

tharisa

ANNUAL RESULTS
for the year ended 30 September 2018

Discover Develop Deliver



HIGHLIGHTS

RECORD PRODUCTION YEAR
FOR ALL PGM AND CHROME
PRODUCTS

FREE CASH FLOW PER SHARE
US\$ 18.9 cents
(FY2017: US\$ 19.0 cents)

REEF MINED

4.9 Mt

down 3.0%
(2017: 5.0 Mt)

PGM PRODUCTION

(5PGE+Au)

152.2 koz

up 6.0%
(2017: 143.6 koz)

CHROME CONCENTRATE PRODUCTION

1.4 Mt

up 8.8%
(2017: 1.3 Mt)

REVENUE

US\$406.3 m

up 16.3%
(2017: US\$349.4 m)

OPERATING PROFIT

US\$72.5 m

down 26.3%
(2017: US\$98.4 m)

EBITDA

US\$101.9 m

down 11.8%
(2017: US\$115.6 m)

PROFIT BEFORE TAX

US\$65.0 m

down 28.6%
(2017: US\$91.0 m)

HEADLINE EARNINGS PER SHARE

US\$ 19 cents

down 13.6%
(2017: US\$ 22 cents)

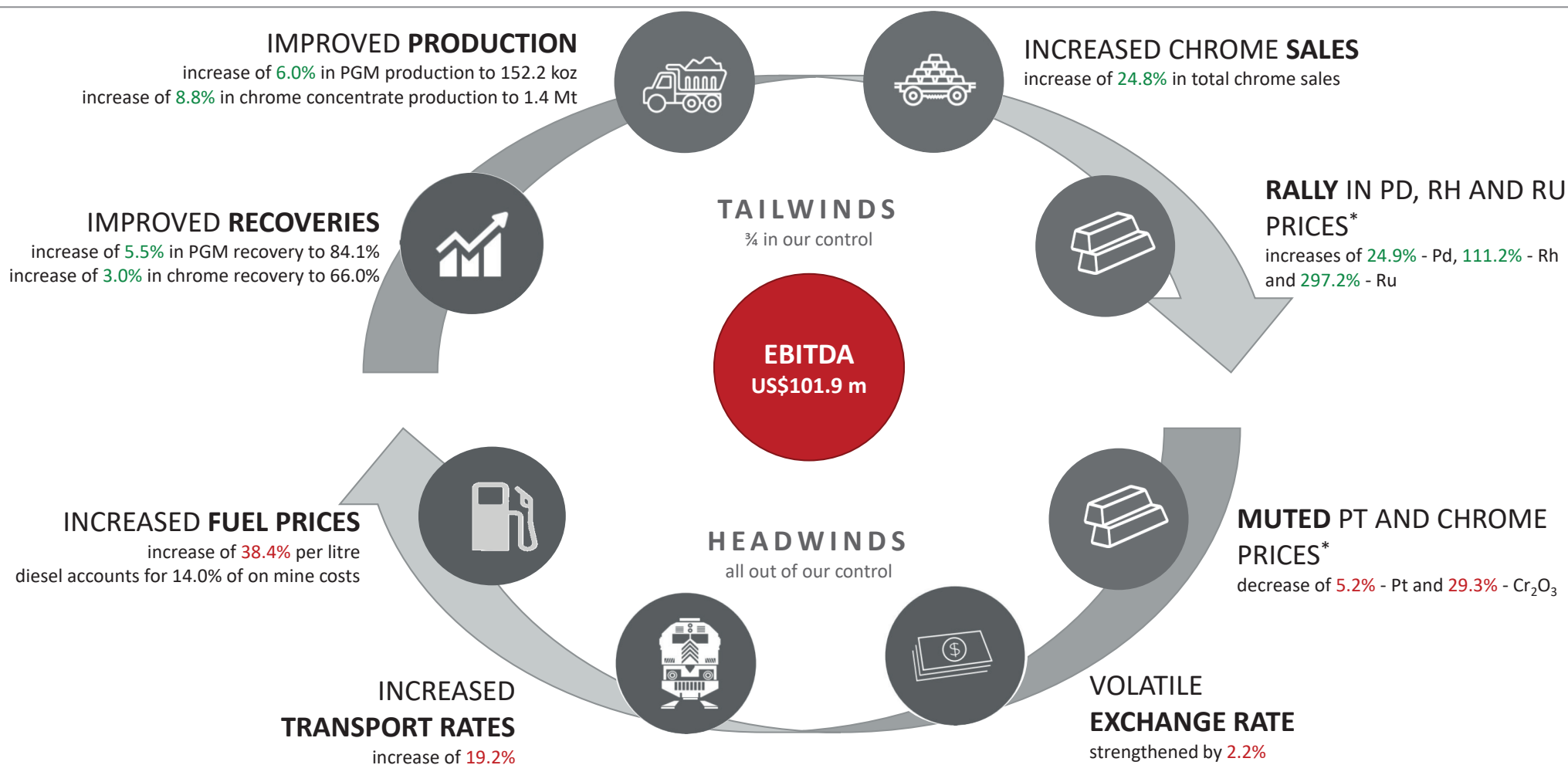
PROPOSED TOTAL DIVIDEND*

US\$ 4 cents

20.5% of NPAT
(2017: US\$ 5 cents)
Interim dividend of US\$ 2 cents and final dividend of US\$ 2 cents

SECURED OPTIONALITY IN TWO EXPLORATION PROJECTS ON MINERAL RICH GREAT DYKE

FY2018 IN REVIEW



SAFETY AND SUSTAINABILITY

TWO YEAR WAGE AGREEMENT
CONCLUDED WITH AMCU

BEST IN CLASS AWARD AT
MINESAFE

4 000 FATALITY FREE
PRODUCTION SHIFTS

0.18

LTIFR
LOST TIME INJURY FREQUENCY RATE

3

YEARS FATALITY FREE

2

SAFETY AWARDS

4

ENGINEERING LEARNERSHIPS

21

INTERNS AND GRADUATES

82

ADULT EDUCATION AND TRAINING LEARNERS



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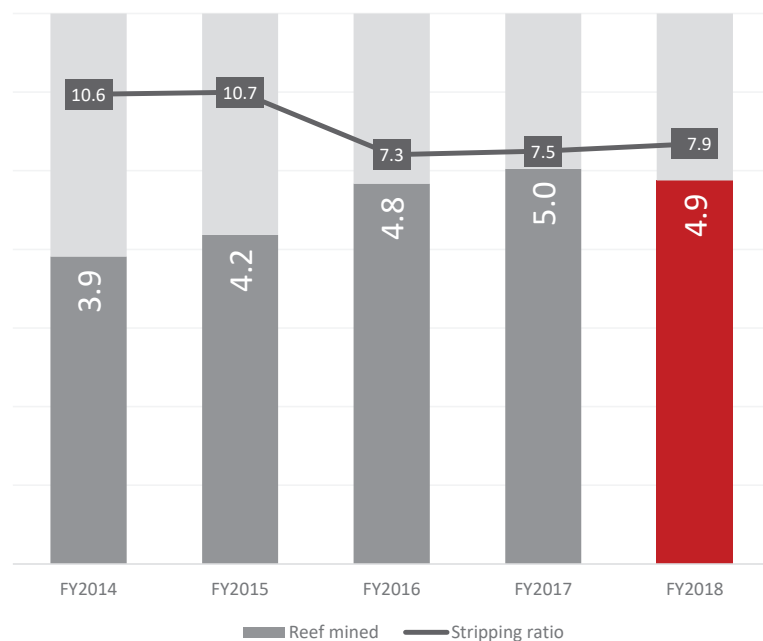


PRODUCTION - MINING

LOM OPEN PIT STRIPPING RATIO
9.5 m³:m³
 (FY2017: 9.6 m³:m³)

REEF MINED

[Mtpa]

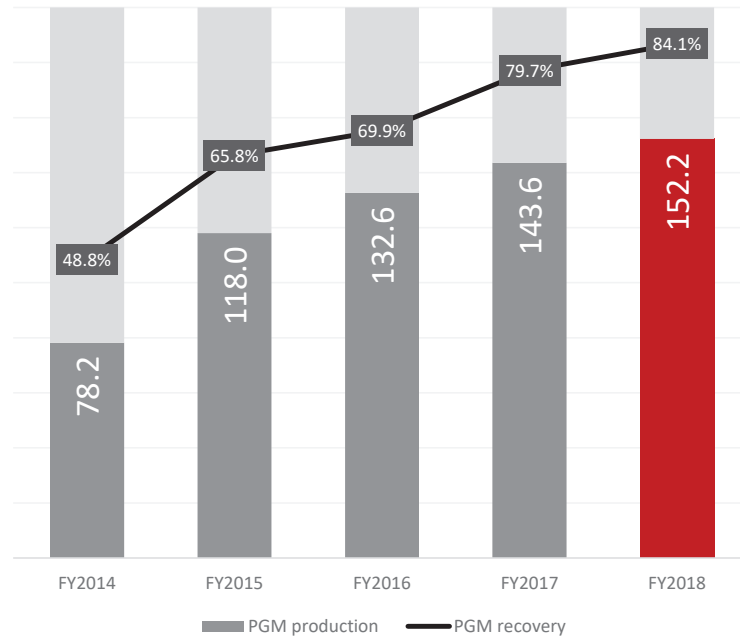


- Reef mined decreased by 3.0% from FY2017
- Stripping ratio improved year on year
- Comprehensive maintenance programme implemented to return fleet to OEM standards, which reduced availability in FY2018
- Fleet capable of moving +1.3 Mm³ of waste per month and +430 ktpm of reef
- Transitioning to 24 hour, four shift operations, which will increase production capability by approximately 15%
- FY2019 will focus on improving efficiencies in drill and blast operations

PRODUCTION - PGM

PGM PRODUCTION

[kozpa]



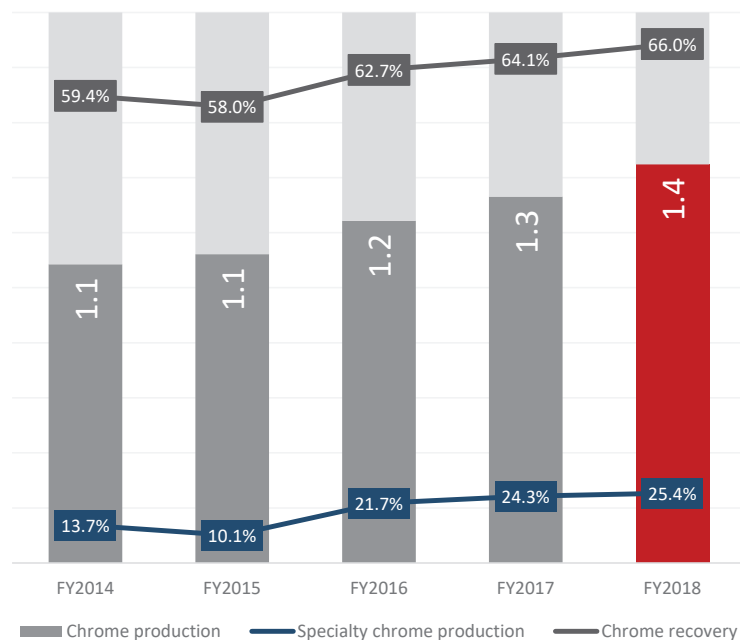
- PGM production increased by 6.0% to 152.2 koz
- PGM rougher feed grade of 1.51 g/t (FY2017: 1.56 g/t)
- Improved recoveries by 5.5% to 84.1%, against a target of 80.0%
- Phase 1 of PGM optimisation implemented at the Voyager Plant
- Phase 2 of PGM optimisation to be implemented in FY2019



PRODUCTION - CHROME

CHROME PRODUCTION

[Mtpa]



- Chrome concentrate production increased by 8.8% to 1.4 Mt
- Cr₂O₃ ROM grade of 18.2% (FY2017: 17.8%)
- Chrome recoveries improved by 3.0% to 66.0%, above the target of 65.0%
- Specialty grade chrome concentrate production increased by 13.8% to 367.7 kt



SALES

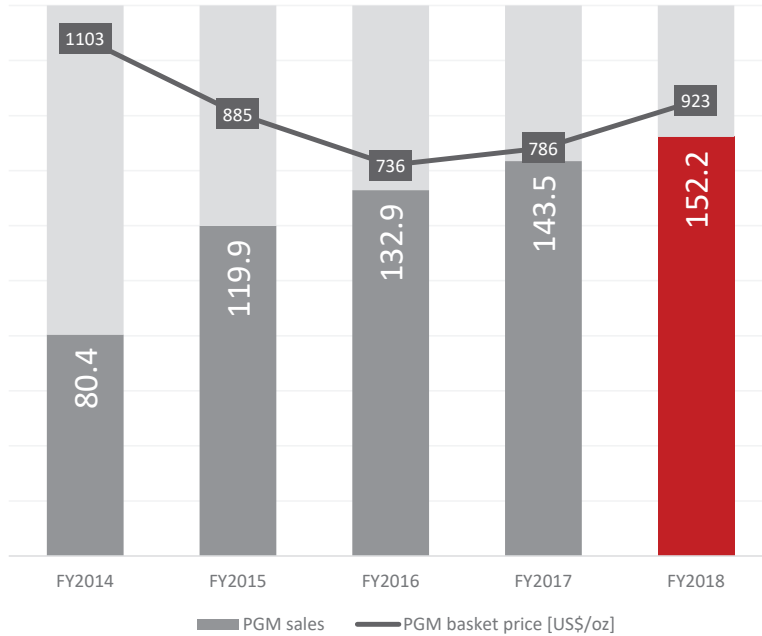
PGM BASKET PRICE
US\$923/oz **↑17.4%**
 (FY2017: US\$786/oz)

42% CHROME CIF PRICE
US\$186/t **↓7.0%**
 (FY2017: US\$200/t)

SPECIALTY GRADE PRODUCTION
367.7 kt **↑13.8%**
 (FY2017: 323.1 kt)

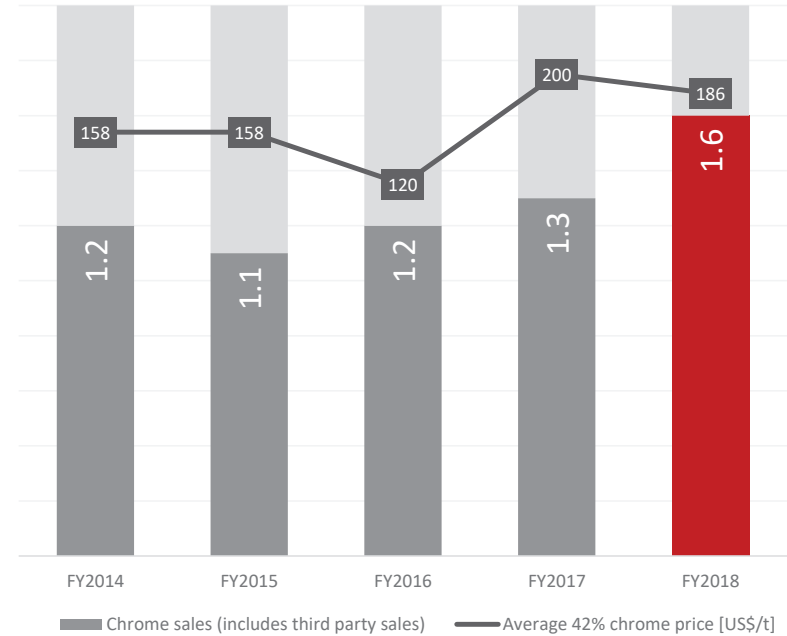
PGM CONCENTRATE SALES

[kozpa]



CHROME CONCENTRATE SALES

[Mtpa]

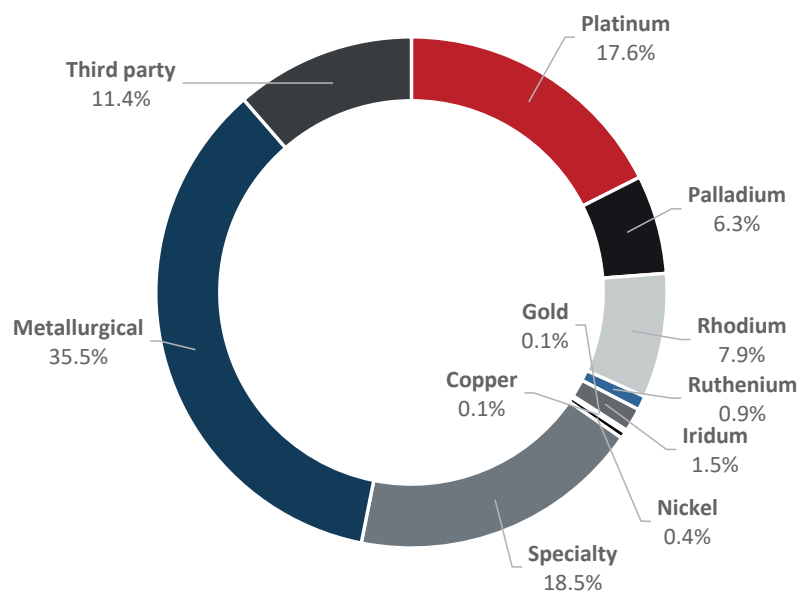


PRODUCT AND REVENUE DIVERSIFICATION

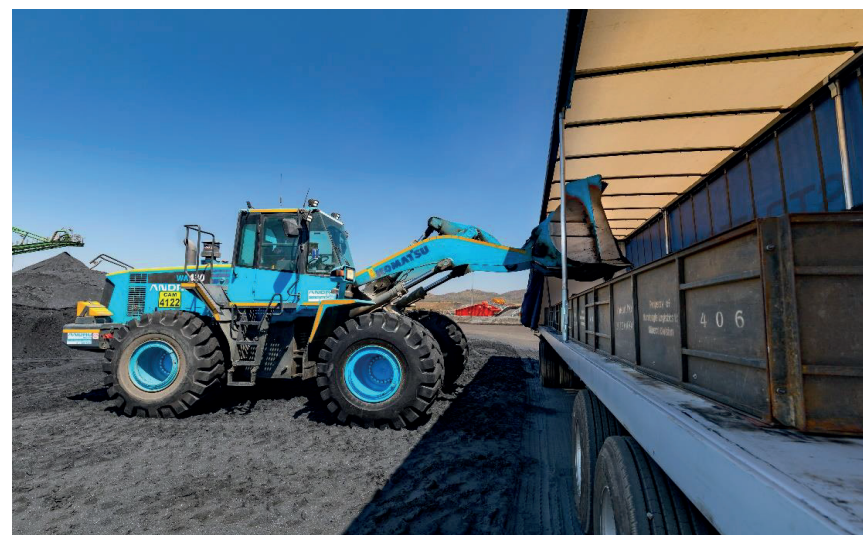
REVENUE
US\$406.3 m ↑16.3%
(FY2017: US\$349.4 m)

REVENUE CONTRIBUTION

EX WORKS BASIS



- Leverage business model through trusted supply chain
- Direct relationships with customers and end users
- Diversified customers for our products
- Geographic customer spread extends beyond Asia



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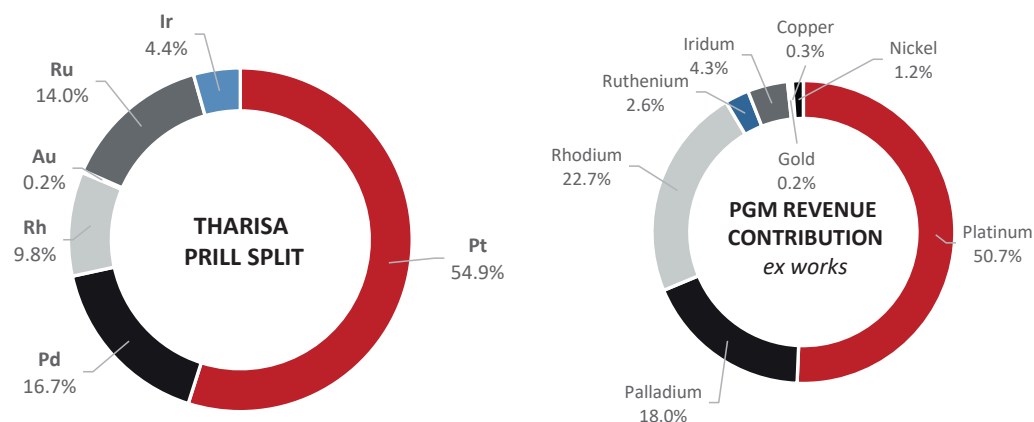
MARKETS

Discover *Develop* *Deliver*

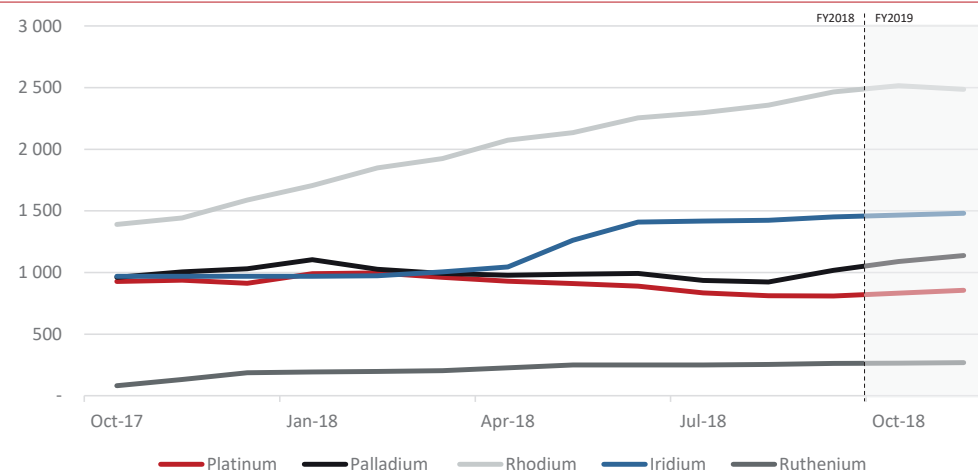
PGM MARKET

PGM DEMAND AND SUPPLY

- Vital industrial metals largely used in automotive catalytic converters, other drivers of demand include jewellery, industrial uses and investment
- Platinum demand is expected to marginally weaken in 2018, while forecast demand for palladium and ruthenium is set to increase
- Further advances in the deployment of fuel cell technologies are likely to see a rise in platinum demand
- Increased promotion of platinum jewellery in China



MARKET PRICES



CHANGE IN AVERAGE MARKET PRICE FROM FY2017 TO FY2018

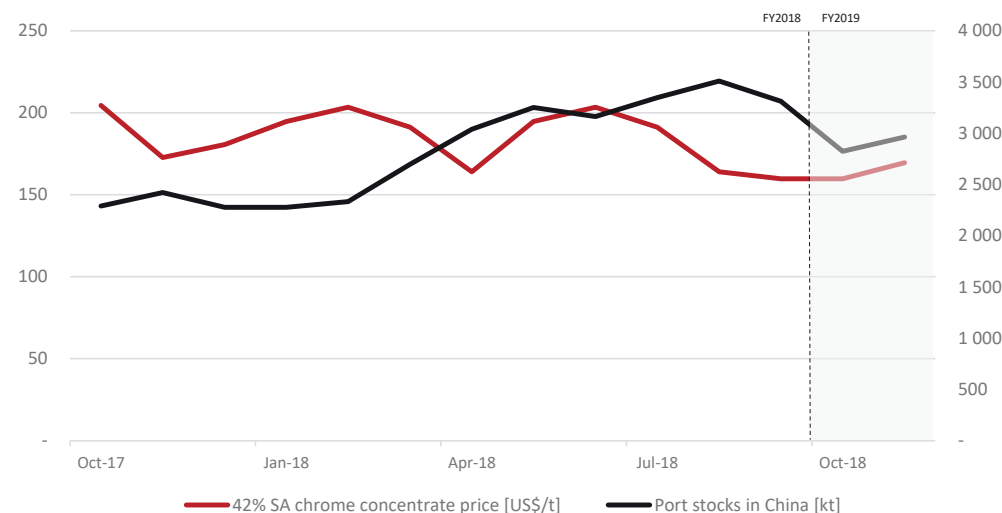
Platinum	↓5.2%
Palladium	↑24.9%
Rhodium	↑111.2%
Iridium	↑40.9%
Ruthenium	↑297.2%

CHROME MARKET

DEMAND AND SUPPLY

- Demand for metallurgical grade chrome concentrate is mainly driven by its use in the manufacture of stainless steel
- China is wholly dependent on imports of chrome ores
- Spot chrome prices traded between US\$156/t and US\$240/t, current market pricing is US\$165/t
- Chrome stocks at Chinese ports remain below the 3.0 Mt mark at 2.8 Mt – almost two and half months' supply
- Indonesian installed annual stainless steel melt capacity of 2.0 Mt, with a further 1.0 Mt being brought online

MARKET PRICES AVERAGE MONTHLY



CHEMICAL GRADE
 Cr_2O_3 – 45% to 47%
 SiO_2 <1.2%
 Used to produce sodium dichromate used in leather tanning, pigments and plating

FOUNDRY GRADE
 Cr_2O_3 >46%
 SiO_2 <1.0%
 Used in moulds for metal castings and nozzle sands



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FINANCIAL REVIEW

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FY2018 THEMES



HEALTHY MARGINS



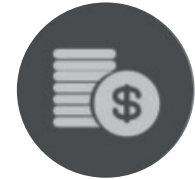
**WELL STRUCTURED
BALANCE SHEET**



**STRONG CASHFLOW
GENERATION**



**DISCIPLINED CAPITAL
ALLOCATION**

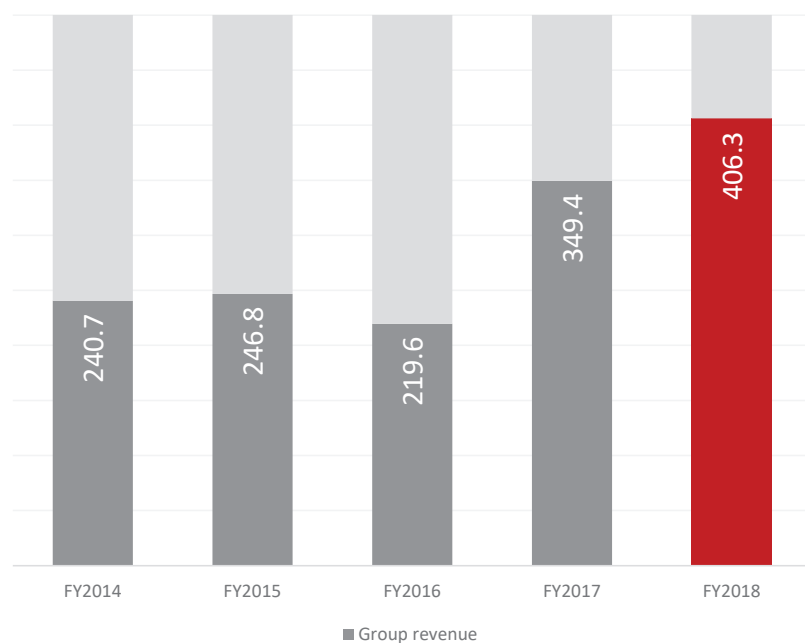


DIVIDEND PAYER

REVENUE

GROUP REVENUE

[US\$ million]



- Higher sales volumes for both PGM and chrome concentrates
- Increase in specialty grade chrome concentrate sales +US\$50/t premium on an equivalent CIF basis
- PGM basket price increased to US\$923/oz
- Third party agency and trading – first full year
- Decrease in chrome concentrate prices at US\$186/t

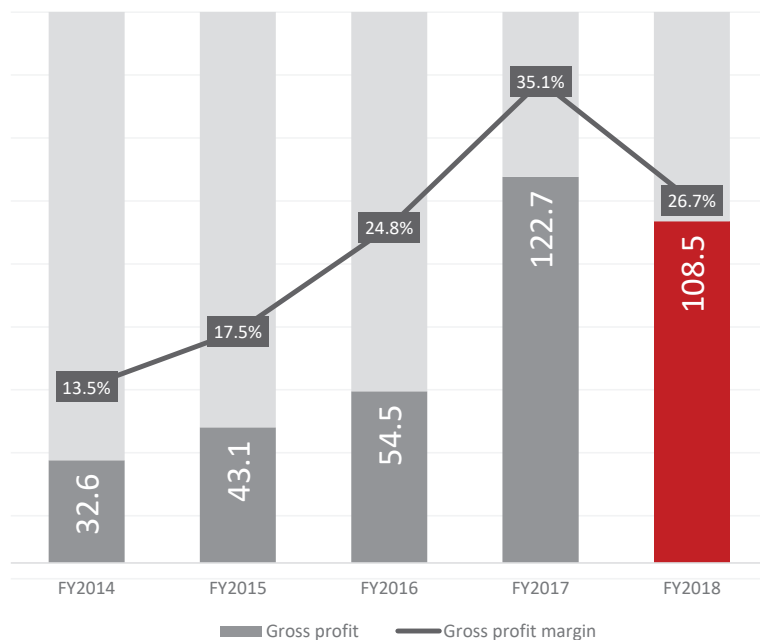
The Group has early adopted:

- > IFRS 9 – Financial instruments
- > IFRS 15 – Revenue from contracts with customers
- > IFRS 16 – Leases

GROSS PROFIT

GROSS PROFIT

[US\$ million]

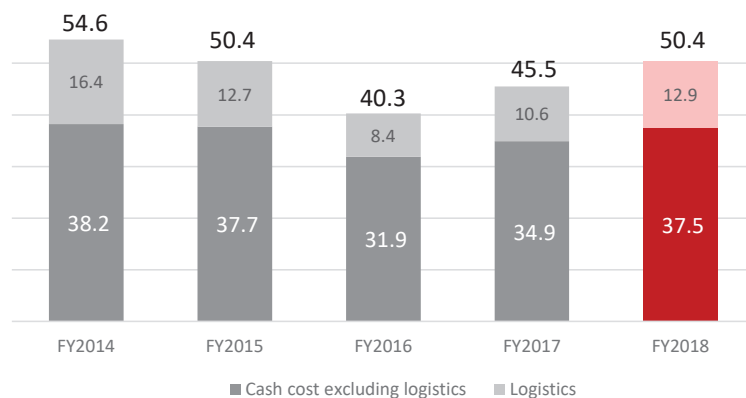


Segmental analysis	FY2018			FY2017		
	PGMs	Chrome	Agency and trading	PGMs	Chrome	Agency and trading
Revenue	117.4	250.4	38.5	90.9	252.9	5.6
Gross profit	29.2	75.7	3.6	36.2	86.2	0.3
Gross profit margin	24.9%	30.2%	9.4%	39.8%	34.1%	5.4%
Sales volume	152.2 koz	1.4 Mt		143.5 koz	1.3 Mt	
Shared cost allocation	50.0%	50.0%		35.0%	65.0%	

COSTS

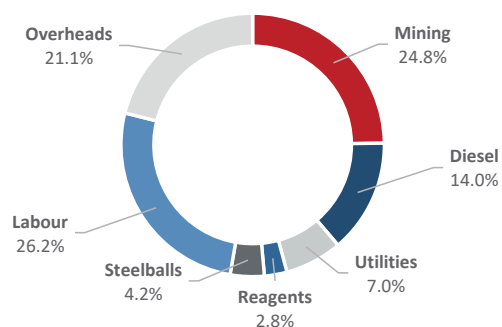
CONSOLIDATED CASH COST PER TONNE MILLED

[US\$/t milled]



- Consolidated cash cost per tonne milled including logistics increased by 10.8% from FY2017
- Mining inflationary cost pressures:
 - South African PPI +6.2%
 - Increase in fuel prices +38.4%
 - Increase in transport costs +19.2%
 - Volatile ZAR:US\$ exchange rate – strengthened by 2.2%
- Increase in administration costs due to transition to owner mining and associated costs (safety, training, time and attendance, procurement, human resources)

OPERATING COST ANALYSIS – EX WORKS



By product basis – Tharisa production		FY2018	FY2017
All in sustaining cost per Pt ounce	US\$/oz	125.3	(296.1)
All in sustaining cost per 42% chrome tonne	US\$/t	117.4	114.0

Mining costs		FY2018	FY2017
Mining cost per cube	US\$/m ³	8.2	7.9
Mining cost per reef tonne	US\$/t	21.0	18.8

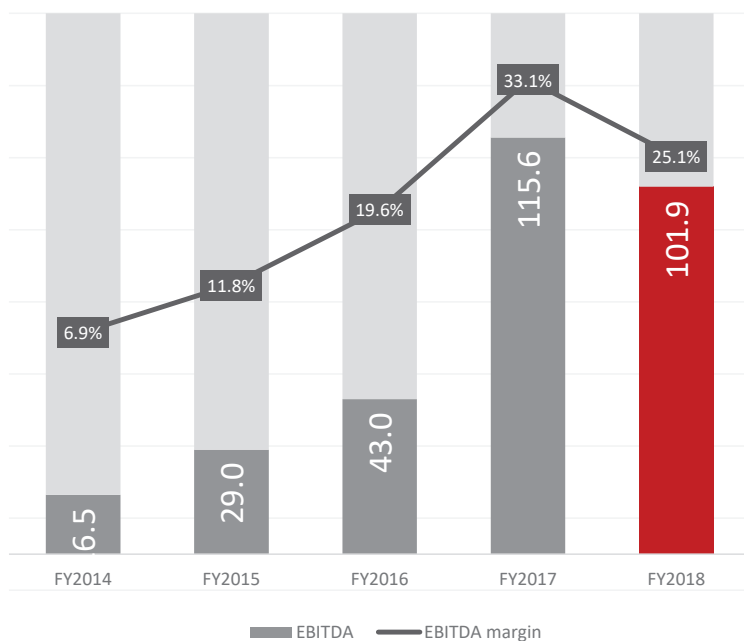
RESILIENT BUSINESS MODEL BENEFITING FROM IMPROVED PRODUCTION VOLUMES AND RECOVERIES

PROFITABILITY

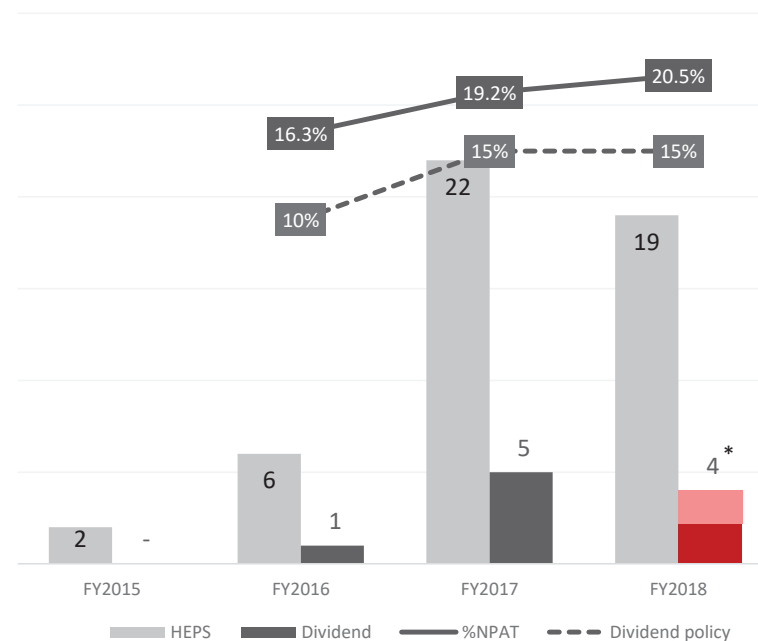
NET PROFIT BEFORE TAX
US\$65.0 m
 (FY2017: US\$91.0 m)

NET PROFIT AFTER TAX
US\$51.0 m
 (FY2017: US\$67.7 m)

EBITDA [US\$ million]



HEPS AND DIVIDENDS [US\$ cent]



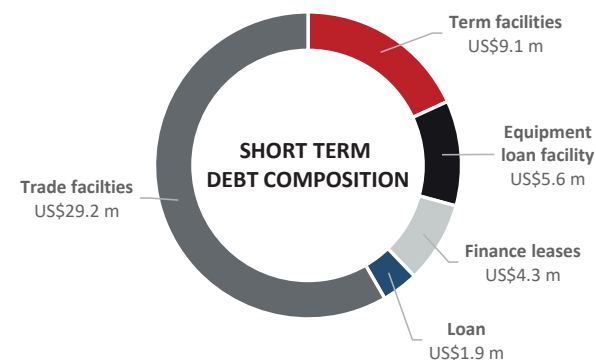
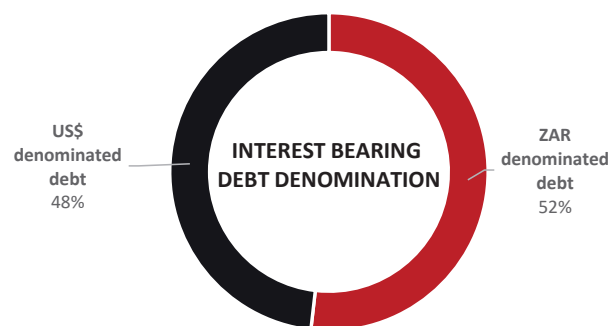
US\$ millions	FY2016	FY2017	FY2018
Dividend payment	2.6	13.0	10.4

*Includes interim dividend of US\$ 2 cents

BALANCE SHEET

US\$ millions	FY2018
Total interest bearing debt	77.4
Long term	27.3
Short term	50.1
Cash and cash equivalents	66.8
Debt to total equity ratio	25.8%
Net debt	10.6
Net debt to total equity ratio	3.3%
Net current assets	91.7
Cost of capital (real)	8.0%
Return on equity	14.9%

- Refinanced senior debt facility
- Redeemed B Class preference shares
- Term loan and normal corporate facilities
- OEM financing facilities
- Trade finance facilities

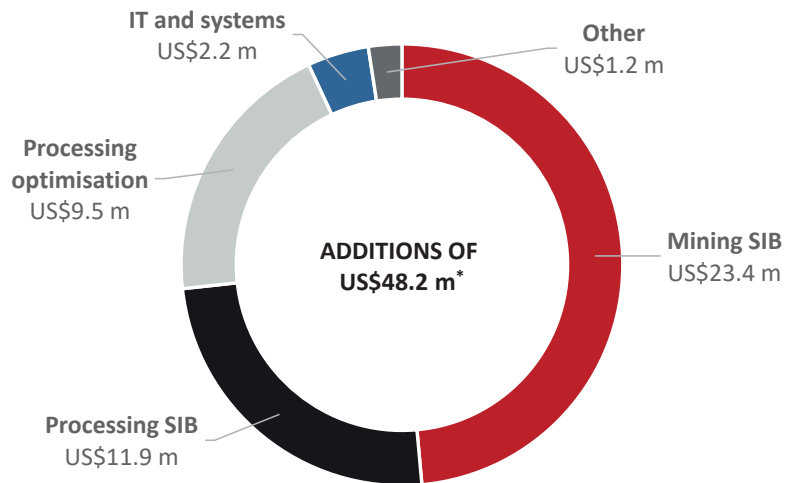


INVESTMENTS

PURCHASE OF MINING FLEET
US\$29.9 m

DEPRECIATION
US\$29.9 m

CAPITAL



Investments:

- Karo Mining Holdings 26.8% investment of US\$4.5 million – equity accounted and commitment for exploration programme of US\$8.0 million
- Salene Chrome 90% option – accounted for as “other financial asset”; commitment for exploration programme of US\$3.2 million

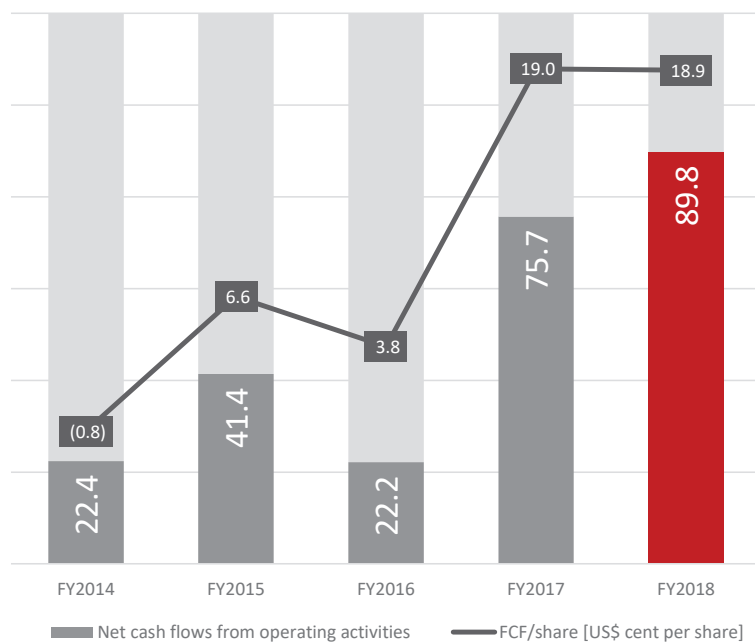


* Including right of use assets (i.e leases)

CASH FLOWS

NET CASH FLOWS FROM OPERATING ACTIVITIES

[US\$ million]



US\$ millions	FY2018
Cash flow from operating activities	89.8
Investing cash flows	(60.4)
Additions to PPE	(40.5)
Net business combination	(21.8)
Financing cash flows	(11.5)
Net increase in cash	17.9
Cash at the end of the period	66.8
Free cash flow per share (US\$ cents)	18.9

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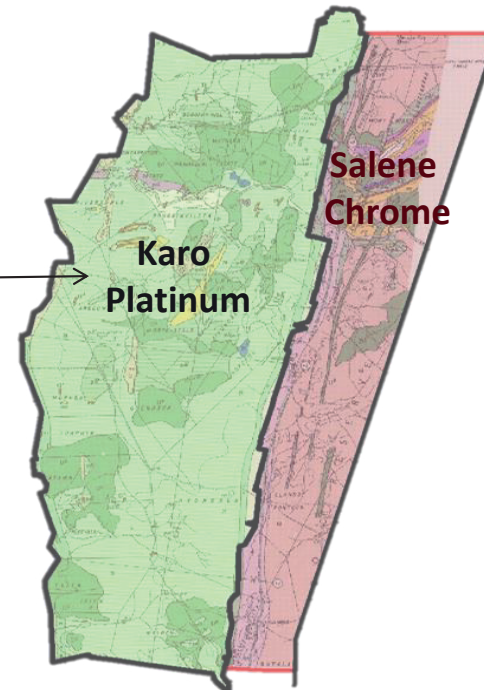
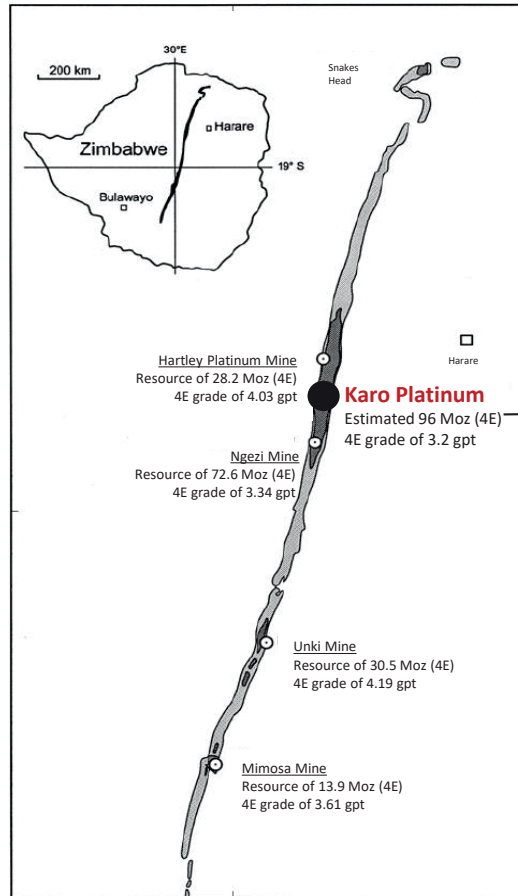


DIVERSIFICATION
FROM SINGLE ASSET

HIGHLY
PROSPECTIVE
AREA

MINERAL RICH
GEOGRAPHY

LARGE SCALE



PRODUCT
EXPANSION

FURTHER
GROWTH
OPPORTUNITIES

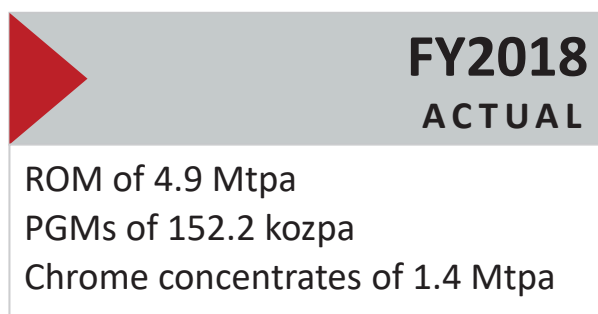
STRONG
CASH GENERATION
POTENTIAL

LOW COST
PRODUCTION

Source: https://www.researchgate.net/figure/Generalized-geology-of-the-Great-Dyke-and-locations-of-platinum-mines-and-prospects_fig1_235917128 and Company Data

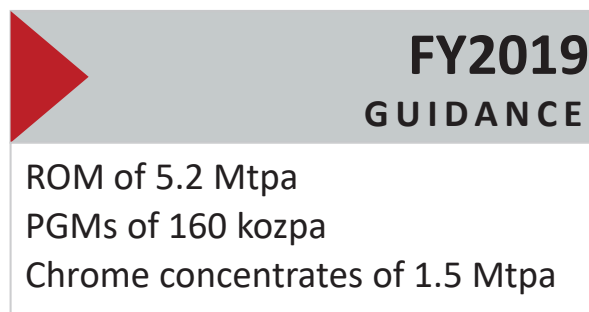
DEVELOPMENT PERMITS AWARDED





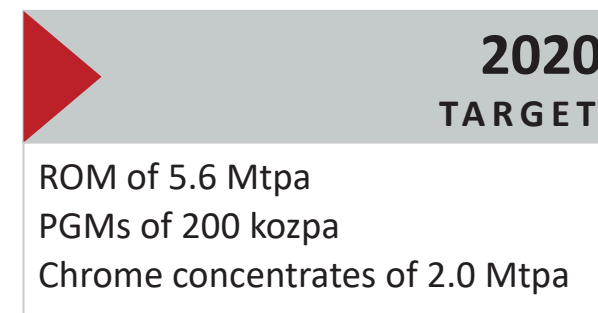
FY2018
ACTUAL

ROM of 4.9 Mtpa
PGMs of 152.2 kozpa
Chrome concentrates of 1.4 Mtpa



FY2019
GUIDANCE

ROM of 5.2 Mtpa
PGMs of 160 kozpa
Chrome concentrates of 1.5 Mtpa



2020
TARGET

ROM of 5.6 Mtpa
PGMs of 200 kozpa
Chrome concentrates of 2.0 Mtpa

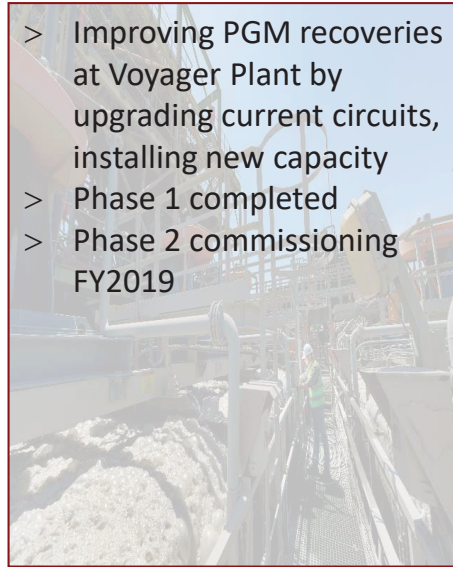
GRADE IMPROVEMENT

- > Opening full mining strike length
- > Maintain correct multi-reef layer profile
- > Culture of continuous improvement
- > Ensure stable feed grades for processing



PGM OPTIMISATION

- > Improving PGM recoveries at Voyager Plant by upgrading current circuits, installing new capacity
- > Phase 1 completed
- > Phase 2 commissioning FY2019



FOURTH STAGE CRUSHING

- > Additional crushing circuit at Genesis Plant to increase plant throughput
- > Commissioned post FY2018



VULCAN PLANT

- > Fine chrome recovery plant
- > Proprietary process developed by Arxo Metals
- > DFS completed
- > FEED has commenced



- Successfully increasing the metal recoveries at the Genesis and Voyager Plants through continuous improvement
- The development of the Challenger Plant to recover specialty grade chrome concentrates
- Commissioning of 1 MW PGM DC smelter and first production of PGM rich alloy
- Development of the Vulcan fine chrome recovery process and commissioning of a demonstration plant
- Collaboration with North West University on various R&D projects

Development of our **beneficiation** capabilities

Development of **niche products** from our minerals

Development of **new markets** and uses



DELIVERING ON OUR STRATEGY

DELIVER

LEADING NATURAL RESOURCES GROUP

Globally significant, diversified low cost operations

INNOVATION

Innovative research and development feeding organic growth

OPTIMISATION INITIATIVES

Maximise value extraction through process engineering

LEVERAGING EXISTING PLATFORMS

Marketing, sales and logistics platform
Expansion into multi-commodities
Geographic diversity

CAPITAL DISCIPLINE

Annual dividend policy of minimum 15% NPAT
Capital allocation to low risk projects



Production guidance of 160 koz of PGM concentrate and 1.5 Mt of chrome concentrates for FY2019

QUESTIONS



DISCLAIMER

These Presentation Materials are for information purposes only and must not be used or relied upon for the purpose of making any investment decision or engaging in any investment activity. Whilst the information contained herein has been prepared in good faith, neither Tharisa plc (the 'Company') and its subsidiaries (together, the 'Group') nor any of the Group's directors, officers, employees, agents or advisers make any representation or warranty in respect of the fairness, accuracy or completeness of the information or opinions contained in this presentation and no responsibility or liability will be accepted in connection with the same. The information contained herein is provided as at the date of this presentation and is subject to updating, completion, revision, verification and further amendment without notice.

These Presentation Materials contain forward-looking statements and information in relation to the Group. By its very nature, such forward-looking statements and information require the Company to make assumptions that may not materialise or that may not be accurate. Such forward-looking information and statements involve known and unknown risks, uncertainties and other important factors beyond the control of the Company that could cause the actual performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements. Nothing in this presentation should be construed as a profit forecast. Past share performance cannot be relied on as a guide to future performance.

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 September 2018

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PREPARATION AND APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the year ended 30 September 2018 have been extracted from the audited financial statements of the Group, but have not been audited. The auditor's report on the audited financial statements does not report on all of the information contained herein. Shareholders are therefore advised that in order to obtain a full understanding of the financial position and results of the Group, these condensed consolidated financial statements should be read together with the full audited financial statements and full audit report.

These condensed consolidated financial statements and the audited financial statements, together with the audit report, are available on the Company's website, www.tharisa.com, and are available for inspection at the registered address of the Company.

The directors take full responsibility for the preparation of this report and the correct extraction of the financial information from the underlying financial statements.

The directors of the Company are responsible for the maintenance of adequate accounting records and the preparation of the financial statements and related information in a manner that fairly presents the state of affairs of the Company. These financial statements are prepared in accordance with International Financial Reporting Standards and incorporate full and responsible disclosure in line with the accounting policies of the Group, which are supported by prudent judgement.

The directors are also responsible for the maintenance of effective systems of internal control, which are based on established organisational structure and procedures. These systems are designed to provide reasonable assurance as to the reliability of the financial statements, and to prevent and detect material misstatement and loss.

The consolidated financial statements have been reported on without qualification by Ernst & Young Cyprus Limited.

The preparation of these condensed results was supervised by the Chief Finance Officer, Michael Jones, a Chartered Accountant (SA).

The condensed consolidated financial statements have been prepared on a going concern basis, as the directors believe that the Company and Group will continue to be in operation in the foreseeable future.

The consolidated annual financial statements have been approved by the Board on 26 November 2018

CONDENSED 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		2 432	160
Net foreign exchange gain		852	2 458
Administrative expenses	7	(39 232)	(26 903)
Results from operating activities		72 538	98 369
Finance income		1 279	1 122
Finance costs		(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		(62)	-
Profit before tax		64 983	90 989
Tax	8	(14 011)	(23 316)
Profit for the year		50 972	67 673
Other comprehensive income			
<i>Items that may be classified subsequently to profit or loss:</i>			
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)	9	19	22
Diluted earnings per share (US\$ cents)	9	18	22

The notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 30 September 2018

	Notes	2018 US\$'000	2017 US\$'000
Assets			
Non-current assets			
Property, plant and equipment	10	264 311	232 559
Goodwill		804	838
Investment accounted for using the equity method	11	4 438	-
Long-term deposits		-	4 505
Other financial assets	12	5 012	3 767
Deferred tax assets	13	1 880	1 952
Total non-current assets		276 445	243 621
Current assets			
Inventories	14	23 043	20 802
Trade and other receivables	15	86 202	70 374
Contract assets		2 229	-
Other financial assets		986	49
Current taxation		228	132
Cash and cash equivalents	16	66 791	49 742
Total current assets		179 479	141 099
Total assets		455 924	384 720
Equity and liabilities			
Share capital and premium	17	280 806	280 342
Other reserve	17	47 245	47 245
Foreign currency translation reserve		(80 204)	(73 561)
Retained earnings		77 025	42 877
Equity attributable to owners of the Company		324 872	296 903
Non-controlling interests		(26 538)	(25 057)
Total equity		298 334	271 846
Non-current liabilities			
Provisions	18	12 634	6 923
Borrowings	19	27 281	4 375
Deferred tax liabilities	13	29 892	23 823
Total non-current liabilities		69 807	35 121
Current liabilities			
Borrowings	19	50 138	45 026
Other financial liabilities		1 000	599
Current taxation		1 013	212
Trade and other payables	20	33 403	31 916
Contract liabilities		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 are an integral part of these condensed consolidated financial statements.

CONDENSED 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		37	196
Gain on bargain purchase	21	(1 884)	-
Share of loss of investments accounted for using the equity method	11	62	-
Impairment loss on goodwill		-	57
Impairment (reversal)/loss on inventory		(13)	24
Impairment and write off of property, plant and equipment	10	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		(1 279)	(1 122)
Interest expense		10 189	7 689
Tax		14 011	23 316
Equity-settled share based payments		4 019	4 342
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		(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	10	(40 454)	(26 398)
Net cash outflow from business combination	21	(21 840)	-
Proceeds from disposal of property, plant and equipment		119	-
Additions to investments accounted for using the equity method	11	(2 500)	-
Additions of other financial assets		(4 008)	(925)
Refund of long term deposits		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	19	114	6 073
Advances received	19	68 220	-
Repayment of borrowings	19	(48 503)	(17 917)
Lease payments	19	(6 463)	-
Dividends and capital distribution paid	27	(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	16	66 791	49 742

The notes are an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2018

1. REPORTING ENTITY

Tharisa plc ('the Company') is a company domiciled in Cyprus. These condensed consolidated financial statements of the Company for the year ended 30 September 2017 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in platinum group metals ('PGM') and chrome mining, processing, trading and the associated logistics. The Company is listed on the main board of the Johannesburg Stock Exchange and has a secondary standard listing on the main board of the London Stock Exchange.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with the Listings Requirements of the Johannesburg Stock Exchange and as a minimum, contain the information required by International Accounting Standards 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to obtain an understanding of the changes in the financial position and performance of the Group since the last consolidated financial statements as at and for the year ended 30 September 2017. These condensed consolidated financial statements do not include all the information required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards ('IFRS'). The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 30 September 2018, which have been prepared in accordance with IFRS and the Cyprus Companies Law, Cap.113. These condensed consolidated financial statements were approved by the Board of Directors on 26 November 2018.

Use of estimates and judgements

Preparing the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements at and for the year ended 30 September 2018.

Functional and presentation currency

The condensed consolidated financial statements are presented in United States Dollars (US\$) which is the Company's functional 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 and the condensed consolidated financial statements.

New and revised International Financial Reporting 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 these adoptions are disclosed in note 3.

Several other amendments and interpretations apply for the first time for the year ended 30 September 2018. Other than IAS 7: Disclosure Initiative (Amendment) as disclosed in note 19, these did not have an impact on the condensed consolidated financial statements of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

3. CHANGE IN ACCOUNTING POLICIES

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:

- (i) At fair value through profit or loss
- (ii) At fair value through other comprehensive income
- (iii) 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

3. 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

3. CHANGE IN ACCOUNTING POLICIES (continued)

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.

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.

3. CHANGE IN ACCOUNTING POLICIES (continued)

IFRS 15 Revenue from contracts with customers (continued)

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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

3. CHANGE IN ACCOUNTING POLICIES (continued)

IFRS 15 Revenue from contracts with customers (continued)

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 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.

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.

3. CHANGE IN ACCOUNTING POLICIES (continued)

IFRS 15 Revenue from contracts with customers (continued)

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 Incoterms. For the Incoterms 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

3. CHANGE IN ACCOUNTING POLICIES (continued)

IFRS 15 Revenue from contracts with customers (continued)

Impact of adopting IFRS 15 on the Group's consolidated financial statements

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.

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.

3. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

3. 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:

		As previously reported	Adjustments at	1 October
	Note	30 September 2017	1 October 2017	1 October 2017
		US\$'000	US\$'000	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	17	4 375	1 014	5 389
Current liabilities				
Borrowings	17	45 026	191	45 217
Trade and other payables		31 916	(17)	31 899

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.

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 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 US\$'000	Chrome US\$'000	Agency and trading US\$'000	Total 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

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:

- the Group's revenue from external customers and
- 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.

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		2017	
	Segment	US\$'000	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	2017
			US\$'000	US\$'000
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

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.

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. ADMINISTRATIVE EXPENSES

	2018 US\$'000	2017 US\$'000
Directors and staff costs		
Non-Executive Directors	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

	2018	2017
Number of employees	1 758	701

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

8. 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 13)	7 933	19 162
Dividend withholding tax	158	-
Tax charge	14 011	23 316

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

8. 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.

9. 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

9. 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

10. PROPERTY, PLANT AND EQUIPMENT

	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
30 September 2018										
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 3)	-	-	-	-	-	-	-	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 21)	-	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

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	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
30 September 2017								
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

10. 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\$1.0 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.

11. 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. 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)	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

11. INVESTMENTS 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.

12. OTHER FINANCIAL ASSETS

		2018 US\$'000	2017 US\$'000
<i>Fair value hierarchy</i>			
<i>Non-current assets:</i>			
Investments in money markets, current accounts, cash funds and income funds	Level 2	5 012	3 767
<i>Current assets:</i>			
Investments in equity instruments	Level 1	40	49
Forward exchange contracts	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 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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

13. 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 3)	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 8)	(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.

13. 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.

14. 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).

15. 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 23)	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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

15. 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.

16. 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.

17. 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

17. SHARE CAPITAL AND RESERVES (continued)

Share premium	30 September 2018		30 September 2017	
	Number of Shares	US\$'000	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

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.

17. SHARE CAPITAL AND RESERVES (continued)

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.

18. PROVISIONS

Provision for rehabilitation	2018			2017		
	Restoration US\$'000	Decommissioning US\$'000	Total provision US\$'000	Restoration US\$'000	Decommissioning 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 21)	76	57	133	-	-	-
Unwinding of discount	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

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.

	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
30 September 2018						
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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

19. BORROWINGS

	2018 US\$'000	2017 US\$'000
<i>Non-current</i>		
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
<i>Current</i>		
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:

11. Debt to equity ratio of less than 0.67 times;
12. Net debt to EBITDA of less than 2.0 times; and
13. 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.

19. 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:

11. Net debt to tangible net worth not higher than 1.4 times;
12. Net debt to EBITDA lower than 2.0 times; and
13. 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

19. 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 21). 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.

	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 3)	-	-	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)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

19. 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 21)	-	-	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

20. 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 23)	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.

21. 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 19).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

21. 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 10)	29 879
Inventories	1 051
Trade and other receivables	150
	31 080
Liabilities	
Borrowings (note 19)	(7 003)
Provisions (note 18)	(133)
Trade and other payables	(220)
	(7 356)
Total identifiable net assets at fair value	23 724
Bargain purchase arising on acquisition	(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.

22. FINANCIAL RISK MANAGEMENT

	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

There were no transfers between Level 1 and Level 2 fair value measurements during the year.

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

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 30 September 2018

23. 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 US\$'000	2017 US\$'000
Transactions and balances with related parties:		
Trade and other receivables (note 15)		
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 20)		
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	-

23. 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:

	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
2018						
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						
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

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for the year ended 30 September 2018

24. 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.

25. 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 11.

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.

26. 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.

27. 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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INTRODUCTION

Discover Develop Deliver



SUSTAINABLE COMPETITIVE ADVANTAGE

> **Shallow and large scale PGM and chrome resource**, one of the **world's single largest chrome resources**, enabling Tharisa to be a large scale producer for several decades

> **Independent processing plants** providing operational flexibility

> **Direct relationships** with South African and international customers

> Positioned in the **lowest cost quartile** of the PGM and chrome concentrate cost curves, underpinned by **low risk** mining and beneficiation processes

> **Profitable** through the cycle

> **Capital discipline** with an annual **dividend policy** of least 15% of NPAT

> **Derisked** with major capital completed

> Optimisation and Vision 2020 projects

> Mining of **five MG Chromitite Layers** allowing for the **co-production** of PGM and chrome concentrates



> **Mechanised** operations and skilled labour force

> **Integrated** marketing, sales and logistics platforms

> Leverage existing platforms with **third party** operations and trading

> Extensive industry and management experience with a **successful track record** of identifying, developing and operating open pit and underground mining operations

> Extensive **research and development** programmes developing new **technologies** and beneficiation capabilities

> Capacity to produce metallurgical and higher margin chemical and foundry grade concentrates for **different markets**

> Pioneering **innovative** and unique approach to viable mineral extraction and beneficiation

> Replication of phased development in **exploration** projects



THARISA AT A GLANCE

INNOVATIVE

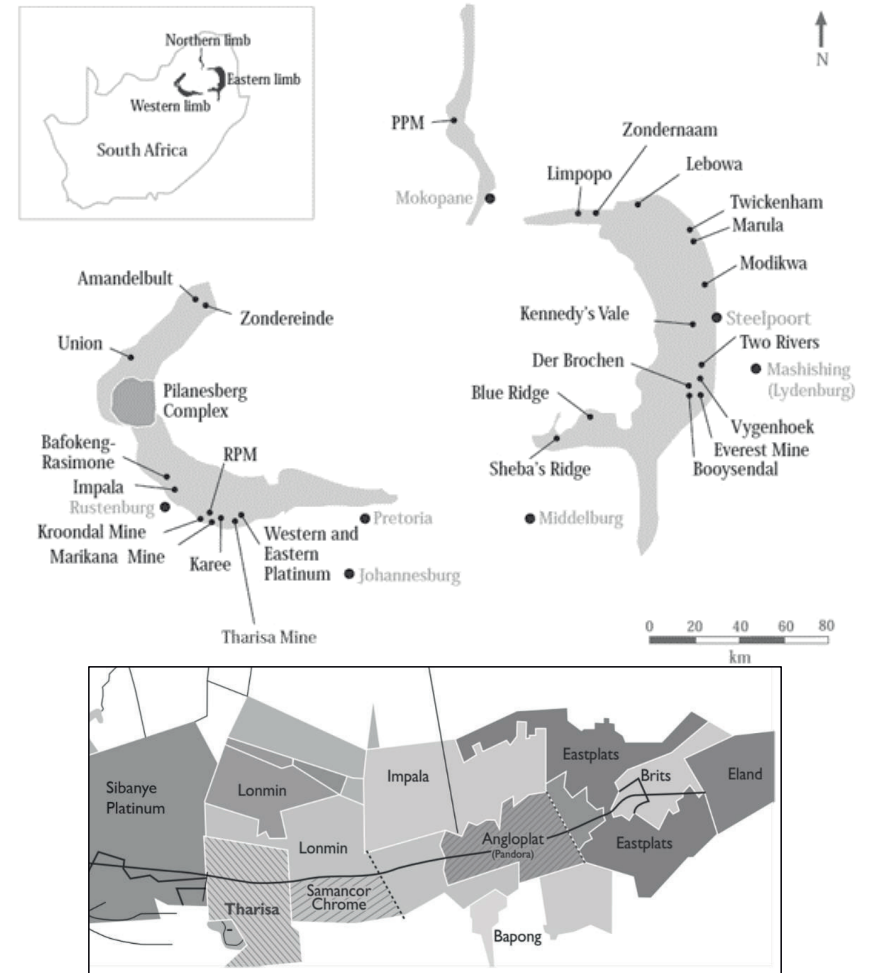
- Strategically positioned as a co-producer of PGM and chrome concentrates with cost advantage
- Mine five MG chromitite reef layers
- Large scale open pit operation with 15 years open pit LOM + 40 year underground extension
- Benefit from controlling an integrated mine-to-market value chain and extensive R&D programme

ESTABLISHED

- Listed on JSE and LSE
- One of the world's single largest resources of chrome ore
- Produced 152.2 koz PGMs and 1.4 Mt chrome concentrates in FY2018
- The fourth largest primary producer of chrome concentrate in South Africa
- Derisked with major mine development capital investment already complete

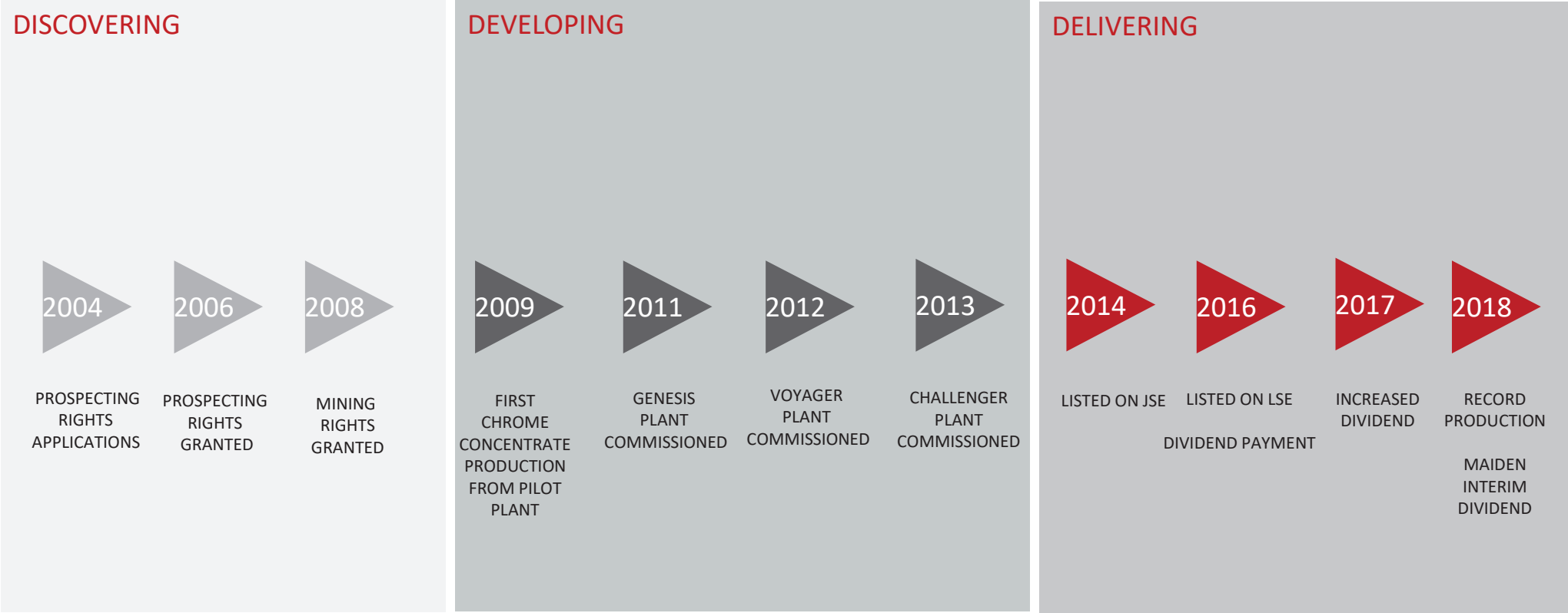
FOCUSED

- Lowest cost quartiles in the PGM and chrome industry
- Cash generative, dividend payer
- A solid platform underpinned by an optimised operating model
- Profitable in all commodity environments



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THARISA'S JOURNEY



THARISA – AN OVERVIEW

THARISA MINERALS

RESOURCE

860.6 Mt resource
92.9 Mt reserve of which 74.2 Mt open pit

MINING

15 year open pit LOM
40 year underground extension

PROCESSING

400 ktpm nameplate capacity
Genesis Plant (100 ktpm)
Voyager Plant (300 ktpm)

LARGE SCALE

One of the world's largest single chrome resources

MECHANISED

Mechanised open pit mining with a skilled and focused labour force
Owner mining model

DERISKED

In production, major capex complete
FY2019 forecast production of 160 koz PGMs and 1.5 Mt of chrome concentrates

OPEN PIT PGM AND CHROME CONCENTRATE CO-PRODUCER WITH AN INTEGRATED MARKETING, SALES, AND LOGISTICS PLATFORM

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5

THARISA – ADDING VALUE BEYOND MINING

ARXO METALS



BENEFICIATION

Production of specialty grade chrome concentrates

R&D

New technology assessment
1 MW PGM smelter

ARXO RESOURCES / ARXO LOGISTICS



MARKETING AND SALES

Significant trader of chrome concentrates to China
Third party trading
Global reach for specialty chrome concentrates

LOGISTICS

Road/rail transport, warehouse and port facilities for bulk chrome concentrates
Road transport of PGMs

PROJECTS

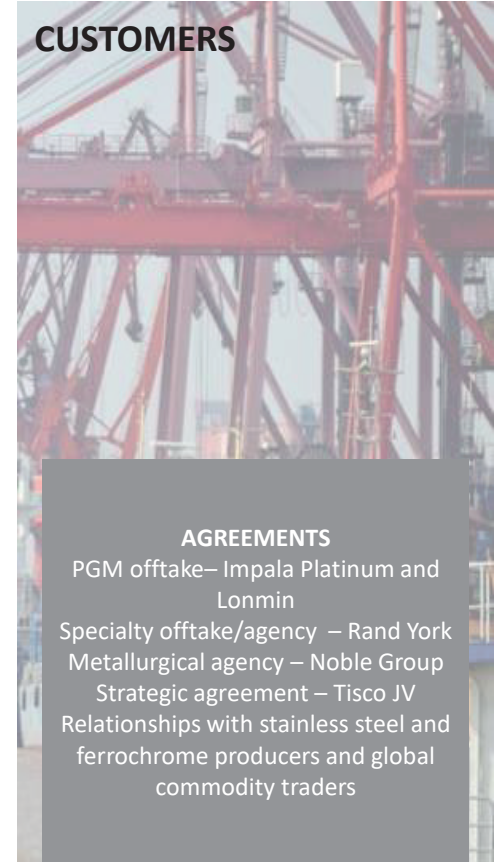


ZIMBABWE

26.8% shareholding in Karo Mining Holdings, developing the integrated PGM project in Zimbabwe

Salene Chrome illuvial chrome exploration project

CUSTOMERS



AGREEMENTS

PGM offtake– Impala Platinum and Lonmin
Specialty offtake/agency – Rand York Metallurgical agency – Noble Group
Strategic agreement – Tisco JV
Relationships with stainless steel and ferrochrome producers and global commodity traders

MINING

RESOURCES AND RESERVES

Mining rate of 5.2 Mtpa with an average stripping ratio of 9.5 (m³:m³ basis)

MINERAL RESOURCE

- 860.7 Mt
- 1.54 g/t 5PGE+Au
- 20.1% Cr₂O₃

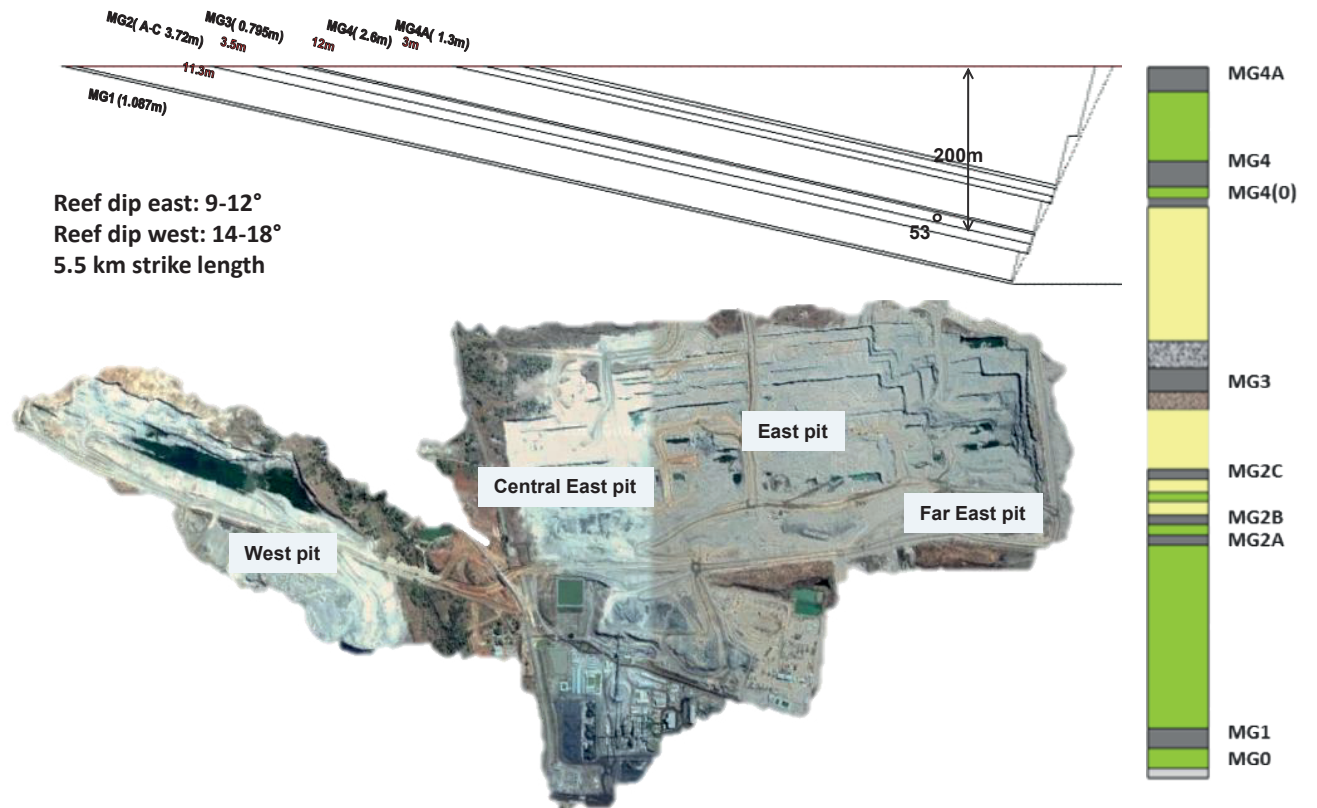
MINERAL RESERVE

- 92.9 Mt
- 1.39 g/t 5PGE+Au
- 18.9% Cr₂O₃

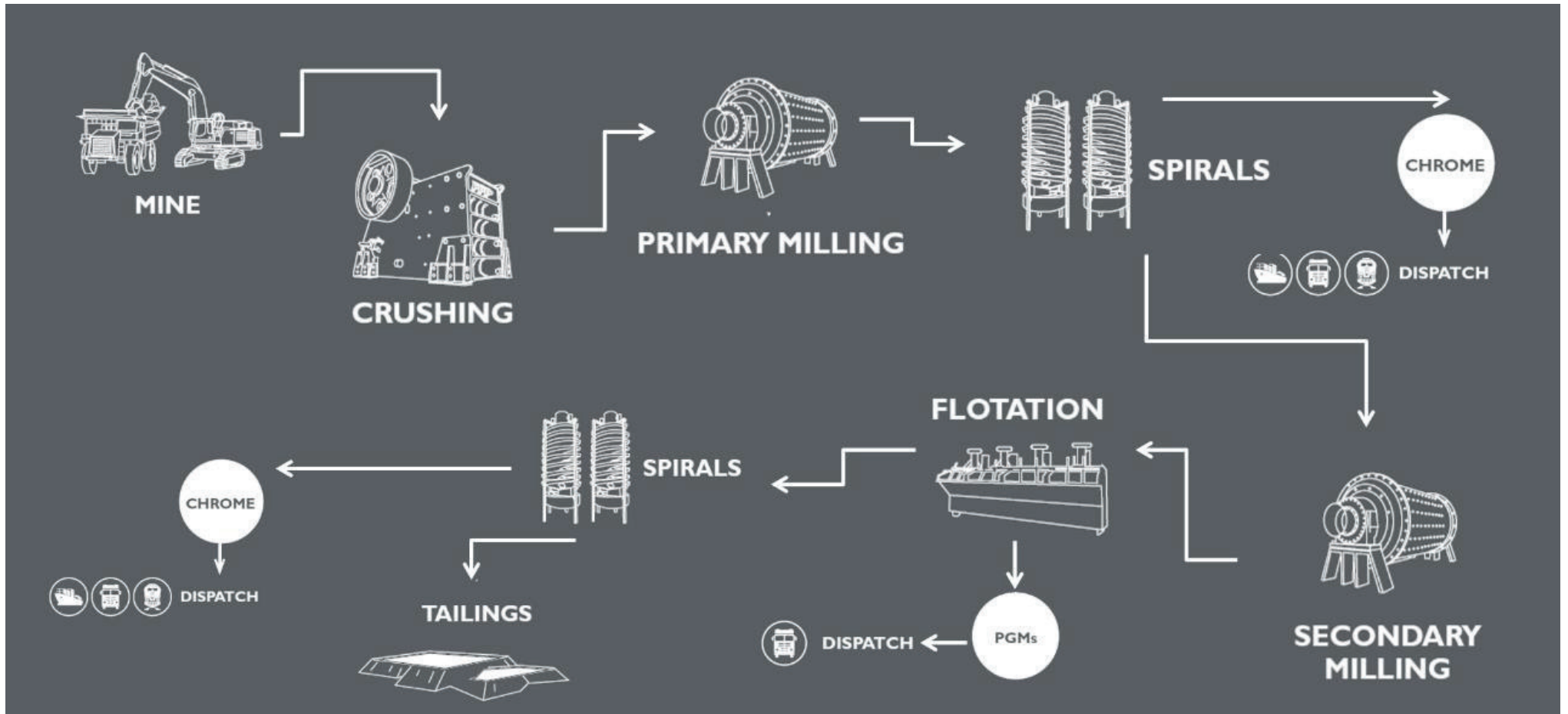
OPEN PIT MINERAL RESERVE

- 74.2 Mt
- 1.39 g/t 5PGE+Au
- 18.9% Cr₂O₃

GENERALISED CROSS SECTION SHOWING THE MG CHROMITITE LAYERS AT PLANNED DEPTH



INNOVATIVE APPROACH



PROCESSING

- Basic process:

- ROM is crushed and screened
- Selected reef ROM sent to Challenger Plant to recover foundry and chemical grade
- Primary milling to liberate chromite crystals
- Primary spirals to recover chromite
- Secondary milling to liberate PGM particles
- Flotation circuit to recover PGM particles
- Secondary spirals to recover additional chromite

GENESIS PLANT

- Capacity: 100 ktpm ROM
- Processes reef layers with lower PGM and higher chromite grades
- Challenger Plant recovers high value foundry grade and chemical grade chrome concentrates



VOYAGER PLANT

- Capacity: 300 ktpm ROM
- Processes reefs with higher PGM and lower chromite grades
- Produces both metallurgical and chemical grade products



MARKETING, SALES AND LOGISTICS

MARKETING AND SALES

- PGM concentrate offtake agreement with Impala and cooperation agreement with Lonmin
- Agency agreement with Noble Resources for part of metallurgical chrome concentrate production
- Foundry and chemical grade concentrate offtake and joint marketing agreement with Rand York Minerals
- Strategic cooperation agreement with Tisco JV for metallurgical grade chrome concentrate
- Direct relationships with a broad range of stainless steel producers, ferrochrome producers and global commodity traders
- Marketing and sales of WPL's K3 chrome concentrate, production for FY2018 of 221.8 ktpa
- Scale of operation allows for direct access to market and chrome concentrate price discovery



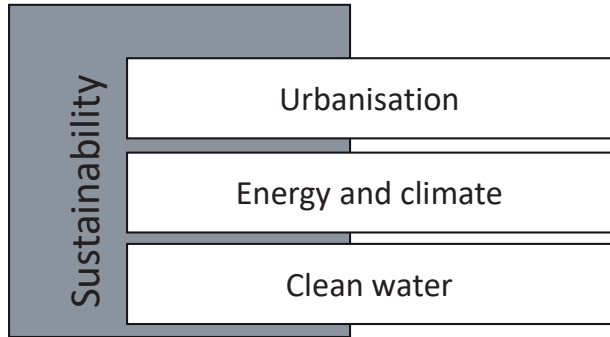
LOGISTICS

- Integrated platform to mitigate logistics risks and providing a competitive advantage
- Road transportation of PGM concentrate to Impala
- Road and rail transport capacity, warehousing facilities and port facilities
- Shipment of chrome concentrate in bulk from Richards Bay Dry Bulk Terminal and containerised through the Durban port to customers in Asia and other international customers
- A platform to service third party customers including the UG2 chrome concentrate from the K3 UG2 chrome plant operated by Arxo Metals



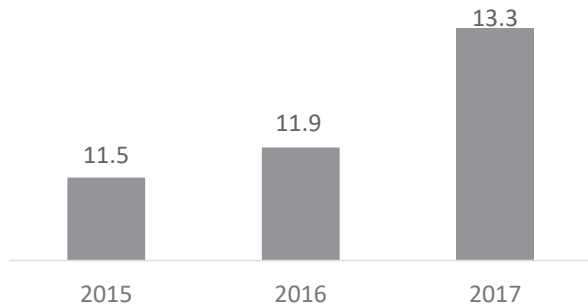
CHROME MARKET FUNDAMENTALS

TRENDS DRIVING STAINLESS STEEL DEMAND



GLOBAL FERROCHROME PRODUCTION

[Mt]



URBANISATION
DRIVING
DEMAND

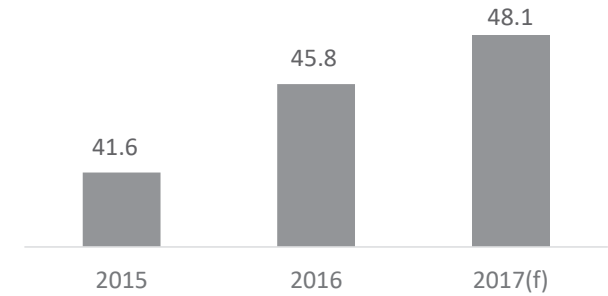
FERROCHROME

STAINLESS
STEEL

CHROME

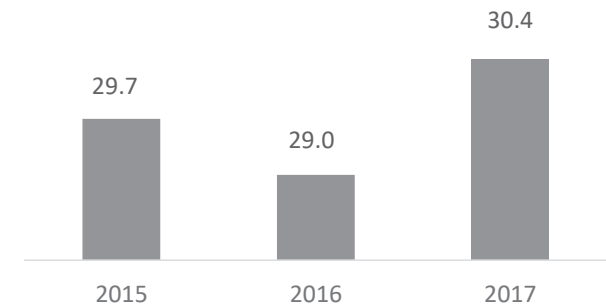
GLOBAL CRUDE STAINLESS STEEL PRODUCTION

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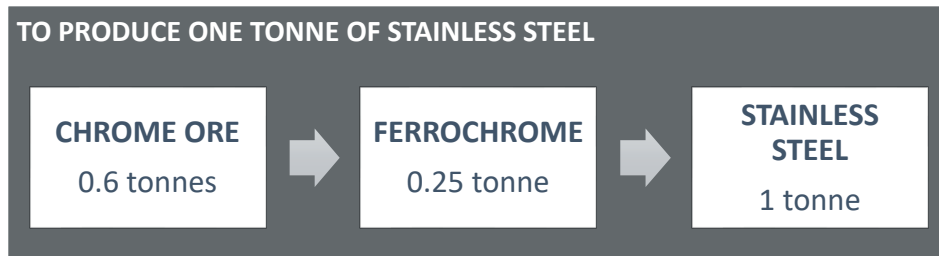
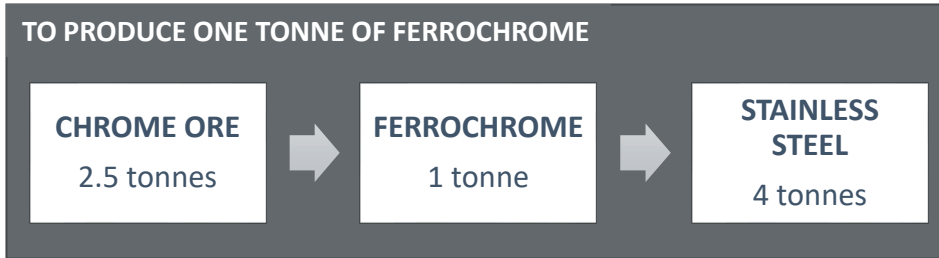


GLOBAL CHROME PRODUCTION

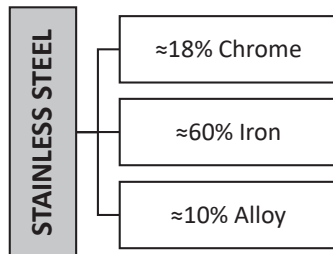
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STAINLESS STEEL



TYPICAL STAINLESS STEEL COMPOSITION



USES OF STAINLESS STEEL

