | 0.08 |
| A Djakouris | **0.02** | 0.02 |
| C Bell | **0.01** | 0.01 |
| Total | **2.96** | 2.97 |

Where a member of the Board of Directors holds no direct or indirect interest, the director is not reflected in the table above.

At 30 September 2018 and the date of this report, conditional awards that vested on 30 June 2018 have not yet been transferred to the respective executive directors, refer to notes 4 and 6. The effective shareholding of the executive directors will change once the shares have been transferred.

There has been no change in the Director's interests in the share capital of the Company between the end of the financial year and the date of the approval of the financial statements.

## 20. FINANCIAL RISK MANAGEMENT

In the ordinary course of business the Company is exposed to credit risk, liquidity risk, and market risk. This note presents information about the Group's exposure to each of the above risks and its objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout this note.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

**Credit risk**
Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's financial assets. The most significant exposure of the Company to credit risk is represented by the carrying amount of receivables from related parties, loans receivable from related parties, long term deposits and cash and cash equivalents.

*Loans receivable from related parties and receivables from related parties*
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each party. However, management also considers the demographics of each party including the default risk of the industry and country in which they operate, as these factors may have an influence on credit risk. In monitoring credit risk, management reviews on a regular basis the ageing and the current and anticipated financial position and profitability of entities included in loans receivable from related parties and receivables from related parties. The Company establishes an allowance for credit losses that represents its estimate of incurred losses. The main component of this allowance is a specific loss component that relates to individually significant exposures. At the reporting date, the Board of Directors is of the opinion that other than the impairment made for the balance owing by Tharisa Investments Limited, none of the other carrying amounts of loans receivable from related parties and receivables from related parties are impaired.

*Cash and cash equivalents and long term deposits*
The Company limits its exposures on cash and cash equivalents and long term deposits by dealing only with well-established financial institutions of high quality credit standing. At the reporting date, the majority of the Company's cash resources was deposited with HSBC based in Hong Kong.

The maximum exposure to credit risk at the reporting date of the financial statements was:

| | **2018**<br>**US$'000** | 2017<br>US$'000 |
|---|---|---|
| Other receivables | **26 019** | 25 787 |
| Cash and cash equivalents | **1 816** | 3 284 |
| Long-term deposits | **-** | 2 267 |
| | **27 835** | 31 338 |

## 20. FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Management is aware of the above risk. Liquidity risk is monitored on a regular basis and management is taking steps deemed necessary in an attempt to manage the corresponding risk. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, financial risk management may not be possible for instances where weakened commodity prices exist, forecast production not being achieved and funding is not raised.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Equity price risk*

Equity price risk is the risk that changes in equity prices will affect the Company's income or the value of its investment holdings. The maximum exposure to equity price risk is represented by the carrying amount of investments in subsidiaries as disclosed in note 11 to the financial statements.

The Board of Directors has performed an impairment assessment of the investments in subsidiaries based on value in use calculation and has concluded that there are no immediate indications for impairment. This calculation uses discounted cash flows of the subsidiaries approved by management.

*Interest rate risk*

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates. Other than cash at bank which attracts interest at normal commercial rates, the Company has no other significant interest bearing financial assets. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. Management is aware of the above risk. Interest rate risk is monitored on a regular basis and management is taking steps deemed necessary in an attempt to manage the corresponding risk.

At the reporting date the interest rate profile of interest-bearing financial instruments were:

| | Effective interest rate | **2018 US$'000** | 2017 US$'000 |
|---|---|---|---|
| Variable rate instruments | Libor + 1% | **317 696** | 306 980 |

## 20. FINANCIAL RISK MANAGEMENT (continued)

**Market risk**

*Sensitivity analysis*

An increase of 100 basis points in interest rates at the reporting date would have increased equity and profit or loss by approximately US$3.2 million (2017: US$3.0 million). This analysis assumes that all other variables and in particular foreign exchange rates, remain constant. The analysis is performed on the same basis for 30 September 2017. A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

*Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the exchange rate movement in South African Rand ('ZAR'), British Pound ('GBP') and Euro ('€') against the US$. Management is aware of the above risk. Currency risk arising from currency fluctuations is monitored on a regular basis and management is taking steps deemed necessary in an attempt to manage the corresponding risk. In addition, financial risk management may not be possible for instances where weakened commodity prices exist, forecast production not being achieved and funding is not raised.

The following table details the Company's exposure at the end of the reporting period to currency risk arising from recognized assets and liabilities denominated in a currency other than the functional currency of the Company. For presentation purposes, the amounts of the exposure are shown in US$, translated using the spot rate at the reporting date. The spot rates used at the reporting date against the US$ are US$:ZAR, 14.14 (2017: 13.56); US$:EUR, 0.86 (2017: 0.85) and US$:STG, 0.77 (2017: 0.75).

| | **2018** | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **€** | **ZAR** | **GBP** | € | ZAR | GBP |
| Amounts in US$'000 | | | | | | |
| Financial assets at fair value through profit and loss | **39** | **-** | **-** | 49 | - | - |
| Other receivables | **5** | **15 381** | **20** | 4 | 12 363 | 22 |
| Cash and cash equivalents | **5** | **50** | **-** | 4 | 47 | 8 |
| Other payables | **(31)** | **(8)** | **(11)** | (835) | (590) | (2) |
| Current tax liabilities | **(68)** | **-** | **-** | (35) | - | - |
| | **(50)** | **15 423** | **9** | (813) | 11 820 | 28 |

*Sensitivity analysis*

A 10% strengthening of the US$ against the currencies disclosed in the previous table at 30 September 2018, would have increased/(decreased) equity and profit or loss by the amounts disclosed in the following table. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the US$ against the relevant currency, there would be an equal and opposite impact on the profit or loss and equity. The analysis was performed on the same basis for 2017.

## 20. FINANCIAL RISK MANAGEMENT (continued)

**Market risk (continued)**

| | Profit or loss | |
|---|---|---|
| | **2018** | 2017 |
| | **US$'000** | US$'000 |
| ZAR | **(1 402)** | (1 074) |
| € | **5** | 74 |
| STG | **(2)** | (2) |
| | **(1 399)** | (1 002) |

**Fair values**

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

**Fair value hierarchy**

The carrying value of the Company's financial instruments at fair value through profit or loss at the end of the reporting period across the three levels of the fair value hierarchy defined in IFRS 13, *Fair Value Measurement,* is represented by the carrying amounts of the financial assets at fair value through profit or loss and share based payment assets. The fair value is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets at fair value through profit or loss amounting to US$0.1 million (2017: US$0.1 million) are categorised as Level 1. Refer to note 21 for the valuations of the LTIP and SARS.

## 21. RELATED PARTY TRANSACTIONS

Related party transactions exist between shareholders, subsidiaries of the Company and its directors.

| | **2018** | 2017 |
|---|---|---|
| | **US$'000** | US$'000 |
| **Dividend income** (note 5) | | |
| Tharisa Minerals Proprietary Limited | **10 716** | 8 084 |
| Arxo Resources Limited | **8 600** | 4 000 |
| Dinami Limited | **11 925** | 7 500 |
| Tharisa Administration Services Limited | **-** | 30 |
| | **31 241** | 19 614 |
| **Management and administration fees** (note 7) | | |
| Tharisa Administration Services Limited | **138** | 133 |
| Tharisa Minerals Proprietary Limited | **119** | 68 |
| Braeston Corporate Consulting Services Proprietary Limited | **1 549** | 1 397 |
| | **1 806** | 1 598 |
| **Business development costs** | | |
| Salene Mining Proprietary Limited | **17** | - |

# NOTES TO THE FINANCIAL STATEMENTS
**for the year ended 30 September 2018**

## 21. RELATED PARTY TRANSACTIONS (continued)

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| **Receivables from related parties** (note 13) | | |
| **Non-current assets** | | |
| Tharisa Administration Services Limited | **92** | 138 |
| Tharisa Fujian Industrial Co., Limited | **100** | 96 |
| | **192** | 234 |
| **Current assets** | | |
| Tharisa Minerals Proprietary Limited | **6 365** | 4 467 |
| Braeston Corporate Consulting Services Proprietary Limited | **6 137** | 5 095 |
| Arxo Logistics Proprietary Limited | **510** | 392 |
| Arxo Metals Proprietary Limited | **70** | - |
| Arxo Resources Limited | **8** | - |
| Arxo Finance Limited | **2** | - |
| Karo Mining Holdings Limited | **40** | - |
| Karo Platinum (Private) Limited | **21** | - |
| Karo Zimbabwe Holdings (Private) Limited | **243** | - |
| Salene Chrome Zimbabwe (Private) Limited | **13** | - |
| Salene Mining Proprietary Limited | **15** | - |
| | **13 424** | 9 954 |

Receivables from related parties are unsecured, interest free and with no fixed repayment dates. The Company has issued financial support commitments to Tharisa Investments Limited, Tharisa Administration Services Limited and Tharisa Fujian Industrial Co., Limited confirming that it will not demand repayment of outstanding balances, until the entities are in a position to repay their balance.

Receivables from related parties include a share based payment asset of US$13.9 million (2017: US$10.4 million) for the reimbursement of the portion of the capital contribution for both the LTIP and SARS awards.

**LTIP**

| | **First tranche** | **Second tranche** | **Third tranche** |
|---|---|---|---|
| **Valuation of share award at grant date:** | | | |
| First issue – 2014 | R23.94 | R23.10 | R22.29 |
| Second issue – 2015 | R3.31 | R3.18 | R3.06 |
| Third issue – 2016 | R10.54 | R10.33 | R10.12 |
| Fourth issue – 2017 | R14.21 | R13.93 | R13.66 |
| Fifth issue - 2018 | R17.42 | R16.87 | R16.33 |

**SARS**

| | **First tranche** | **Second tranche** |
|---|---|---|
| **Valuation of share option at grant date:** | | |
| First issue – 2014 | R4.18 | R4.32 |
| Second issue - 2015 | R1.95 | R2.07 |
| Third issue – 2016 | R4.16 | R4.90 |
| Fourth issue – 2017 | R5.28 | R6.25 |
| Fifth issue - 2018 | R6.96 | R7.89 |

## 21. RELATED PARTY TRANSACTIONS (continued)

**Information on awards granted during the year**
Fair values were determined by a Black Scholes model for the LTIP awards and a Binomial tree model for the SARS awards. The inputs summarised in the following table were used for the fifth issue – 2018. The comparative inputs were used for the fourth issue:

| | **2018** | 2017 |
|---|---|---|
| Spot price | **R17.50** | R19.40 |
| Strike price | **R17.96** | R17.53 |
| Expected volatility | **65.00%** | 70.00% |
| Dividend yield | **3.25%** | 2.00% |
| The risk-free interest rate | **BESA curve** | Zero coupon swap curve |
| Forfeiture assumption | **5.00%** | 5.00% |

The expected volatility is based on historical share price data of the Company and similar companies in the mining sector incorporating a range of weekly and monthly volatilities over different maturities.

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| **Loans receivable from related parties** (note 13) | | |
| **Non-current assets** | | |
| Arxo Logistics Proprietary Limited | **6 000** | 8 000 |
| Braeston Corporate Consulting Services Proprietary Limited | **83** | 283 |
| Tharisa Minerals Proprietary Limited | **1 863** | 1 942 |
| | **7 946** | 10 225 |
| **Current assets** | | |
| Tharisa Minerals Proprietary Limited | **-** | 122 |
| Braeston Corporate Consulting Services Proprietary Limited | **200** | 200 |
| | **200** | 322 |

The loan receivable from Arxo Logistics Proprietary Limited is unsecured, interest free, and is repayable by 31 December 2020.

The current and non-current receivable from Braeston Corporate Consulting Services Proprietary Limited is unsecured, interest free and is repayable in 36 monthly instalments that commenced on 31 March 2017.

The non-current loan receivable from Tharisa Minerals Proprietary Limited is unsecured, interest free and is repayable by 31 December 2019. The loan has been subordinated in favour of Tharisa Minerals Proprietary Limited's lenders.

The current loan receivable from Tharisa Minerals Proprietary Limited was unsecured, interest free and was repaid in full during the year ended 30 September 2018.

**21. RELATED PARTY TRANSACTIONS (continued)**

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| **Dividends receivable** (note 13) | | |
| Dinami Limited | **4 200** | 4 000 |
| Arxo Resources Limited | **-** | 1 000 |
| | **4 200** | 5 000 |

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| **Payables to related parties** (note 17) | | |
| Leto Settlement | **2 000** | - |

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| **Loans payable to related parties** (note 17) | | |
| Dinami Limited | **-** | 425 |

The loan facility which was for a maximum of US$3 million was unsecured, interest free and was paid in full during the year ended 30 September 2018.

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| **Accrued expenditure to related parties** (note 17) | | |
| Braeston Corporate Consulting Services Proprietary Limited | **-** | 395 |
| Tharisa Minerals Proprietary Limited | **-** | 23 |
| | **-** | 418 |

| | **2018 US$'000** | 2017 US$'000 |
|---|---|---|
| **Payables to other related parties** (note 17) | | |
| A Djakouris | **22** | 21 |
| JD Salter | **31** | 30 |
| OM Kamal | **16** | 16 |
| C Bell | **25** | 26 |
| J Ka Ki Cheng | **11** | 11 |
| R Davey | **21** | 19 |
| ZL Hong | **19** | - |
| | **145** | 123 |

## 21. RELATED PARTY TRANSACTIONS (continued)

**Guarantees and financial support commitments to related parties**

The Company has issued the following guarantees with regards to related parties:

Effective 28 March 2018, Tharisa Minerals Proprietary Limited concluded the ZAR800 million Facilities which comprises of:

- a three year senior secured amortising term loan of ZAR400 million ('Term loan'),
- a three year secured committed revolving facility of ZAR300 million ('Revolving facility');and
- an overdraft facility of ZAR100 million ('Overdraft').

The Facilities are guaranteed by the Company.

The Company issued guarantees limited to US$12.5 million (2017: US$12.5 million) and US$20.0 million (2017: no guarantee) as securities for trade finance facilities provided by two banks to Arxo Resources Limited.

The Company issued a guarantee to ABSA Bank Limited which guarantees payment of certain liabilities of Arxo Logistics Proprietary Limited to Transnet amounting to ZAR19.4 million.

The Company has issued financial support commitments to its subsidiaries, Tharisa Investments Limited and Tharisa Fujian Industrial Co. Ltd, confirming that it will continue to provide funding to the companies in order to enable the entities to continue as going concerns and meet all their liabilities as they fall due.

Tharisa Minerals Proprietary Limited entered into an equipment loan facility of US$25.0 million with Caterpillar Financial Services Corporation. The equipment loan facility is secured by a first notarial bond over the equipment and is guaranteed by the Company.

The Company guarantees performance of payment due from time to time between a third party supplier and Tharisa Minerals Proprietary Limited for the supply and sale of mining materials.

The Company and Arxo Metals Proprietary Limited jointly indemnify a third party for any claims which may result from negligence or breach in terms of the plant operating agreement between Arxo Metals Proprietary Limited and the third-party.

During the year ended 30 September 2018, the Company has guaranteed to fund the initial exploration, feasibility and development of the Karo Mining Holdings Limited projects in Zimbabwe up to an amount not exceeding US$8.0 million.

**21. RELATED PARTY TRANSACTIONS (continued)**

**Relationship between related parties and entities**

A Djakouris, JD Salter, OM Kamal, C Bell, J Ka Ki Cheng and R Davey were directors of the Company during the year ended 30 September 2018. ZL Hong was appointed as a non-executive director on 1 April 2018.

Tharisa Minerals Proprietary Limited, Dinami Limited, Arxo Logistics Proprietary Limited, Tharisa Investments Limited and Tharisa Administration Services Limited are subsidiaries of the Company. Braeston Corporate Consulting Services Proprietary Limited, Arxo Metals Proprietary Limited and Tharisa Fujian Industrial Co., Limited are indirect subsidiaries of the Company.

The Leto Settlement is the beneficial shareholder of Medway Developments Limited, a material shareholder in the Company.

Karo Mining Holdings Limited is an associate of the Company. The Company owns 26.8% of the issued share capital of Karo Mining Holdings Limited. Karo Mining Holdings Limited owns 100% of the issued share capital of Karo Zimbabwe Holdings (Private) Limited and Karo Platinum (Private) Limited.

Salene Chrome Zimbabwe (Private) Limited is a company that is owned by the Leto Settlement Trust.

**22. CONTINGENT LIABILITIES**

As at 30 September 2018, there is no litigation (2017: no litigation), current or pending, which is considered likely to have a material adverse effect on the Company. The Company had no other contingent liabilities at 30 September 2018 (2017: no contingent liabilities).

**23. EVENTS AFTER THE REPORTING PERIOD**

On 26 November 2018, the Board has proposed a final dividend of US$ 2 cents per share, subject to the necessary shareholder approval at the Annual General Meeting.

The Board of Directors is not aware of any matter or circumstance arising since the end of the financial year that will impact these financial results.

**24. DIVIDENDS AND CAPITAL DISTRIBUTION**

During the year ended 30 September 2018, the Company declared and paid a final dividend of US$ 5 cents per share in respect of the year ended 30 September 2017.

During the year ended 30 September 2018, an interim dividend of US$ 2 cents per share was declared and paid. On 26 November 2018, the Board has proposed a final dividend of US$ 2 cents per share with respect to the year ended 30 September 2018. The proposed dividend is subject to shareholder approval at the Annual General Meeting.

A capital distribution of US$2.6 million (US$ 1 cent per share) was declared as a reduction of share premium during the year ended 30 September 2017.