

tharisa

KARO HOLDINGS – ANALYST PRESENTATION 13 JUNE 2018



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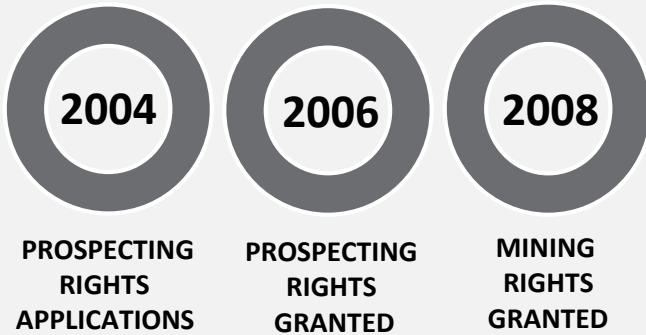
THARISA'S TRACK RECORD

FCF PER SHARE*
US\$ 13 cents

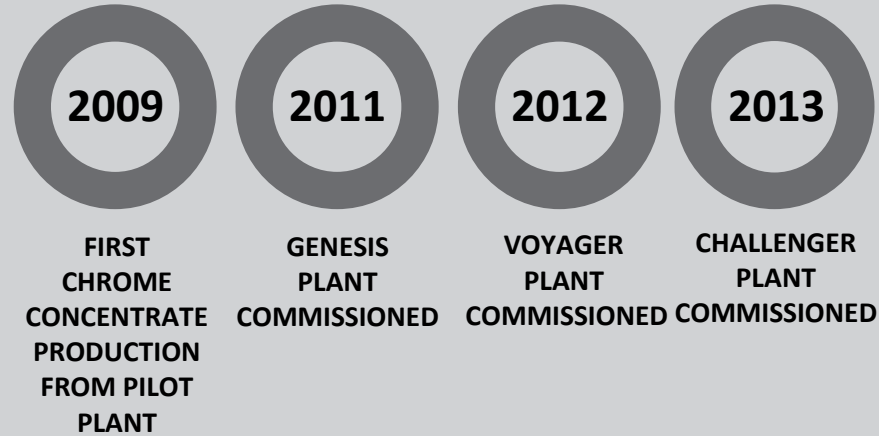
NET DEBT TO TOTAL EQUITY*
7.0%

INTERIM DIVIDEND*
US\$ 2 cents

DISCOVERING



DEVELOPING

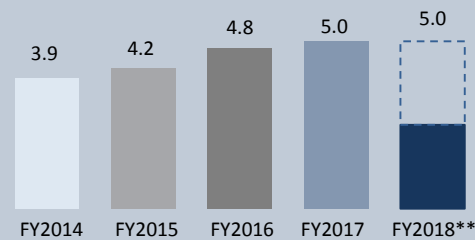


DELIVERING

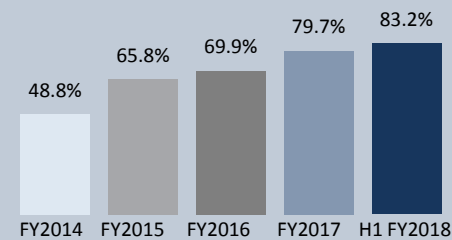


OPTIMISING

REEF MINED
Mtpa

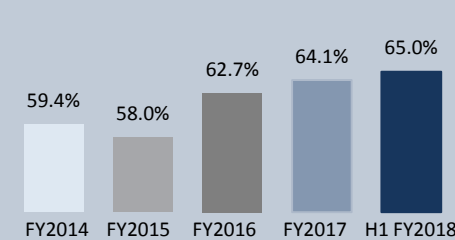


PGM RECOVERIES



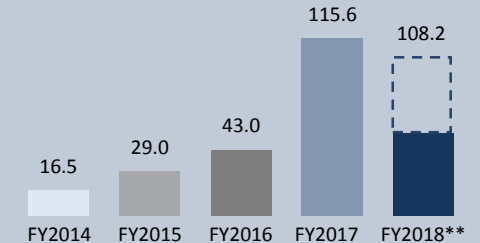
FY2018
150 koz

CHROME RECOVERIES



FY2018
1.4 Mt

EBITDA
US\$ millions



THARISA'S SKILL SET



ACQUISITION OVERVIEW

Karo Holdings entered into an Investment Project Framework Agreement with the Republic of Zimbabwe in terms of which Karo Holdings has undertaken to establish:

- a platinum group metals (PGMs) mine
- concentrators and smelters
- a base metal refinery
- a precious metals refinery
- power generation capacity

- Tharisa acquired 26.8% of Karo Holdings for US\$4.5 million, which will be funded from available cash resources
- Tharisa will provide an US\$8 million debt facility to Karo Holdings for initial geological exploration and sampling work to determine a compliant mineral resource
- Tharisa will manage the exploration programme and oversee the bankable feasibility study
- Access to a highly prospective area covering 23 903 hectares on the Great Dyke of Zimbabwe released by Zimplats in support of the Zimbabwean government's efforts to enable participation by other investors in the platinum mining industry
- Area estimated to contain 96 Moz (4E basis) PGMs at a projected resource grade of 3.2 g/t 4E*
- Great Dyke PGM projects are low cost, open pit mine and have significant palladium and base metal content resulting in high margin poly-metallic revenues

ACQUISITION RATIONALE

- Improvements in the political landscape precipitated a move by Tharisa to explore geographic diversification opportunities in Zimbabwe, renowned for having the world's largest PGM deposits outside of South Africa
- Tharisa's management team has a proven track record of developing mines from the prospecting stage through to steady-state production and this experience can be applied to the development of Karo Platinum
- Low risk entry through Karo Holdings provides for a measured, staged approach to investment in Zimbabwe
- Tharisa is acquiring its stake in Karo Holdings at a significant discount of more than 80% to fair value
- The farm-in approach reduces Tharisa's upfront exposure and creates optionality for an increased stake in the future



**A SCALABLE
OPEN PIT
OPERATION**



**LARGE SCALE,
LOW COST
PRODUCTION**

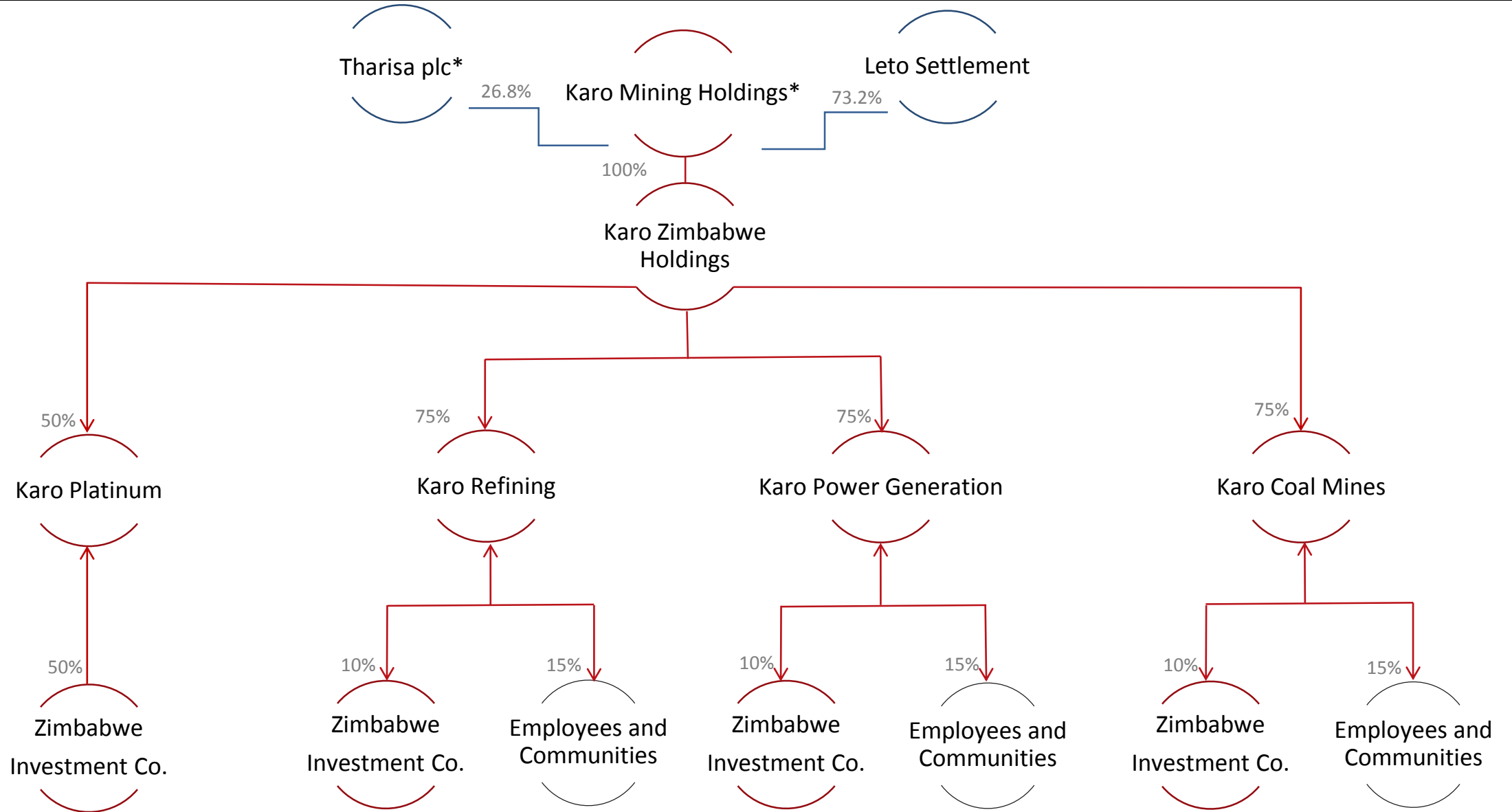


**PRODUCT
EXPANSION &
FURTHER
GROWTH
OPPORTUNITIES**



**STRONG CASH
GENERATIVE
POTENTIAL**

KARO CORPORATE STRUCTURE



KARO PLATINUM HIGHLIGHTS

- The special grant area has potential to host multiple open pit operations with an estimated 9 year open pit life followed by a natural progression to underground mining for a further 40 years
- Conceptual designs are based on the phased operation of 4 open pit mining operations that will transition to underground operations
- Projected steady state ROM of 14.4 Mtpa
- Potential production of 1.4 Mozpa of PGMs (6E)

NEXT STEPS

1

Regulatory approvals including an Environmental Impact Assessment

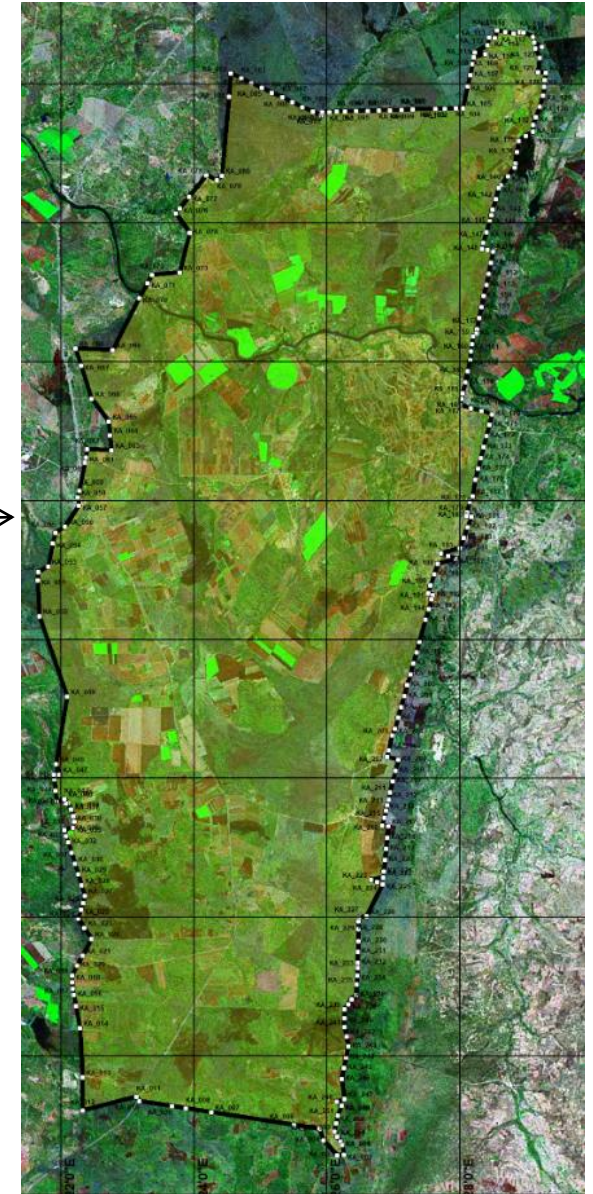
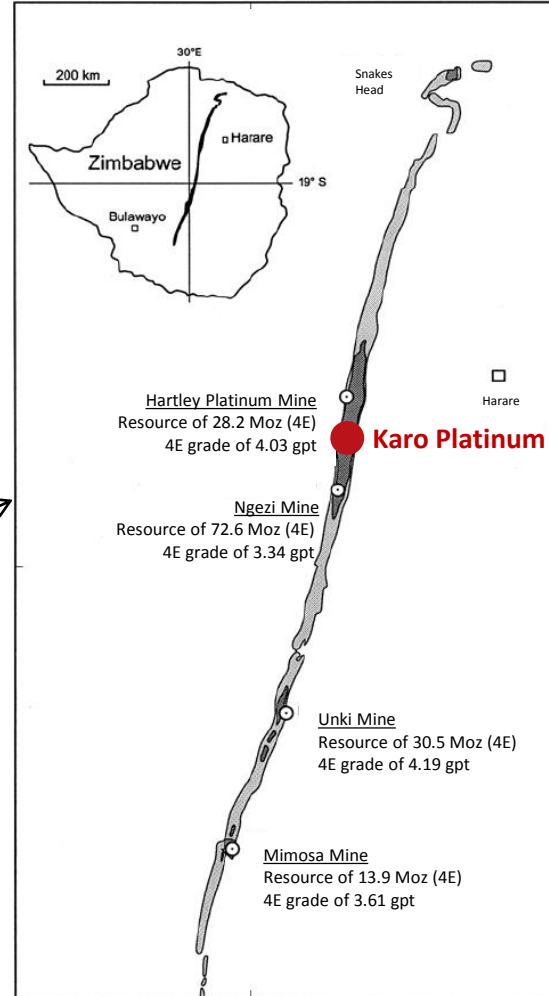
2

US\$8 million geological exploration programme

3

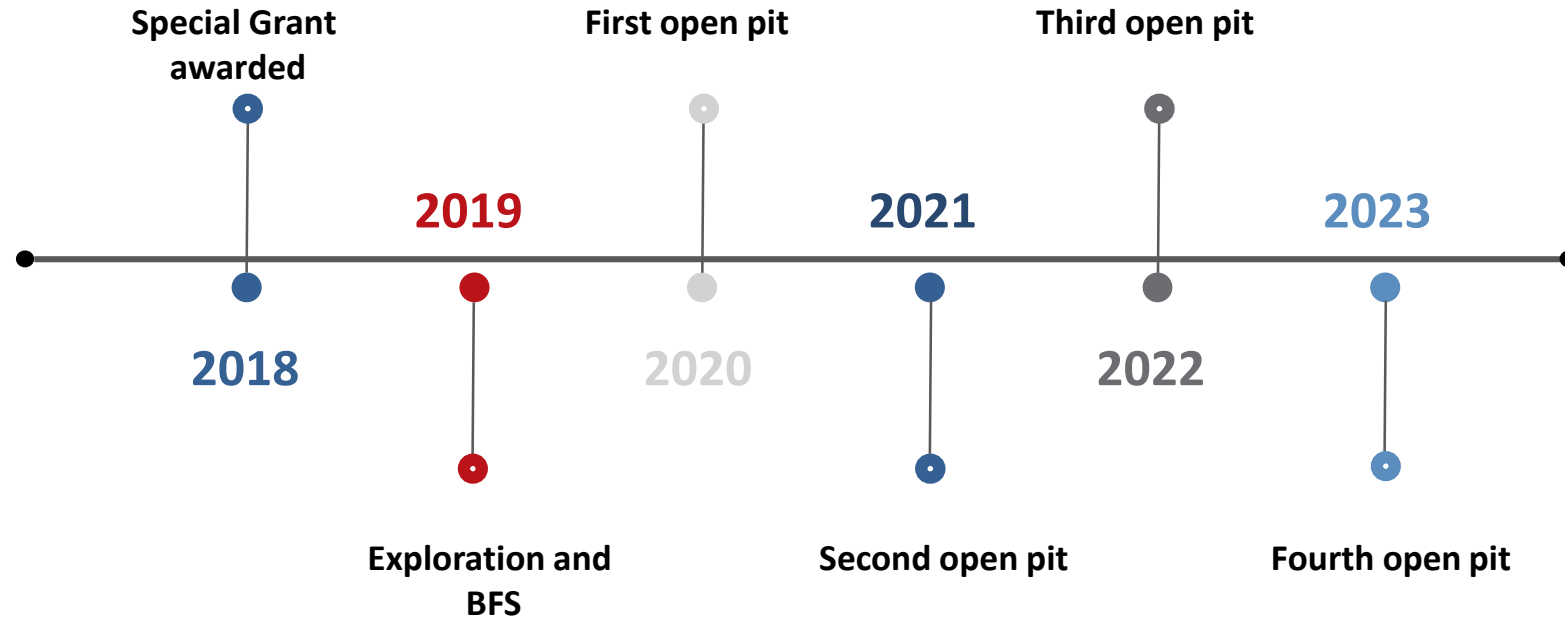
Bankable feasibility study

LOCATION OF KARO PLATINUM

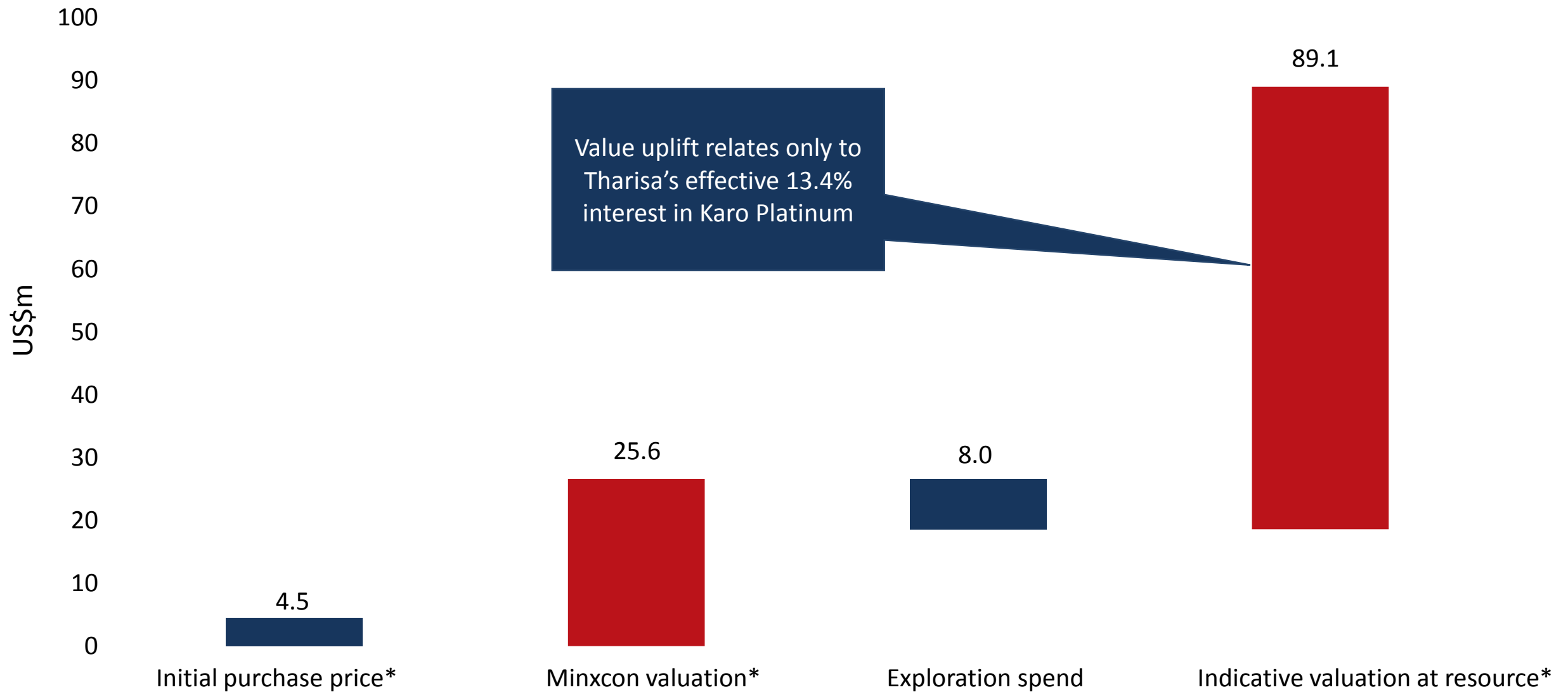


KARO PLATINUM PHASED DEVELOPMENT APPROACH

Indicative timetable



VALUE TO THARISA SHAREHOLDERS



BEYOND KARO PLATINUM

KARO REFINING

- Potential construction of 4 x 300 ktpm concentrators
- Smelter complex = 3 x 20 MW electric furnaces + converters
- Base metals refinery
- Precious metals refinery
- Production of sulphuric acid from smelter off-gas
- Toll treatment of third party concentrates

KARO POWER GENERATION

- Requirement of 250 MW of secured power supply at steady state for its own use
- Establishment of a 300 MW renewable solar energy power plant
- Alignment with the Zimbabwean Government National Integrated Energy Resource Plan

KARO COAL MINES

- Karo Coal Mines will identify a prospective coal area with the intention to establish a metallurgical coal facility
- Metallurgical coal will be utilised for Karo's value addition initiatives, with the surplus being supplied to the local Zimbabwean ferroalloy and steel industries

VALUATION PRINCIPLES

Initial investment of US\$4.5 million

- Resources valuation discounted by **82%**

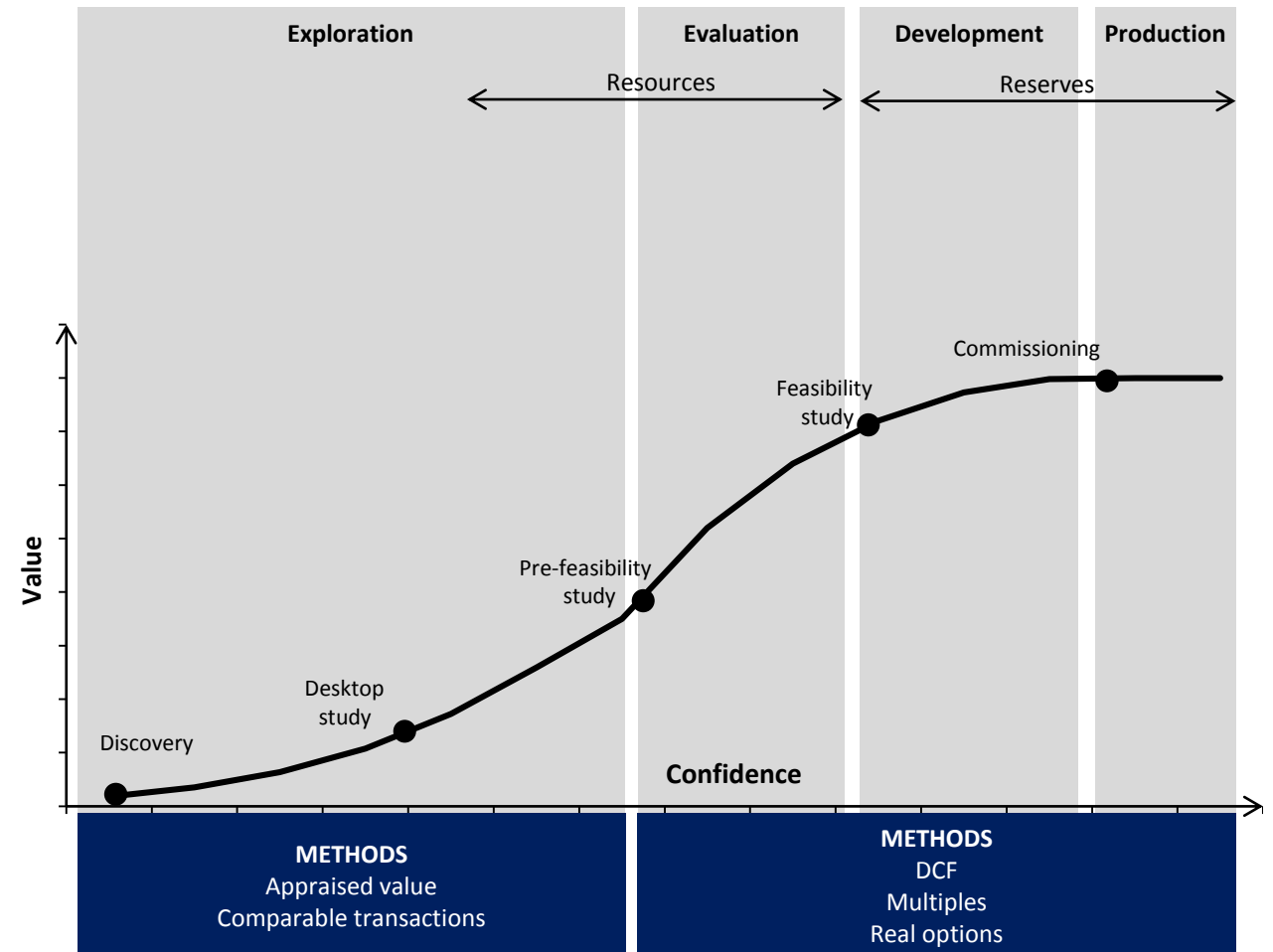
Valuation approach farm-in at project level

- Valuation will be based on appropriate valuation methodology (SAMVAL)
- Proposed matrix:
 - Up to inferred and indicated resource – comparable company cost multiple less **60% discount**
 - Up to measured and indicated resource and reserve – comparable company market multiples less **50% discount**

At feasibility level

- Income less a discount of **30%**

Recognised valuation methodology curve



LEGISLATIVE CONSIDERATIONS

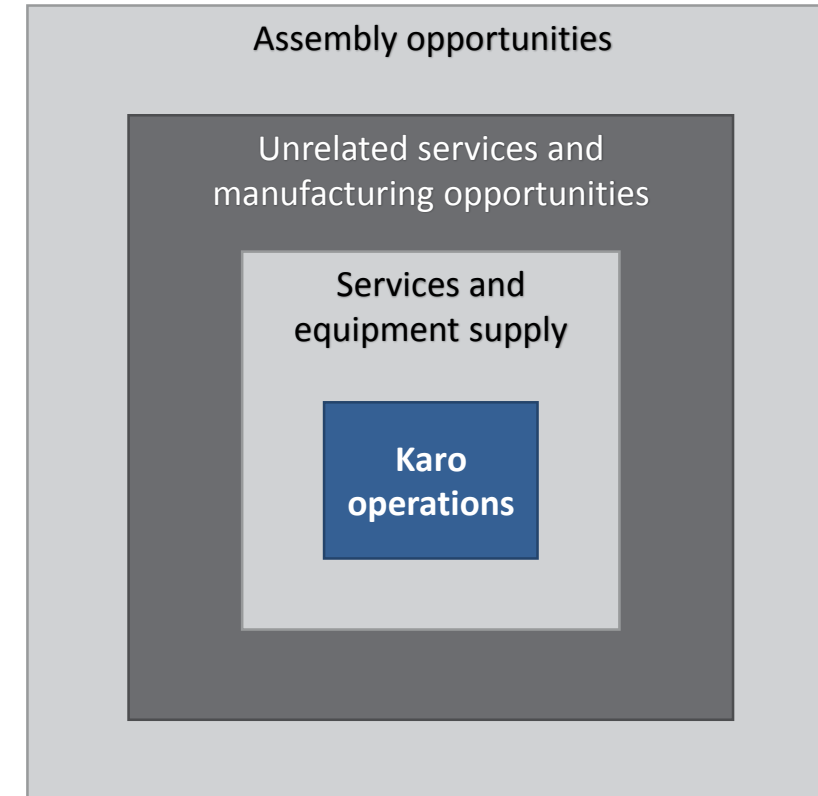
- The mining sector is governed by the Mines and Minerals Act, with the draft Mines and Minerals Amendment Bill currently before the Parliament of Zimbabwe
- Ease of doing business reforms aimed at reducing bureaucracy and mining fees
- Policy thrust for local beneficiation and value addition of minerals within Zimbabwe, a tax will most likely be imposed on the export of raw or unprocessed minerals from January 2019
- The indigenisation requirement has been removed from all minerals except for diamonds and platinum
- Platinum royalty rate has been reduced from 10% on gross revenues to 2.5%, chrome royalty remains at 2%
- Large projects benefit from National Project Status and the declaration of Special Economic Zones, which provide enhanced economics through concessions granted by the Zimbabwe Government

Special Economic Zones (SEZ)

- Legislation promulgated, focused on increasing the level of beneficiation of the products produced within the declared zone
- To date 3 zones have been declared: Bulawayo, Victoria Falls and Harare
- Dispensations:
 - Investor is exempted from WHT on dividends, fees, royalties and corporate income tax for the first five years
 - Thereafter corporate income tax rate of 15% (normally 25%)
 - Scope for duty free importation of capital equipment
 - Raw materials and intermediate products for use by companies in SEZ will be imported duty free, but exemption will not apply where raw materials are produced locally

- Creation of approximately 15 000 direct jobs at steady state production levels and 75 000 indirect jobs through secondary and tertiary industries
- Development of strong local supply chain and service industries
- Create significant training opportunities and skills development
- Execute upliftment projects within local communities
- Support further downstream value addition and beneficiation initiatives

Creating an industrial/manufacturing hub



DELIVERING ON OUR STRATEGY

LEADING NATURAL RESOURCES GROUP

Globally significant diversified low cost operations

INNOVATION

Growth through innovative research and development projects

OPTIMISATION INITIATIVES

Maximise value extraction

LEVERAGING MARKETING AND LOGISTICS PLATFORM

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

CAPITAL DISCIPLINE

Dividend policy of 15% of NPAT
Capital allocation to low risk projects

Tharisa's acquisition of a minority interest in Karo Holdings secures access to a tier one PGM resource on the Great Dyke in Zimbabwe for US\$4.5 million

Opportunity to replicate the success of the business model applied at Tharisa Minerals in a different jurisdiction

Leverage on approach to maximise value extraction

Extension of value chain across borders
Expansion into poly-metal production
Different geography

Low risk with significant upside potential
Dividend policy unchanged



THARISA GROWTH POTENTIAL

FY2018

Guidance –
ROM of 5.0 Mtpa
PGMs of 150 kozpa
Chrome concentrates
of
1.4 Mtpa

VISION 2020

Organic
growth
projects

Increase
production of
PGMs of
200 kozpa and
chrome
concentrates
of 2 Mtpa
by 2020

SALENE CHROME ZIMBABWE

Illuvial chrome
open pit
operation

Potential to
produce up to
1.2 Mtpa of
chrome by
2022

KARO HOLDINGS

Potential to
develop
multiple open
pit operations
and refinery

Potential ramp
up to
1.4 Mozpa
refined PGMs
starting in
2023

2025

Potential total group
production –
PGMs of 1.6 Mozpa
and Chrome
concentrates of
3.2 Mtpa