

tharisa

plc

REPORTS AND
CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

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CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

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BOARD OF DIRECTORS, PROFESSIONAL ADVISERS AND CORPORATE INFORMATION

Board of Directors

Loucas Christos Pouroulis - Executive Chairman

Phoevos Pouroulis - Chief Executive Officer

Michael Gifford Jones - Chief Finance Officer

John David Salter - Lead Independent Non-Executive Director

Ioannis Drapaniotis - Independent Non-Executive Director

Antonios Djakouris - Independent Non-Executive Director

Omar Marwan Kamal - Independent Non-Executive Director

Brian Chi Ming Cheng - Non-Executive Director
(appointed 19 December 2014)

Joanna Ka Ki Cheng - Alternate Non-Executive Director to
Brian Chi Ming Cheng
(appointed 25 September 2015)

Company Secretaries

Lysandros Lysandrides

Sanet de Witt



BOARD OF DIRECTORS, PROFESSIONAL ADVISERS AND CORPORATE INFORMATION
(continued)

Auditors	KPMG Limited
Group bankers	The Hong Kong and Shanghai Banking Corporation Limited Nedbank Limited ABSA Capital - member of the Barclays Group Bank of Cyprus Public Company Limited Standard Bank Limited China Construction Bank Limited Industrial and Commercial Bank of China Limited Barclays Bank Plc
Address of registered office	Sofoklis Pittokopitis Business Centre, Offices 108-110 17 Neophytou Nicolaides and Kilkis Street 8011 Paphos Cyprus
Registration number	HE223412

Board of Directors' Report

The Board of Directors of Tharisa plc (the "Company") presents to the members its report together with the audited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group") for the year ended 30 September 2015.

PRINCIPAL ACTIVITY

The Company is a Cyprus incorporated public company with a primary listing on the main board of the Johannesburg Stock Exchange. The principal activity of the Company is that of an investment holding company with controlling interests in platinum group metals ("PGM") and chrome mining, processing operations and associated sales and logistics operations. The Group operates the Tharisa Mine, a co-producing, open pit PGM and chrome mine located in the Bushveld Complex of South Africa.

FINANCIAL RESULTS

The results of the Group are disclosed in the consolidated statement of profit or loss and other comprehensive income on page 9. The profit of the Group for the year before income tax amounted to US\$9 632 thousand (2014: US\$40 325 thousand (loss)). The profit for the year amounted to US\$6 015 thousand (2014: US\$54 873 thousand (loss)). The Board of Directors recommends that the profit for the year be transferred to revenue reserve.

DIVIDENDS

The dividend policy of the Company is to pay a dividend of 10% of consolidated net profit after tax. However in view of the current commodity prices and the impact thereof on the financial position of the Group and the matter dealt with in note 2(d) (going concern) to the consolidated financial statements, the Board of Directors does not recommend the payment of any dividends.

SHARE CAPITAL

The authorised share capital of the Company comprises 10 000 000 thousand ordinary shares of US\$0.001 each and 1 051 convertible redeemable preference shares of US\$1 each. At 1 October 2014, the issued and fully paid ordinary share capital comprised 254 780 646 ordinary shares. During the year ended 30 September 2015, the Company issued 1 111 240 ordinary shares in respect of the vesting of the first tranche of the Conditional Awards granted during 2014. At 30 September 2015, the issued and fully paid ordinary share capital comprised 255 891 886 ordinary shares and remain unchanged at the date of this report.

MAIN RISKS

The main financial risks faced by the Group are disclosed in notes 2(d) (going concern) and 29 of the consolidated financial statements.

Board of Directors' Report *(continued)*

FUTURE DEVELOPMENT

The Board of Directors does not anticipate significant changes in the operations of the Group in the foreseeable future.

BRANCHES

During the year the Group did not operate any branches.

BOARD OF DIRECTORS

The members of the Group's Board of Directors as at 30 September 2015 and as at the date of this report are:

Loucas Christos Pouroulis (Executive Chairman)
Phoevos Pouroulis (Chief Executive Officer)
Michael Gifford Jones (Chief Finance Officer)
John David Salter (Lead Independent Non-Executive Director)
Ioannis Drapaniotis (Independent Non-Executive Director)
Antonios Djakouris (Independent Non-Executive Director)
Omar Marwan Kamal (Independent Non-Executive Director)
Brian Chi Ming Cheng (Non-Executive Director)
Joanna Ka Ki Cheng (Alternate Non-Executive Director to Brian Chi Ming Cheng)

Directors' remuneration and interests in share capital are disclosed in notes 9 and 27 of the consolidated financial statements.

JOINT COMPANY SECRETARIES

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

Lysandros Lysandrides
26 Vyronos Avenue
1096, Nicosia
Cyprus

Sanet de Witt
Eland House, The Braes
3 Eaton Avenue
Bryanston, 2191
South Africa

Board of Directors' Report *(continued)*

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period disclosed in note 35 of the consolidated financial statements are not considered likely to have a material impact on the operations of the Group.

INDEPENDENT AUDITORS

The independent auditors, KPMG Limited, have expressed their willingness to continue in office and a resolution fixing their remuneration will be submitted at the Annual General Meeting.

On behalf of the Board of Directors



Phoevos Pouroulis

Paphos, Cyprus
7 December 2015



Michael Jones



KPMG Limited
Chartered Accountants
14 Esperidon Street
1087 Nicosia, Cyprus
P.O.Box 21121
1502 Nicosia, Cyprus

Telephone +357 22 209000
Fax +357 22 678200
E-mail nicosia@kpmg.com.cy
Internet www.kpmg.com.cy

Independent Auditors' report

To the Members of Tharisa plc

Report on the consolidated financial statements

We have audited the consolidated financial statements of Tharisa plc (the "Company") and its subsidiaries (together with the Company, the "Group") on pages 9 to 86 which comprise the consolidated statement of financial position as at 30 September 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board Members:

N G Syrimis, A K Christofides, E Z Hadjizacharias, P G Loizou
A M Gregoriades, A A Demetriou, D S Vakis, A A Apostolou
S A Lozides, M A Lozides, S G Sofocleous, M M Antoniadis
C V Vasiliou, P E Antoniadis, M J Halios, M P Michael, P A Peletios
G V Markides, M A Papacosta, K A Papanicolaou, A I Shammoutis
G N Tziortzis, H S Charalambous, C P Anayiotos, I P Ghalanos
M G Gregoriades, H A Kakoulis, G P Savva, C A Kalas, C N Kallis
M H Zavrou, P S Elia, M G Lazarou, Z E Hadjizacharias
P S Theophanous, M A Karafini, C A Markides, G V Andreou
J C Nicolaou, G S Prodromou, A S Sofocleous, G N Syrimis
T J Yiaseimides

Limassol

P.O Box 50161, 3601
Telephone +357 25 869000
Fax +357 25 363842

Larnaca

P.O Box 40075, 6300
Telephone +357 24 200000
Fax +357 24 200200

Paphos

P.O Box 60288, 8101
Telephone +357 26 943050
Fax +357 26 943062

Paralimni / Ayia Napa

P.O Box 33200, 5311
Telephone +357 23 820080
Fax +357 23 820084

Polis Chrysochou

P.O Box 66014, 8330
Telephone +357 26 322098
Fax +357 26 322722



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 September 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of matter

We draw attention to note 2(d) of the consolidated financial statements which indicates that notwithstanding that the Group made a profit of US\$6 015 thousand for the year ended 30 September 2015, as at that date its current liabilities exceeded its current assets by US\$10 305 thousand. The note indicates that subsequent to year end, global commodity prices have weakened significantly to the extent that short term cash flows reflect a shortfall in cash. In the event that the weakened commodity prices persist, forecast production is not achieved and the Group is unable to raise further funding, a material uncertainty will exist which may cast significant doubt on the ability of the Group to continue as a going concern. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 as amended from time to time, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 3 to 5 is consistent with the consolidated financial statements.



Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 as amended from time to time and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Maria A. Karantoni FCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

7 December 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2015

	Note	Years ended 30 September	
		<u>2015</u>	<u>2014</u>
		US\$'000	US\$'000
Revenue	4	246 782	240 731
Cost of sales	4	<u>(203 692)</u>	<u>(208 119)</u>
Gross profit		43 090	32 612
Other income	5	42	149
Administrative expenses	7	<u>(24 777)</u>	<u>(26 908)</u>
Results from operating activities		<u>18 355</u>	<u>5 853</u>
Finance income	8	1 185	897
Finance costs	8	(11 855)	(13 996)
Changes in fair value of financial assets at fair value through profit or loss	8	(25)	(659)
Changes in fair value of financial liabilities at fair value through profit or loss	8	<u>1 972</u>	<u>(32 420)</u>
Net finance costs		<u>(8 723)</u>	<u>(46 178)</u>
Profit/(loss) before tax		9 632	(40 325)
Tax	10	<u>(3 617)</u>	<u>(14 548)</u>
Profit/(loss) for the year		<u>6 015</u>	<u>(54 873)</u>
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		<u>(39 399)</u>	<u>(21 162)</u>
Other comprehensive income, net of tax		<u>(39 399)</u>	<u>(21 162)</u>
Total comprehensive income for the year		<u>(33 384)</u>	<u>(76 035)</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		4 623	(48 997)
Non-controlling interests		<u>1 392</u>	<u>(5 876)</u>
		<u>6 015</u>	<u>(54 873)</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		(24 721)	(66 188)
Non-controlling interests		<u>(8 663)</u>	<u>(9 847)</u>
		<u>(33 384)</u>	<u>(76 035)</u>
Earnings per share			
Basic and diluted earnings per share (US\$ cents)	11	<u>2</u>	<u>(20)</u>

The notes on pages 16 to 86 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

		30 September	30 September
		<u>2015</u>	<u>2014</u>
	Note	US\$'000	US\$'000
Assets			
Property, plant and equipment	12	214 518	253 356
Goodwill	13	919	1 211
Other financial assets	16	1 636	5 008
Long term deposits	14	10 656	14 479
Deferred tax assets	22	<u>1 954</u>	<u>5 970</u>
Non-current assets		<u>229 683</u>	<u>280 024</u>
Inventories	17	8 951	14 567
Trade and other receivables	18	37 979	32 515
Other financial assets	16	55	442
Current taxation	25	144	3
Cash and cash equivalents	19	<u>24 265</u>	<u>19 629</u>
Current assets		<u>71 394</u>	<u>67 156</u>
Total assets		<u><u>301 077</u></u>	<u><u>347 180</u></u>
Equity			
Share capital	20	256	255
Share premium	20	452 512	452 363
Other reserve	20	47 245	47 245
Foreign currency translation reserve	20	(76 705)	(47 361)
Revenue reserve	20	<u>(206 566)</u>	<u>(216 596)</u>
Equity attributable to owners of the Company		216 742	235 906
Non-controlling interests		<u>(37 794)</u>	<u>(26 052)</u>
Total equity		<u><u>178 948</u></u>	<u><u>209 854</u></u>

The notes on pages 16 to 86 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

		30 September <u>2015</u>	30 September <u>2014</u>
	Note	US\$'000	US\$'000
Liabilities			
Provisions	21	4 088	4 452
Borrowings	23	36 329	64 223
Deferred tax liabilities	22	<u>13</u>	<u>20</u>
Non-current liabilities		<u>40 430</u>	<u>68 695</u>
Borrowings	23	33 692	30 986
Other financial liabilities	24	388	-
Current taxation	25	98	421
Trade and other payables	26	<u>47 521</u>	<u>37 224</u>
Current liabilities		<u>81 699</u>	<u>68 631</u>
Total liabilities		<u>122 129</u>	<u>137 326</u>
Total equity and liabilities		<u>301 077</u>	<u>347 180</u>

The consolidated financial statements were authorized for issue by the Board of Directors on 7 December 2015.



.....
Phoevos Pouroulis
Director



.....
Michael Jones
Director

The notes on pages 16 to 86 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2015

	Attributable to owners of the Company							
	Share capital US\$'000	Share premium US\$'000	Other reserve US\$'000	Foreign currency translation reserve US\$'000	Revenue reserve US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Balance at 1 October 2014	Note 255	452 363	47 245	(47 361)	(216 596)	235 906	(26 052)	209 854
Total comprehensive income for the year								
Profit for the year	-	-	-	-	4 623	4 623	1 392	6 015
Other comprehensive income:								
Foreign currency translation differences	-	-	-	(29 344)	-	(29 344)	(10 055)	(39 399)
Total comprehensive income for the year	-	-	-	(29 344)	4 623	(24 721)	(8 663)	(33 384)
Transactions with owners of the Company								
Contributions by and distributions to owners								
Reclassification of non-controlling interests	20(d) -	-	-	-	3 079	3 079	(3 079)	-
Equity-settled share based payments	-	-	-	-	2 317	2 317	-	2 317
Issue of ordinary shares	20(a) 1	149	-	-	11	161	-	161
Contributions by owners of the Company	1	149	-	-	5 407	5 557	(3 079)	2 478
Total transactions with owners of the Company	1	149	-	-	5 407	5 557	(3 079)	2 478
Balance at 30 September 2015	<u>256</u>	<u>452 512</u>	<u>47 245</u>	<u>(76 705)</u>	<u>(206 566)</u>	<u>216 742</u>	<u>(37 794)</u>	<u>178 948</u>

The notes on pages 16 to 86 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2015

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Other reserve	Foreign currency translation reserve	Revenue reserve	Total			
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Balance at 1 October 2013	<u>6</u>	<u>113 342</u>	<u>47 245</u>	<u>(30 170)</u>	<u>(167 859)</u>	<u>(37 436)</u>	<u>(16 205)</u>	<u>(53 641)</u>	
Total comprehensive income for the year									
Loss for the year	-	-	-	-	(48 997)	(48 997)	(5 876)	(54 873)	
Other comprehensive income:									
Foreign currency translation differences	-	-	-	(17 191)	-	(17 191)	(3 971)	(21 162)	
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17 191)</u>	<u>(48 997)</u>	<u>(66 188)</u>	<u>(9 847)</u>	<u>(76 035)</u>	
Transactions with owners of the Company									
Share issue expenses	20(b)	(1 416)	-	-	-	(1 416)	-	(1 416)	
Equity-settled share based payments		-	-	-	260	260	-	260	
Issue of ordinary shares for cash	20(a)	13	47 847	-	-	47 860	-	47 860	
Issue of ordinary shares to employees resulting from share grants	20(a)	-	115	-	-	115	-	115	
Issue of ordinary shares from bonus issue	20(a)	154	(154)	-	-	-	-	-	
Issue of ordinary shares from conversion of redeemable convertible preference shares	20(a)	82	292 629	-	-	292 711	-	292 711	
Contributions by owners of the Company		249	339 021	-	-	339 530	-	339 530	
Total transactions with owners of the Company		<u>249</u>	<u>339 021</u>	<u>-</u>	<u>-</u>	<u>260</u>	<u>-</u>	<u>339 530</u>	
Balance at 30 September 2014	<u>255</u>	<u>452 363</u>	<u>47 245</u>	<u>(47 361)</u>	<u>(216 596)</u>	<u>235 906</u>	<u>(26 052)</u>	<u>209 854</u>	

The notes on pages 16 to 86 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2015

		Years ended 30 September	
		<u>2015</u>	<u>2014</u>
	Note	US\$'000	US\$'000
Cash flows from operating activities			
Profit/(loss) for the year		6 015	(54 873)
Adjustments for:			
Depreciation of property, plant and equipment	12	10 256	10 764
Write off of property, plant and equipment		-	25
Impairment losses on property, plant and equipment		3	-
Impairment losses on goodwill	13	63	72
Impairment losses on inventory		217	1 195
Changes in fair value of financial liabilities at fair value through profit or loss		(1 972)	32 420
Impairment of other financial assets		27	-
Interest income	8	(777)	(897)
Changes in fair value of financial assets at fair value through profit or loss		25	659
Interest expense	8	11 754	13 400
Tax		3 617	14 548
Equity-settled share based payments		<u>3 157</u>	<u>389</u>
		32 385	17 702
Changes in:			
- Inventories		5 811	8 144
- Trade and other receivables		(5 464)	(3 392)
- Trade and other payables		10 296	996
- Provisions		<u>(777)</u>	<u>(152)</u>
Cash from operations		42 251	23 298
Income tax paid		<u>(847)</u>	<u>(942)</u>
Net cash flows from operating activities		<u>41 404</u>	<u>22 356</u>
Cash flows from investing activities			
Interest received		669	699
Additions to property, plant and equipment	12	(24 591)	(24 289)
Proceeds from disposal of property, plant and equipment		3	37
Refunds/(additions) of other financial assets		<u>2 702</u>	<u>(1 606)</u>
Net cash flows used in investing activities		<u>(21 217)</u>	<u>(25 159)</u>

The notes on pages 16 to 86 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 September 2015

	Years ended 30 September	
	<u>2015</u>	<u>2014</u>
Note	US\$'000	US\$'000
Cash flows from financing activities		
Proceeds from issue of ordinary shares	-	47 860
Refund/(establishment) of long term deposits	2 367	(6 771)
Proceeds from/(repayment of) bank credit and other facility borrowings	7 523	(2 835)
Net proceeds from obligations under new loan	146	-
Repayment of secured bank borrowings and loan to third party	(27 267)	(30 989)
Interest paid	(1 134)	(349)
Redemption of Class B preference shares	-	(6 818)
Share issue expenses capitalised to share premium	-	(1 416)
Net cash flows used in financing activities	<u>(18 365)</u>	<u>(1 318)</u>
Net increase/(decrease) in cash and cash equivalents	1 822	(4 121)
Cash and cash equivalents at the beginning of the year	19 629	28 017
Effect of exchange rate fluctuations on cash held	<u>2 814</u>	<u>(4 267)</u>
Cash and cash equivalents at the end of the year	19 <u><u>24 265</u></u>	<u><u>19 629</u></u>

The notes on pages 16 to 86 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

1. BACKGROUND

Tharisa plc (the "Company") was incorporated in Cyprus on 20 February 2008 under registration number HE223412. The name of the Company was changed from Tharisa Limited to Tharisa plc on 19 January 2012. On 10 April 2014, the Company listed its ordinary share capital on the main board of the Johannesburg Stock Exchange ("JSE").

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

On 9 February 2009, the Company acquired 74% of the share capital of Tharisa Minerals Proprietary Limited, a company established in South Africa. The principal activity of Tharisa Minerals Proprietary Limited is PGM and chrome mining and processing.

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

On 15 February 2012, Tharisa Investments Limited incorporated Tharisa Fujian Industrial Co. Ltd, a company established in the People's Republic of China ("China"). The principal activity of Tharisa Fujian Industrial Co. Ltd is that of ferrochrome smelting. Tharisa Fujian Industrial Co. Ltd has not commenced operations up to the date of this report. During April 2011, Tharisa Investments Limited issued additional shares representing 15% of its expanded share capital to Fujian Wuhang Stainless Steel Products Co. Ltd ("Fujian"). On 22 November 2011, the Company and Fujian signed an agreement, according to which Fujian transferred its 15% equity interests in Tharisa Investments Limited to the Company. The consideration for this transfer was the par value of the shares transferred of US\$22.5 and a call option written by the Company which conferred to Fujian a right to purchase 15% of the equity capital of Tharisa Fujian Industrial Co. Ltd at Chinese Yuan Renminbi ("YUAN") 100 at any time after 31 December 2012. As at 30 September 2015, the call option had yet to be exercised.

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

On 4 February 2011, the Company incorporated Arxo Resources Limited, a company established in Cyprus. The principal activity of Arxo Resources Limited is the selling and distribution of chrome concentrates. On 7 December 2011, Arxo Resources Limited incorporated Arxo Metals Proprietary Limited, a company established in South Africa. The principal activity of Arxo Metals Proprietary Limited is metal processing and it currently produces foundry and chemical grade chrome concentrates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

1. BACKGROUND *(continued)*

On 31 May 2011, the Company incorporated Tharisa Administration Services Limited, a company established in Cyprus. Tharisa Administration Services Limited provides management and administration services to the Group. On 1 April 2013, Tharisa Administration Services Limited, acquired Braeston Corporate Consulting Services Proprietary Limited, a company established in South Africa. The principal activity of Braeston Corporate Consulting Services Proprietary Limited is the provision of management services to the Group.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), the JSE Listing Requirements and the requirements of the Cyprus Companies Law, Cap.113.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Going concern basis

Notwithstanding that the Group made a profit for the year ended 30 September 2015 of US\$6 015 thousand (2014: US\$54 873 thousand (loss)) as at that date its current liabilities exceeded its current assets by US\$10 305 thousand (2014: US\$1 475 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

2. BASIS OF PREPARATION *(continued)*

(d) Going concern basis *(continued)*

Based on the commodity prices prevailing at the financial year end, the short term cash flow forecasts of the Group reflect a positive cash flow position sufficient to meet the operational cash flows, the approved capital expenditure and the debt repayments. However, subsequent to the financial year end, global commodity prices weakened significantly and the weakening of the South African Rand against the US\$ has been insufficient to off-set the weakened commodity prices. Based on current commodity spot prices and US\$ exchange rate, the short term cash flow forecasts reflect a shortfall in cash. Should the current depressed commodity prices persist beyond the near term and/or should forecast production not be achieved, the Group will need to source additional cash to fund its operations. The operations are, in part, funded through chrome pre-pay transactions and it is the intention of the Group to continue with these arrangements. In addition, the Group may secure a further working capital facility or the Company may undertake a placement of shares to provide this funding should this be required. In addition, the Group is reviewing its cost structure in order to reduce operating costs.

The financial statements however continue to be prepared on the going concern basis. In the event that the weakened commodity prices persist, forecast production is not achieved and the Group is unable to raise further funding, a material uncertainty will exist which may cast significant doubt on the ability of the Group to continue as a going concern and, therefore, it may be unable to realise its assets and settle its liabilities in the normal course of business.

(e) Use of estimates and judgments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

2. BASIS OF PREPARATION *(continued)*

(e) Use of estimates and judgments *(continued)*

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

Impairment of assets

The recoverable amount of each non-financial asset or cash-generating-unit (“CGU”) is determined as the higher of the value-in-use and fair value less costs to sell, in accordance with the Group's accounting policies (see note 3(p)). Determination of the value-in-use of an asset or CGU based on a discounted cash flow model requires the use of estimates and assumptions, including: the appropriate rate at which to discount the cash flows, the timing of cash flows and expected life of the asset or CGU, exchange rates, commodity prices, ore reserves, future capital requirements and future operating performance. Changes in these estimates and assumptions impact the recoverable amount of the asset or the CGU and, accordingly, could result in an adjustment to the carrying amount of that asset or CGU.

Mineral reserves

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

Rehabilitation provision

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

Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

2. BASIS OF PREPARATION *(continued)*

(f) New and revised International Financial Reporting Standards and Interpretations

As from 1 October 2014, the Group adopted the following standards and interpretations that are effective for the current financial year that are relevant to its operations. This adoption did not have a material effect on the accounting policies of the Group

Standards and Interpretations

- IAS 32 (Amendments) "Offsetting Financial Assets and Financial Liabilities" (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2014).
- IAS 36 (Amendments) "Recoverable Amount: Disclosures for Non-Financial Assets" (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2014).
- IFRIC 21 "Levies" (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2014).
- IFRS 2 (Amendments) "Share-based Payments: Annual improvements project" (effective for annual periods beginning on or after 1 July 2014).
- IAS 16 (Amendments) "Property, Plant and Equipment: Annual improvements project" (effective for annual periods beginning on or after 1 July 2014).
- IAS 24 (Amendments) "Related Party Disclosures: Annual improvements project" (effective for annual periods beginning on or after 1 July 2014).
- IFRS 13 (Amendments) "Fair Value Measurement: Annual improvements project" (effective for annual periods beginning on or after 1 July 2014).
- IAS 38 (Amendments) "Intangible Assets: Annual improvement project" (effective for annual periods beginning on or after 1 July 2014).

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 October 2014. The Board of Directors is currently evaluating the impact of these on the Group.

Standards and Interpretations

- IFRS 9 "Financial Instruments" (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2018).
- IFRS 10, IFRS 12 and IAS 28 (Amendments) "Investment Entities: Applying the Consolidation Exception" (effective for annual periods beginning on or after 1 January 2016).
- IAS 1 (Amendments) "Disclosure Initiative" (effective for annual periods beginning on or after 1 January 2016).
- IAS 10 and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective for annual periods beginning on or after 1 January 2016).
- IFRS 14 "Regulatory Deferral Accounts" (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2016).
- IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2018).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

2. BASIS OF PREPARATION *(continued)*

(f) New and revised International Financial Reporting Standards and Interpretations *(continued)*

Standards and Interpretations*(continued)*

- IAS 16 and IAS 41 (Amendments) "Bearer Plants" (effective for annual periods beginning on or after 1 January 2016).
- IAS 27 (Amendments) "Equity method in separate financial statements" (effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2012-2014 Cycle (effective the latest as from the commencement date of its first annual period beginning on or after 1 January 2016).

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

The following policies have been applied during the consolidation process:

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Goodwill represents the excess of:

- (i) The aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) The net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each CGU, or groups of CGUs, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 3(p)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Transactions eliminated on consolidation

Intra-Group balances and transactions and any unrealised income and expenses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-Group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

Foreign operations

The assets and liabilities of foreign operations including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at exchange rates at the end of each reporting period. The income and expenses of foreign operations are translated to the presentation currency using the average rate for the year. Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of, the cumulative amount of the exchange differences relating to that foreign operation are transferred to profit or loss as part of the profit or loss on disposal.

(b) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of chrome concentrates

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

Sale of PGM

Revenue from the sale of PGM is initially recognised at the estimated fair value of the consideration receivable at the date of delivery. Adjustments to the sale price occur based on movements in the metal market price and currency up to the date of final pricing. Final pricing is based on the monthly average market price in the month of settlement. The period between initial recognition and final pricing is typically 4 months. The revenue adjustment mechanism embedded within the sale arrangement has the characteristics of a commodity derivative. Accordingly the fair value of the final sales price adjustment is re estimated continuously and changes in fair value are recognised as a re estimated adjustment to revenue in profit or loss and trade receivables in the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Other income

Rental income

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

(d) Segmental reporting

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 two operating segments during the reporting period, the PGM segment and the chrome segment.

(e) Lease payments

Payments under leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Operating lease payments are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(f) Foreign currency transactions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Finance income and finance costs

Finance income comprises interest income on funds invested, changes in fair value of financial assets at fair value through profit or loss and net foreign currency gains. Interest income is recognised in profit or loss as it accrues using the effective interest method.

Finance costs comprise interest expense on borrowings, bank charges, unwinding of the discount on provisions, impairment losses recognised on financial assets (other than trade receivables) and net foreign currency losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset (see note 3(1)) are recognised in profit or loss using the effective interest method.

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

(h) Employee benefits

Provident funds

The Group's salaried employees in South Africa are members of defined contribution retirement benefit plans. The contributions to the plans range from a minimum of 3% to a maximum of 15% of staff's pensionable salary. Contributions to the plans vest immediately. Contributions are accrued in the year in which the associated services are rendered by employees.

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

Share based payment transactions

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Employee benefits *(continued)*

Short term benefits

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

Termination benefits

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

(i) Tax

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Tax *(continued)*

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

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

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

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

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

For the year ended 30 September 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Earnings per share

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

If the number of ordinary or potential ordinary shares outstanding increases as a result of capitalisation, a bonus issue or a share split, or decreases as a result of a reverse share split before the consolidated financial statements are authorised for issue, the calculation of basic and diluted earnings per share for all periods presented are adjusted retrospectively, as if such changes to share capital had been effective since the beginning of the earliest period presented.

(k) Dividends

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

(l) Property, plant and equipment

Mining assets and infrastructure

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

The remaining useful life of mine and infrastructure is currently estimated to be 21 years.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(I) Property, plant and equipment *(continued)*

Deferred stripping costs

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

General

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(I) Property, plant and equipment *(continued)*

General (continued)

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

Government grants

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

Depreciation

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

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

Depreciation, unless otherwise stated, is calculated as follows:

- buildings at 10% per annum
- motor vehicles at 20% per annum
- computer equipment and software at 33.3% per annum
- office equipment between 10% and 33.3% per annum
- furniture at 20% per annum

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Mineral reserves

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

Factors impacting the determination of proved and probable reserves:

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

(n) Inventories

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

(o) Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in other comprehensive income and accumulated in equity are included in profit or loss for the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial instruments *(continued)*

Non-derivative financial assets (continued)

The Group's non-derivative financial assets include the following:

- *Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

- *Held-to-maturity investments*

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity and are included in non-current assets, except for those with maturities within 12 months from the reporting date which are classified as current assets. Held to maturity investments are stated at amortised cost less impairment losses.

- *Loans receivable*

Loans receivable are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the loans receivable are measured at amortised cost using the effective interest rate method. Unless otherwise stated, these balances have no fixed terms of repayment and are therefore deemed repayable on demand and deemed to have carrying values equal to their fair values.

- *Trade and other receivables*

Trade and other receivables originated by the Group are stated at their amortised cost less impairment losses, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Due to the short-term nature of the Group's trade and other receivables, amortised cost approximates fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Financial instruments *(continued)*

Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in profit or loss.

Non-derivative financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

The Group's non-derivative financial liabilities include the following:

- *Trade and other payables*

Trade and other payables are stated at amortised cost. Due to the short-term nature of the Group's trade and other payables, amortised cost approximates fair value.

- *Interest-bearing borrowings*

Interest-bearing borrowings are stated at amortised cost, using the effective interest rate method, with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest rate basis.

- *Redeemable preference shares*

Redeemable preference shares are classified as a liability if they are redeemable on a specific date or at the option of the preference shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings. Dividends on redeemable preference shares are recognised as a liability and recognised as an interest expense using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Financial instruments (continued)

Financial liabilities at fair value through profit or loss:

The Group's financial liabilities at fair value through profit or loss include the following:

- *Hybrid financial liabilities*

A hybrid financial liability includes a non-derivative host contract and one or more embedded derivatives with the effect that some of the cash flows of the instrument vary in a way similar to a stand-alone derivative. The Group designates the entire hybrid liability as a financial liability at fair value through profit or loss unless:

- (a) the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or
- (b) it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

Hybrid financial liabilities are recognised initially at fair value. Transaction costs that relate to the issue of the liabilities are recognised immediately in profit or loss. At the end of each reporting period the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

- *Derivative financial instruments*

Derivative financial instruments are recognised initially at fair value and any attributable transaction costs are recognised in profit or loss. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The fair value of financial instruments traded on an organised financial market is measured at the applicable quoted prices. The fair value of financial instruments not traded on an organised financial market is determined using a variety of methods and assumptions that are based on market conditions and risks existing at the reporting date, including independent appraisals and discounted cash flow methods.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Impairment

Financial assets

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

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

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

For the year ended 30 September 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Impairment *(continued)*

Non-financial assets

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

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

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

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

(q) Provisions

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

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

For the year ended 30 September 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Provisions *(continued)*

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

Rehabilitation costs

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

The estimates are reviewed bi-annually to take into account the effects of inflation and changes in estimates and are discounted using rates that reflect the time value of money. Bi-annual increases in the provision due to the passage of time are recognised in profit or loss as an unwinding of the value of the provision expense. The present value of additional disturbances and changes in the estimate of the rehabilitation liability are taken to inventory as a direct cost against an increase in the rehabilitation provision. The rehabilitation asset is depreciated as per the Group's accounting policy on depreciation (see note 3(l)). Rehabilitation projects undertaken, included in the estimates, are charged to the provision as incurred.

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

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

(r) Cash and cash equivalents

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

(s) Long term deposits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Share capital

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

(u) Related party transactions

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

- (i)* The party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii)* The Group and the party are subject to common control;
- (iii)* The party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv)* The party is a member of key management personnel of the Group or the Group's parent, or a close family member of such individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v)* The party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi)* The party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

(v) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

(w) Events after the reporting period

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

4. OPERATING SEGMENTS

Segmental performance is measured based on segment revenue, cost of sales and gross profit or loss, as included in the internal management reports that are reviewed by the Group's management.

30 September 2015	PGM US\$'000	Chrome US\$'000	Total US\$'000
Revenue	<u>83 053</u>	<u>163 729</u>	<u>246 782</u>
Cost of sales			
- Cost of sales excluding selling costs	63 674	80 834	144 508
- Selling costs	<u>193</u>	<u>58 991</u>	<u>59 184</u>
	<u>63 867</u>	<u>139 825</u>	<u>203 692</u>
Gross profit	<u>19 186</u>	<u>23 904</u>	<u>43 090</u>

The overhead costs relating to the manufacturing of the PGM and the chrome concentrates are allocated to the relevant products based on the relative sales value per product. The allocated percentage for chrome concentrates and PGM concentrate accounted for this financial year is 50% for each segment. The allocated percentage for chrome concentrates and PGM concentrate accounted for in the previous reporting period was 60% and 40% respectively.

30 September 2014	PGM US\$'000	Chrome US\$'000	Total US\$'000
Revenue	<u>70 365</u>	<u>170 366</u>	<u>240 731</u>
Cost of sales			
- Cost of sales excluding selling costs	53 347	91 893	145 240
- Selling costs	<u>138</u>	<u>62 741</u>	<u>62 879</u>
	<u>53 485</u>	<u>154 634</u>	<u>208 119</u>
Gross profit	<u>16 880</u>	<u>15 732</u>	<u>32 612</u>

Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and goodwill ("specified non-current assets"). The geographical location analysis of revenue from external customers is based on the country of establishment of each customer. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment and the location of the operation to which they are allocated in the case of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

4. OPERATING SEGMENTS *(continued)*

Geographical information *(continued)*

Years ended 30 September
2015 2014
US\$'000 US\$'000

(i) Revenues from external customers

China	65 432	71 136
South Africa	95 038	94 187
Singapore	7 927	27 220
Hong Kong	55 175	37 653
South Korea	10 673	-
Other countries	<u>12 537</u>	<u>10 535</u>
	<u>246 782</u>	<u>240 731</u>

Revenue represents the sales value of goods supplied to customers, net of value-added tax. The Group had one customer with whom transactions have individually exceeded 10% of the Group's revenues. Revenue from the largest customer of the Group represented approximately US\$82 856 thousand and US\$70 214 thousand for each of the years ended 30 September 2015 and 30 September 2014 respectively and relates to revenues of the PGM segment. Revenue from the second largest customer of the Group represented approximately US\$15 124 thousand and US\$24 508 thousand for each of the years ended 30 September 2015 and 30 September 2014 respectively and relates to revenues of the chrome segment.

30 September 30 September
2015 2014
US\$'000 US\$'000

(ii) Specified non-current assets

South Africa	215 430	254 547
Cyprus	5	14
China	<u>2</u>	<u>6</u>
	<u>215 437</u>	<u>254 567</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

5. OTHER INCOME

	Years ended 30 September	
	<u>2015</u>	<u>2014</u>
	US\$'000	US\$'000
Rental income	30	39
Other income	<u>12</u>	<u>110</u>
	<u>42</u>	<u>149</u>

Rental income relates to the portion of rent recovered by sub tenants and income from houses rented in the area covered by the mining rights.

6. SHARE BASED PAYMENTS

At 30 September 2015, the Company had the following share based payment arrangements:

First issue - 2014 for Conditional Awards "LTIP" and Appreciation Rights "SARS"

Conditional Awards is the grant of shares of the Company to employees of the Group and other approved consultants, where the risks and rewards of share ownership will vest on specific vesting dates with the employee subject to certain conditions. As at 30 September 2015, all conditions with regards to the conditional awards of the other approved consultants have been fulfilled. The inaugural award will vest in three equal annual tranches. The award, on vesting, may at the election of the Company, be either cash settled or share settled as provided for in the rules of the Plan. Management has confirmed that the Company has both the ability and the intent to settle these awards by the issue of equity instruments.

Appreciation Rights is the grant of an award in shares of the Company where the employee is, subject to certain conditions, entitled to receive the increase in the market price of the share above the award price. The appreciation in value may, at the election of the Company, be either cash settled or share settled as provided for in the rules of the Plan. The inaugural award is at an award price of ZAR38.00 per share and vests in two equal annual tranches with the ability to exercise the award at any time up to five years from the grant date. Management has confirmed that the Company has both the ability and the intent to settle these awards by the issue of equity instruments.

Second issue - 2015 for LTIP and SARS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

6. SHARE BASED PAYMENTS *(continued)*

(2) Subject to there being no fatality during the vesting periods as detailed above, the number of vested allocations will be evaluated as follows:

- 33.34% of each tranche of the Conditional Award and Appreciation Right will be subject to continuing employment in good standing (as determined by the Remuneration Committee) during the applicable vesting period;
- 33.33% of each tranche of the Conditional Award and Appreciation Right will be subject to the production of 144 koz PGMs during the 1st twelve month period, 2nd twelve month period or 3rd twelve month period, respectively. However 16.67% of each such tranche of the Conditional Award and Appreciation Right will vest (subject to paragraph 1 above) if the production during the applicable 12 month period is below 144 koz PGMs but above 136.8koz PGMs. 33.33% of each tranche of the award will be forfeited if production in any applicable 12 month period falls below 136.8 koz PGMs; and
- 33.33% of each tranche of the Conditional Award and Appreciation Right will be subject to the production of 1.5 Mt of chrome concentrates comprising metallurgical grade, foundry grade and chemical grade within contract specifications during the 1st twelve month period, 2nd twelve month period or 3rd twelve month period, respectively. However 16.67% of each tranche of the Conditional Award and Appreciation Right will vest (subject to paragraph 1 above) if the production during the applicable 12 month period is below 1.5 Mt of chrome concentrates but above 1.425 Mt of chrome concentrates. 33.33% of each tranche of the Conditional Award will be forfeited if production in any applicable 12 month period falls below 1.425 Mt of chrome concentrates.

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

The awards are subject to the rules governing the Plan and the final discretion of the Company's Remuneration Committee will prevail should there be any discrepancy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

6. SHARE BASED PAYMENTS (continued)

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

LTIP

First issue - 2014 valuation of share option at grant date was ZAR23.11 per share.

Second issue - 2015 valuation of share option at grant date was ZAR6.37 per share.

2015 Ordinary shares	<u>Opening balance</u>	<u>Allocated</u>	<u>Vested</u>	<u>Forfeited</u>	<u>Total</u>
LTIP	3 679 129	2 656 589	(1 191 256)	(1 043 081)	4 101 381
2014 Ordinary shares	<u>Opening balance</u>	<u>Allocated</u>	<u>Vested</u>	<u>Forfeited</u>	<u>Total</u>
LTIP	-	3 679 129	-	-	3 679 129

An expense of US\$2 869 thousand (2014: US\$90 thousand) was recognised in profit or loss. Of the above vested shares, 80 016 were not issued and the respective costs were used to repay associated taxes.

SARS

First issue - 2014 valuation of share award at grant date was ZAR4.25 per award.

Second issue - 2015 valuation of share award at grant date was ZAR2.01 per award.

2015 Ordinary shares	<u>Opening balance</u>	<u>Allocated</u>	<u>Vested</u>	<u>Forfeited</u>	<u>Total</u>
SARS	2 051 139	3 556 635	(947 471)	(2 033 302)	2 627 001
2014 Ordinary shares	<u>Opening balance</u>	<u>Allocated</u>	<u>Vested</u>	<u>Forfeited</u>	<u>Total</u>
SARS	-	2 051 139	-	-	2 051 139

An expense of US\$288 thousand (2014: US\$184 thousand) was recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

6. SHARE BASED PAYMENTS *(continued)*

Share Grant

The Company granted shares to employees of the group conditional on listing of its ordinary shares on the JSE. The grant was made to employees with at least 6 months service prior to listing and the number of shares was fixed with an escalation for the number of years in service prior to the grant.

The grant was valued at the private placement share price of ZAR38.00 per share at the time of the listing.

Total number of shares granted by the Company to employees of the Group was 31 635.

An amount of US\$31.64 and US\$115 thousand was charged in share capital and share premium respectively during the year ended 30 September 2014 for the ordinary shares issued with a corresponding increase in the investment in each subsidiary.

An expense of US\$Nil (2014: US\$114 thousand) was recognised in profit or loss.

Information on awards granted during the year

Fair values were determined by a Black Scholes model for the LTIP awards and a Binomial tree model for the SARS awards. The following inputs were used:

	2015	2014
• Spot price (second and initial award)	ZAR6.90	ZAR25.00
• Strike price (second and initial award)	ZAR6.44	ZAR38.00
• Expected volatility	33.00%	33.00%
• Dividend yield	4.00%	3.55%
• Risk-free interest rate	Zero coupon fit swap curve Zero coupon fit swap curve	
• Forfeiture assumption	5.00%	5.00%

Given the very limited share price trading history of the Company due to the fact that it listed its ordinary share capital on the JSE on 10 April 2014, management has determined that volatility will be more indicative by calculating an equally weighted volatility based on historical share price data of companies listed on the JSE with very similar portfolios to that of the Group. Based on management calculations, the expected volatility as at 30 September 2015 was 33%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

7. ADMINISTRATIVE EXPENSES

	Years ended 30 September	
	<u>2015</u>	<u>2014</u>
	US\$'000	US\$'000
Directors and staff costs		
Non-Executive Directors	504	598
Executive Directors	1 396	1 498
Other key management	1 000	1 135
Group employees	<u>9 114</u>	<u>10 980</u>
	12 014	14 211
Audit	488	505
Consulting	2 207	1 157
Corporate social investment	309	475
Depreciation	255	365
Discount facility and related fees	366	85
Equity-settled share based expense	3 157	389
Fees for the professional services of the listing	-	2 610
Health and safety	167	43
Impairment losses on property, plant and equipment	3	-
Insurance	856	623
Legal and professional	414	488
Rent and utilities	867	1 624
Security	608	698
Telecommunications and IT related costs	581	617
Training	420	116
Travelling and accommodation	580	767
Sundry expenses	<u>1 485</u>	<u>2 135</u>
	<u>24 777</u>	<u>26 908</u>

During the year ended 30 September 2015, the Group realised a net gain on disposal of US\$376 (2014: US\$Nil) of property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

8. NET FINANCE COSTS

	Years ended 30 September	
	<u>2015</u>	<u>2014</u>
	US\$'000	US\$'000
Finance income		
Interest income	777	897
Net foreign currency gains	<u>408</u>	<u>-</u>
	<u>1 185</u>	<u>897</u>
Finance costs		
Interest expense	(11 754)	(13 400)
Bank charges	(101)	(96)
Net foreign currency losses	<u>-</u>	<u>(500)</u>
	<u>(11 855)</u>	<u>(13 996)</u>
Changes in fair value of financial assets at fair value through profit or loss	<u>(25)</u>	<u>(659)</u>
Changes in fair value of financial liabilities at fair value through profit or loss	<u>1 972</u>	<u>(32 420)</u>
Net finance costs	<u><u>(8 723)</u></u>	<u><u>(46 178)</u></u>

Following the Company's listing on the JSE, the convertible redeemable preference shares issued in 2011, were converted into fully paid ordinary shares as per the conversion clause detailed in the articles of association of the Company. The fair value of the convertible redeemable preference shares up to the date of listing, and their conversion into ordinary shares was increased using a probability weighted expected return method as set out in note 29 of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

9. DIRECTORS REMUNERATION

The remuneration of the Directors for the year ended 30 September 2015 and 2014 is set out below:

2015 Directors' remuneration

	Directors' fees US\$'000	Salary US\$'000	Expense allowances US\$'000	Share based payments US\$'000	Provident fund and risk benefits US\$'000	Total US\$'000
Loucas Pouroulis	-	512	-	28	-	540
Phoevos Pouroulis	-	393	10	24	24	451
Michael Jones	-	325	-	21	59	405
David Salter	188	-	-	-	-	188
Ioannis Drapaniotis	97	-	-	-	-	97
Antonios Djakouris	129	-	-	-	-	129
Omar Kamal	58	-	-	-	-	58
Brian Chi Ming Cheng	32	-	-	-	-	32
Joanna Ka Ki Cheng	-	-	-	-	-	-
Total	504	1 230	10	73	83	1 900

2014 Directors' remuneration

	Directors' fees US\$'000	Salary US\$'000	Expense allowances US\$'000	Share based payments US\$'000	Provident fund and risk benefits US\$'000	Total US\$'000
Loucas Pouroulis	-	580	-	-	-	580
Phoevos Pouroulis	-	444	12	-	27	483
Michael Jones	-	360	-	-	75	435
David Salter	262	-	-	-	-	262
Ioannis Drapaniotis	132	-	-	-	-	132
Antonios Djakouris	191	-	-	-	-	191
Omar Kamal	13	-	-	-	-	13
Total	598	1 384	12	-	102	2 096

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

9. DIRECTORS REMUNERATION (continued)

Directors' share scheme awards

As at 30 September 2015, the number of Conditional Awards ("LTIP") and Appreciation Rights ("SARS") awarded to the Executive Directors are as follows:

LTIP

2015 Ordinary shares	<u>Opening balance</u>	<u>Allocated</u>	<u>Vested</u>	<u>Forfeited</u>	<u>Total</u>
Loucas Pouroulis	161 052	316 770	(53 684)	(105 590)	318 548
Phoevos Pouroulis	134 210	263 975	(44 737)	(87 992)	265 456
Michael Jones	<u>120 789</u>	<u>237 577</u>	<u>(40 263)</u>	<u>(79 192)</u>	<u>238 911</u>
	<u>416 051</u>	<u>818 322</u>	<u>(138 684)</u>	<u>(272 774)</u>	<u>822 915</u>
2014 Ordinary shares	<u>Opening balance</u>	<u>Allocated</u>	<u>Vested</u>	<u>Forfeited</u>	<u>Total</u>
Loucas Pouroulis	-	161 052	-	-	161 052
Phoevos Pouroulis	-	134 210	-	-	134 210
Michael Jones	<u>-</u>	<u>120 789</u>	<u>-</u>	<u>-</u>	<u>120 789</u>
	<u>-</u>	<u>416 051</u>	<u>-</u>	<u>-</u>	<u>416 051</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

9. DIRECTORS REMUNERATION *(continued)*

SARS

2015 Ordinary shares	Opening <u>balance</u>	<u>Allocated</u>	<u>Vested</u>	<u>Forfeited</u>	<u>Total</u>
Loucas Pouroulis	80 526	158 385	(40 263)	(79 193)	119 455
Phoevos Pouroulis	67 105	131 987	(33 553)	(65 994)	99 545
Michael Jones	<u>60 394</u>	<u>118 788</u>	<u>(30 197)</u>	<u>(59 394)</u>	<u>89 591</u>
	<u>208 025</u>	<u>409 160</u>	<u>(104 013)</u>	<u>(204 581)</u>	<u>308 591</u>
2014 Ordinary shares	Opening <u>balance</u>	<u>Allocated</u>	<u>Vested</u>	<u>Forfeited</u>	<u>Total</u>
Loucas Pouroulis	-	80 526	-	-	80 526
Phoevos Pouroulis	-	67 105	-	-	67 105
Michael Jones	<u>-</u>	<u>60 394</u>	<u>-</u>	<u>-</u>	<u>60 394</u>
	<u>-</u>	<u>208 025</u>	<u>-</u>	<u>-</u>	<u>208 025</u>

Details of each scheme are disclosed in note 6 of the consolidated financial statements. The Directors were not awarded any share grants. Non-Executive Directors are not entitled to participate in the Group's share award scheme.

10. TAX

	Years ended 30 September	
	<u>2015</u>	<u>2014</u>
	US\$'000	US\$'000
Corporate income tax for the year		
- Cyprus	240	765
- South Africa	143	300
Special contribution for defence in Cyprus for the year	3	1
Deferred tax		
- Origination and reversal of temporary differences (note 22)	<u>3 231</u>	<u>13 482</u>
Tax charge	<u>3 617</u>	<u>14 548</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

10. TAX (continued)

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

	Country	Years ended 30 September	
		<u>2015</u>	<u>2014</u>
Tharisa plc	Cyprus	12.5%	12.5%
Tharisa Minerals Proprietary Limited	South Africa	28.0%	28.0%
Tharisa Investments Limited	Cyprus	12.5%	12.5%
Arxo Resources Limited	Cyprus	12.5%	12.5%
Tharisa Fujian Industrial Co., Ltd	China	25.0%	25.0%
Arxo Logistics Proprietary Limited	South Africa	28.0%	28.0%
Tharisa Administration Services Limited	Cyprus	12.5%	12.5%
Tharisa Investments (Hong Kong) Limited	Hong Kong	16.5%	16.5%
Arxo Metals Proprietary Limited	South Africa	28.0%	28.0%
Braeston Corporate Consulting Services Proprietary Limited	South Africa	28.0%	28.0%
Dinami Limited	Guernsey	0.0%	0.0%

Reconciliation between tax charge and accounting profit/(loss) at applicable tax rates:

	Years ended 30 September	
	<u>2015</u>	<u>2014</u>
	US\$'000	US\$'000
Profit/(loss) before tax	<u>9 632</u>	<u>(40 325)</u>
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned	3 695	10 203
Non taxable income	(500)	(556)
Non deductible expenses	1 132	5 138
Recognition of deemed interest income for tax purposes	57	45
Tax losses not recognized for deferred tax purposes	-	288
Special contribution to the defence fund (note (i))	3	1
Deferred tax	<u>(770)</u>	<u>(571)</u>
Tax charge	<u><u>3 617</u></u>	<u><u>14 548</u></u>

Notes:

- (i) 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.
- (ii) No provision for Chinese income tax was made as Tharisa Fujian Industrial Co. Limited has sustained losses for taxation purposes.
- (iii) No provision for Hong Kong profits tax was made as Tharisa Investments (Hong Kong) Limited did not earn any assessable profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

11. EARNINGS PER SHARE

(i) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit/(loss) attributable to the ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding.

	Years ended 30 September	
	<u>2015</u>	<u>2014</u>
Profit/(loss) for the year attributable to ordinary shareholders (US\$'000)	4 623	(48 997)
Weighted average number of ordinary shares at 30 September ('000)	<u>255 076</u>	<u>247 879</u>
Basic and diluted earnings per share (US\$ cents)	<u>2</u>	<u>(20)</u>

	Years ended 30 September	
	<u>2015</u>	<u>2014</u>
	Number of	Number of
	shares ('000)	shares ('000)
Weighted average number of ordinary shares at 30 September	<u>255 076</u>	<u>247 879</u>

At 30 September 2014, for the purpose of calculating basic and diluted earnings per share, the weighted average number of ordinary shares used in the above calculations reflects the effect of the bonus issue and the conversion of the redeemable convertible preference shares as if it had occurred at the beginning of the earliest period presented.

At 30 September 2015, LTIP and SARS awards were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been anti-dilutive. The average market value of the Company's shares for the purposes of calculating the potential dilutive effect of SARS was based on quoted market prices for the year during which the options were outstanding.

(ii) Headline and diluted headline earnings per share

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

	Years ended 30 September	
	<u>2015</u>	<u>2014</u>
Headline earnings for the year attributable to the ordinary shareholders (note 11 (iii)) ('000)	4 688	(48 925)
Weighted average number of ordinary shares at 30 September (note 11 (i)) ('000)	<u>255 076</u>	<u>247 879</u>
Headline and diluted headline earnings per share (US\$ cents)	<u>2</u>	<u>(20)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

11. EARNINGS PER SHARE *(continued)*

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

	Years ended 30 September			
	US\$'000	<u>2015</u> US\$'000	US\$'000	<u>2014</u> US\$'000
	Gross	Net	Gross	Net
Profit/(loss) attributable to ordinary shareholders		4 623		(48 997)
Adjustments:				
Impairment losses on goodwill	63	63	72	72
Impairment losses on property, plant and equipment	3	<u>2</u>	-	<u>-</u>
Headline earnings		<u><u>4 688</u></u>		<u><u>(48 925)</u></u>

12. PROPERTY, PLANT AND EQUIPMENT

	Balance at 1 October <u>2014</u> US\$'000	<u>Additions</u> US\$'000	<u>Disposals</u> US\$'000	Exchange <u>differences</u> US\$'000	Balance at 30 September <u>2015</u> US\$'000
Cost					
Freehold land and buildings	16 798	340	-	(3 368)	13 770
Mining assets and infrastructure	258 988	23 782	(3)	(55 532)	227 235
Leasehold improvements	130	-	-	(17)	113
Computer equipment and software	1 996	249	(3)	(372)	1 870
Motor vehicles	442	155	(4)	(112)	481
Office equipment and furniture, social community and site office improvements	<u>484</u>	<u>65</u>	<u>-</u>	<u>(87)</u>	<u>462</u>
	<u><u>278 838</u></u>	<u><u>24 591</u></u>	<u><u>(10)</u></u>	<u><u>(59 488)</u></u>	<u><u>243 931</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Balance at 1 October <u>2014</u> US\$'000	Charge for the year <u>US\$'000</u>	Written back on disposals US\$'000	Exchange differences US\$'000	Balance at 30 September <u>2015</u> US\$'000
Accumulated depreciation					
Freehold land and buildings	131	116	-	(61)	186
Mining assets and infrastructure	23 850	9 661	-	(5 980)	27 531
Leasehold improvements	100	19	-	(14)	105
Computer equipment and software	992	294	(2)	(177)	1 107
Motor vehicles	117	75	(1)	(34)	157
Office equipment and furniture, social community and site office improvements	<u>292</u>	<u>91</u>	<u>-</u>	<u>(56)</u>	<u>327</u>
	<u>25 482</u>	<u>10 256</u>	<u>(3)</u>	<u>(6 322)</u>	<u>29 413</u>

	Balance at 1 October <u>2013</u> US\$'000	Additions US\$'000	Transfers US\$'000	Disposals US\$'000	Exchange differences US\$'000	Balance at 30 September <u>2014</u> US\$'000
Cost						
Freehold land and buildings	14 645	1 618	2 295	-	(1 760)	16 798
Mining assets and infrastructure	268 844	22 181	(2 401)	-	(29 636)	258 988
Leasehold improvements	111	2	30	-	(13)	130
Computer equipment and software	1 983	339	(118)	(3)	(205)	1 996
Motor vehicles	280	114	164	(78)	(38)	442
Office equipment and furniture, social community and site office improvements	<u>465</u>	<u>35</u>	<u>30</u>	<u>-</u>	<u>(46)</u>	<u>484</u>
	<u>286 328</u>	<u>24 289</u>	<u>-</u>	<u>(81)</u>	<u>(31 698)</u>	<u>278 838</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

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

	Balance at 1 October <u>2013</u> US\$'000	Charge for the year <u>US\$'000</u>	Written back on disposals US\$'000	Exchange differences US\$'000	Balance at 30 September <u>2014</u> US\$'000
Accumulated depreciation					
Freehold land and buildings	11	129	-	(9)	131
Mining assets and infrastructure	16 132	10 023	-	(2 305)	23 850
Leasehold improvements	83	27	-	(10)	100
Computer equipment and software	661	407	(1)	(75)	992
Motor vehicles	98	74	(44)	(11)	117
Office equipment and furniture, social community and site office improvements	<u>213</u>	<u>104</u>	<u>-</u>	<u>(25)</u>	<u>292</u>
	<u>17 198</u>	<u>10 764</u>	<u>(45)</u>	<u>(2 435)</u>	<u>25 482</u>

	30 September <u>2015</u> US\$'000	30 September <u>2014</u> US\$'000	1 October <u>2013</u> US\$'000
Net book value			
Freehold land and buildings	13 584	16 667	14 634
Mining assets and infrastructure	199 704	235 138	252 712
Leasehold improvements	8	30	28
Computer equipment and software	763	1 004	1 322
Motor vehicles	324	325	182
Office equipment and furniture, social community and site office improvements	<u>135</u>	<u>192</u>	<u>252</u>
	<u>214 518</u>	<u>253 356</u>	<u>269 130</u>

All of the Group's land is freehold and located on the farms 342 JQ and Elandsdrift 467 JQ, North West Province, Registration Division JQ, South Africa.

As at 30 September 2015, an amount of US\$196 432 thousand (2014: US\$228 345 thousand) of the carrying amount of the Group's tangible property plant and equipment is pledged as security against bank and third party borrowings (note 23(a)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

13. GOODWILL

(a) Reconciliation of carrying amount

	Years ended 30 September	
	<u>2015</u>	<u>2014</u>
	US\$'000	US\$'000
Cost		
Balance at 1 October	1 346	1 502
Effect of movements in exchange rates	<u>(265)</u>	<u>(156)</u>
Balance at 30 September	<u><u>1 081</u></u>	<u><u>1 346</u></u>
	Years ended 30 September	
	<u>2015</u>	<u>2014</u>
	US\$'000	US\$'000
Accumulated impairment losses		
Balance at 1 October	135	75
Impairment of goodwill	63	72
Effect of movements in exchange rates	<u>(36)</u>	<u>(12)</u>
Balance at 30 September	<u><u>162</u></u>	<u><u>135</u></u>
Carrying amounts 30 September	<u><u>919</u></u>	<u><u>1 211</u></u>

(b) Impairment test for goodwill

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

	Years ended 30 September	
	<u>2015</u>	<u>2014</u>
	US\$'000	US\$'000
Arxo Logistics Proprietary Limited (note 13(b)(i))	48	55
Braeston Corporate Consulting Services Proprietary Limited (note 13(b)(ii))	<u>15</u>	<u>17</u>
Impairment loss	<u><u>63</u></u>	<u><u>72</u></u>

(i) Impairment loss on Arxo Logistics Proprietary Limited

At 30 September 2015, the carrying amount of Arxo Logistics Proprietary Limited CGU exceeded its recoverable amount and thus impairment was recognised to reduce the carrying amount of goodwill. The recoverable amount is determined based on value-in-use calculation. This calculation uses discounted cash flows approved by management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

13. GOODWILL *(continued)*

(b) Impairment test for goodwill *(continued)*

(ii) Impairment loss on Braeston Corporate Consulting Services Proprietary Limited

At 30 September 2015, the carrying amount of Braeston Corporate Consulting Services Proprietary Limited CGU exceeded its recoverable amount and thus impairment was recognised to reduce the carrying amount of goodwill. The recoverable amount is determined based on value-in-use calculation. This calculation uses discounted cash flows approved by management.

14. LONG TERM DEPOSITS

	30 September <u>2015</u> US\$'000	30 September <u>2014</u> US\$'000
Long term deposits	<u>10 656</u>	<u>14 479</u>

As at 30 September 2015 and 30 September 2014, the amounts of US\$10 656 thousand and US\$14 479 thousand respectively were restricted as a security and designated as a “debt service reserve account” as required by the terms of the Common Terms Agreement for the senior debt facility of Tharisa Minerals Proprietary Limited as disclosed within bank borrowings in note 23 of the consolidated financial statements. The amount includes a margin for exchange differences. As at 30 September 2015 and 30 September 2014, long term deposits held by the Company of US\$4 621 thousand and US\$7 389 thousand respectively were deposited in a one month notice account with interest of Nil and 0.01% p.a respectively. As at 30 September 2015 and 30 September 2014, US\$6 035 thousand and US\$7 090 thousand held by Tharisa Minerals Proprietary Limited were deposited in a call account with interest of 5.6% p.a and 2.64% p.a respectively.

15. GROUP COMPOSITION

Details of the subsidiaries including direct and indirect holding are disclosed in note 1 of the consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

15. GROUP COMPOSITION *(continued)*

The following table summarises the information relating to the Company's subsidiary, Tharisa Minerals Proprietary Limited, that is 74% owned by the Company for the period under review and has material non-controlling interests before any inter-group eliminations:

	<u>2015</u> US\$'000	<u>2014</u> US\$'000
Non-current assets	207 749	249 667
Current assets	46 366	40 571
Borrowings	2 047	2 217
Secured bank borrowing	50 675	81 232
Net assets	(159 567)	(132 998)
Carrying amount of non-controlling interest	<u>(41 487)</u>	<u>(34 397)</u>
Revenue	240 338	226 987
Net profit after tax	(63 141)	(55 766)
Non-controlling interest	<u>(16 417)</u>	<u>(14 499)</u>
Cash flows from operating activities	62 130	26 989
Cash flows from investing activities	(21 505)	(27 209)
Cash flows from financing activities	<u>(23 887)</u>	<u>(2 871)</u>
Net change in cash and cash equivalents	<u>16 738</u>	<u>(3 091)</u>

16. OTHER FINANCIAL ASSETS

	<u>Fair value hierarchy</u>	<u>30 September 2015</u> US\$'000	<u>30 September 2014</u> US\$'000
<i>Non-current assets:</i>			
Investments in cash funds and income funds (note 16(a))	Level 2	1 632	4 969
Interest rate caps (note 16(b))	Level 2	<u>4</u>	<u>39</u>
		<u>1 636</u>	<u>5 008</u>
<i>Current assets:</i>			
Investments at fair value through profit or loss (note 16(c))	Level 1	55	86
Discount facility (note 16(d))	Level 2	<u>-</u>	<u>356</u>
		<u>55</u>	<u>442</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

16. OTHER FINANCIAL ASSETS *(continued)*

- (a) The investments in cash funds and income funds are unsecured and held at fair value through profit or loss (designated) (note 29(e)).

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

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

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

- (b) Interest rate caps were obtained from a consortium of financial institutions, against the floating 3 month Johannesburg Interbank Agreed Rate (JIBAR) on 25% of the secured bank borrowing (note 23(a)). The interest rate caps have a strike rate of 7.5% against the current JIBAR rate of 6.31% (2014: 5.83%) and terminate on 31 March 2017. The balance is held at fair value through profit or loss (held for trading) (note 29(e)).
- (c) Investments at fair value through profit or loss are valued based on quoted market prices at the end of the reporting period without any deduction for transaction costs (note 29(e)).
- (d) Discount facility relates to fair value adjustments on the limited recourse disclosed receivables discounting facility with ABSA, Nedbank and HSBC in terms of which 98% of the sales of platinum, palladium and gold (included in PGM) are discounted at JIBAR (3 month) + 200 basis points. The facility is for an amount of ZAR300 000 thousand. The balance is held at fair value through profit or loss (designated) (note 29(e)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

17. INVENTORIES

	30 September <u>2015</u> US\$'000	30 September <u>2014</u> US\$'000
Finished products	4 283	6 891
Ore stockpile	1 257	1 517
Work in progress	195	3 011
Consumables	<u>3 216</u>	<u>3 148</u>
Total carrying amount	<u><u>8 951</u></u>	<u><u>14 567</u></u>

Inventories are stated at the lower of cost and net realisable value.

Inventories are subject to a general notarial bond in favour of the lenders of the senior debt facility as referred to in note 23(a) of the consolidated financial statements.

In 2015, a provision for obsolescence of US\$106 thousand (2014: US\$Nil) was recognised as an expense and an amount of US\$111 thousand (2014: US\$1 195 thousand) which represents the net realisable value write down for the period included in cost of sales. For the year ended 30 September 2015, inventories of US\$105 thousand were written down to net realisable value (2014:US\$ 2 909 thousand).

18. TRADE AND OTHER RECEIVABLES

	30 September <u>2015</u> US\$'000	30 September <u>2014</u> US\$'000
Trade receivables		
- Third parties	32 918	27 679
- Related parties (note 30)	1	55
Deposits, prepayments and other receivables	1 479	2 495
Accrued income	1 432	-
Value added tax recoverable	<u>2 149</u>	<u>2 286</u>
	<u><u>37 979</u></u>	<u><u>32 515</u></u>

Trade and other receivables of the Group are expected to be recoverable within one year from each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

18. TRADE AND OTHER RECEIVABLES *(continued)*

The ageing of trade receivables was as follows:

	30 September <u>2015</u> US\$'000	30 September <u>2014</u> US\$'000
Current	32 800	27 456
Less than 90 days past due but not impaired	46	196
Greater than 90 days past due but not impaired	<u>73</u>	<u>82</u>
	<u><u>32 919</u></u>	<u><u>27 734</u></u>

Trade and other receivables which are less than 90 days past due are not considered to be impaired. Trade and other receivables which are more than 90 days past due are assessed for recoverability with reference to past default experience of the counterparty's current financial position.

At 30 September 2015 an amount of US\$Nil (2014: US\$Nil), of the Group's trade receivables was determined to be impaired. Based on past experience, management believes that no impairment allowance is necessary in respect of the remaining trade and other receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 29(a) of the consolidated financial statements.

19. CASH AND CASH EQUIVALENTS

Cash balances are analysed as follows:

	30 September <u>2015</u> US\$'000	30 September <u>2014</u> US\$'000
Bank balances	24 005	19 370
Call deposits	<u>260</u>	<u>259</u>
	<u><u>24 265</u></u>	<u><u>19 629</u></u>

As at 30 September 2015 and 30 September 2014, an amount of US\$1 605 thousand and US\$1 997 thousand respectively was provided as security for a bank guarantee issued in favour of a trade creditor of the Group, an amount of US\$2 500 thousand and US\$2 500 thousand respectively was placed as security against a credit facility of a subsidiary of the Company (note 23(c)) and US\$327 thousand and US\$327 thousand respectively was provided as security against certain credit facilities of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

20. SHARE CAPITAL AND RESERVES

(a) Share capital

At 30 September 2015, the authorised ordinary share capital of the Company consisted of 10 000 000 thousand ordinary shares of US\$0.001 each (2014: 10 000 000 thousand ordinary shares) and 1 051 convertible redeemable preference shares of US\$1 each (2014: 1 051 convertible redeemable preference shares).

During the year ended 30 September 2015, 1 111 thousand ordinary shares were issued and allotted in terms of the Company share award scheme for 2014 which vested with first tranche of the Conditional Awards made on 9 April 2014, as reported in note 6 of the consolidated financial statements.

During the year ended 30 September 2014, the following changes took place:

- Issue of an additional 154 248 thousand ordinary shares as a bonus issue of 25 ordinary shares for each share held.
- Issue of 13 158 thousand new ordinary shares for cash at a price of ZAR38 per share with a par value of US\$0.001 per share.
- Issue of 81 174 thousand new ordinary shares to holders of the convertible redeemable preference shares of the Company on their conversion in terms of the Articles of Association.
- Issue of 32 thousand new ordinary shares as share grants at nil consideration awarded to the Group's management and staff.

The issued and fully paid share capital of the Company as at 30 September 2015 consisted of 255 892 thousand ordinary shares of US\$0.001 each (2014: 254 781 thousand ordinary shares of US\$0.001 each).

All shares rank equally with regard to the Company's residual assets. The holders of ordinary 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.

(b) Nature and purpose of reserves

(i) Share premium

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

During the year ended 30 September 2015, an amount of US\$149 thousand resulting from the issue and allotment of 1 111 thousand shares, was recognised as an increase in the share premium account. During the year ended 30 September 2014, the Company issued new ordinary shares following its listing on the JSE. Share issue expenses totalling US\$1 416 thousand have been recognised as a deduction from the share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

20. SHARE CAPITAL AND RESERVES *(continued)*

(ii) Other reserve

Other reserve represents the excess of the issuance price of the Company's ordinary shares over the sum of their nominal value and share premium arising from such issuance, as registered with the Registrar of Companies in Cyprus.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(iv) Revenue reserve

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

(c) Capital management

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

(d) Non-controlling interests

During the year ended 30 September 2015, the Company reassessed its interpretation and application of IFRS 10: *Consolidated Financial Statements*. Consequently the treatment of intergroup funding transactions on a consolidated level and the impact of these transactions on the non-controlling interests were reconsidered. This resulted in a reclassification from non-controlling interest to the revenue reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

21. PROVISIONS

	Years ended 30 September	
	<u>2015</u>	<u>2014</u>
	US\$'000	US\$'000
Provision for rehabilitation		
Balance at 1 October	4 452	4 738
Capitalised to inventories	413	(137)
Capitalised to mining assets and infrastructure	(186)	2
Recognised in profit or loss	375	355
Exchange differences	<u>(966)</u>	<u>(506)</u>
Balance at 30 September	<u><u>4 088</u></u>	<u><u>4 452</u></u>

As detailed in note 3(q) of the consolidated financial statements, the Group has a legal obligation to rehabilitate the site where the Group's mine is located, once the mining operations cease.

An insurance company has provided a guarantee to the Department of Mineral Resources to satisfy the requirements of the Mineral and Petroleum Resources Development Act with respect to environmental rehabilitation and the Group has pledged as collateral its investments in interest-bearing debt instruments to the insurance company to support this guarantee (note 16(a)).

The current estimated rehabilitation cost to be incurred mostly at the end of the life of mine taking escalation factors into account is US\$8 994 thousand (ZAR126 138 thousand) (2014: US\$9 917 thousand (ZAR111 683 thousand)).

The interest rate used for estimating future costs is the long-term risk free rate as indicated by the R186 government bond of South Africa, which was 8.45% and 8.33% as at 30 September 2015 and 2014, respectively at the time of the calculations. The net present value of the current rehabilitation estimate is based on the average of the long-term inflation target range of the South African Reserve Bank of 4.5% (2014: 4.5%).

The Group expects that the timing of outflows relating to the provision for rehabilitation is uncertain at this stage but it estimates that it will probably take place at the end of the life of the mine and infrastructure which is currently estimated to be 21 years.

22. DEFERRED TAX

Deferred tax balances are analysed as follows:

	30 September	30 September
	<u>2015</u>	<u>2014</u>
	US\$'000	US\$'000
Deferred tax assets	1 954	5 970
Deferred tax liabilities	<u>(13)</u>	<u>(20)</u>
	<u><u>1 941</u></u>	<u><u>5 950</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

22. DEFERRED TAX *(continued)*

	Years ended 30 September	
	<u>2015</u>	<u>2014</u>
	US\$'000	US\$'000
Recognised deferred tax assets/(liabilities)		
Balance at 1 October	<u>5 950</u>	<u>20 623</u>
Temporary differences recognised in profit or loss in relation to:		
- Capital allowances on property, plant and equipment	2 380	122
- Provisions	168	81
- Tax losses	(956)	3 548
- Others	<u>(3 311)</u>	<u>(17 233)</u>
	<u>(1 719)</u>	<u>(13 482)</u>
Exchange difference	(2 290)	(1 191)
Balance at 30 September	<u><u>1 941</u></u>	<u><u>5 950</u></u>

In the prior year, the Group derecognised a portion of the deferred tax asset relating to exchange losses on the inter group preference share funding arrangements due to the cash flow projections in the prior year which indicated that the earliest redemption date of the preference shares was unlikely to be in the near term. The determination of the deductibility of the exchange losses on the preference shares will only be finally determined on the redemption of the preference shares and in the light of this uncertainty, management have decided to treat these differences as non deductible until such time as the preference share liability is settled and the final determination on the deductibility of the realised losses at that date have been determined.

In assessing the recoverability of the deferred tax recognised, management is satisfied that the subsidiary in South Africa that substantially all the deferred tax assets relate to, will generate sufficient taxable income against which the recognised deferred tax asset on the tax losses and deductive temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

23. BORROWINGS

	30 September <u>2015</u> US\$'000	30 September <u>2014</u> US\$'000
<i>Non-current:</i>		
Secured bank borrowing (note 23(a))	36 329	63 333
Other borrowings - loan payable to third party (note 23(b))	<u>-</u>	<u>890</u>
	<u>36 329</u>	<u>64 223</u>
<i>Current:</i>		
Secured bank borrowing (note 23(a))	14 346	17 899
Other borrowings - loan payable to third party (note 23(b))	-	1 095
Other borrowings - bank credit and other facility (note 23(c))	17 298	9 775
Other borrowings - obligations under new loan (note 23(d))	164	-
Other borrowings - loan payable to related party (note 30)	<u>1 884</u>	<u>2 217</u>
	<u>33 692</u>	<u>30 986</u>

(a) During the year ended 30 September 2012 the Group obtained financing of ZAR1 billion from a consortium of banks in South Africa, to finance the expansion projects of its mining activities. The financing is for a period of 7 years and is repayable in 22 equal quarterly instalments, with the first repayment date at 31 December 2013. The financing was obtained by Tharisa Minerals Proprietary Limited, a subsidiary of the Group.

Repayments are subject to a cash sweep which will reduce the repayment period to a minimum of five years. Tharisa Minerals Proprietary Limited is required to maintain funds in a debt service reserve account, refer to note 14, and may utilize funds in this account, with the prior written consent of the lenders for the purpose of making a repayment in the event that Tharisa Minerals Proprietary Limited does not have the necessary funds available to make the debt repayment. The financing bears interest at 3 month JIBAR + 4.9% per annum. The financing is secured by the assets of the subsidiary and by the shares of the Company in the subsidiary and is also guaranteed by the Company.

The loan contains the following financial covenants:

- Debt service cover ratio ("DSCR") at a level greater than 1.4 times
- Loan life cover ratio at a level greater than 1.6 times
- Debt/equity ratio at a level greater than 1.5 times
- Reserve tail ratio at a level of 30% or greater.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

23. BORROWINGS *(continued)*

As at 30 September 2015 Tharisa Minerals Proprietary Limited complied with all covenant ratios. As at 30 September 2014, Tharisa Minerals Proprietary Limited complied with all covenant ratios, except for the historic DSCR which was calculated as -0.36. The historic DSCR is calculated as the cash flow available for repayment divided by the actual repayment for the six month period preceding the covenant measurement date. The lenders granted a waiver on the requirement as at 30 September 2014. Repayment terms were not renegotiated but the interest rate was increased by 1% to JIBAR + 4.9% prior to technical completion. The technical completion date was extended to 28 November 2016 as disclosed in note 35 of the consolidated financial statements. The company hedges a portion of the facility for interest rate risk via an interest rate cap.

(b) During the year ended 30 September 2012 a subsidiary of the Group obtained a credit facility of ZAR35 000 thousand from a third party. The facility was payable in 36 equal monthly instalments commencing 7 months after the first draw down. Interest on the facility utilized as at the prevailing South African prime interest rate. The financing was obtained by Arxo Metals Proprietary Limited, a subsidiary of the Group, and was secured by the assets of the subsidiary. The loan was repaid in full during the current reporting period.

(c) During the year ended 30 September 2013 the Group obtained a US\$12 500 thousand bank credit facility that allows the Group to receive a percentage of trade receivables on receipt of an acceptable letter of credit which results in shortening of the customer credit period. This facility has a tenor of 60 days and is secured by cash and cash equivalents of the Group of US\$2 500 thousand and is also guaranteed by the Company. The other facility relates to the discounting of the letters of credits 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 ranges from US Libor + 1.5% to 2.5%.

(d) During the year ended 30 September 2015, Tharisa Minerals Proprietary Limited obtained a new loan for the amount of ZAR13 340 thousand repayable in twelve monthly instalments commencing 1 December 2014. The loan is guaranteed by the Company for an amount of ZAR14 000 thousand and bears interest at a rate of 7.92% p.a.

24. OTHER FINANCIAL LIABILITIES

	Fair value hierarchy	30 September 2015 US\$'000	30 September 2014 US\$'000
Discount facility	Level 2	<u>388</u>	<u>-</u>

Discount facility relates to fair value adjustments on the limited recourse disclosed receivables discounting facility ("discount facility") with ABSA, Nedbank and HSBC in terms of which 98% of the sales of platinum, palladium and gold (included in PGM) are discounted at JIBAR (3 month) + 200 basis points. The discount facility is for an amount of ZAR300 000 thousand. The balance is held at fair value through profit or loss (designated) (note 29(e)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

25. CURRENT TAXATION

Current taxation in the statement of financial position represents:

	30 September <u>2015</u> US\$'000	30 September <u>2014</u> US\$'000
Corporate income tax recoverable (note 25(a))	<u>144</u>	<u>3</u>
Corporate income tax payable (note 25(b))	97	421
Special contribution to the defence fund (note 25(b))	<u>1</u>	<u>-</u>
	<u>98</u>	<u>421</u>

(a) The above amounts are provided in Cyprus.

(b) The above amounts are provided in Cyprus and South Africa.

26. TRADE AND OTHER PAYABLES

	30 September <u>2015</u> US\$'000	30 September <u>2014</u> US\$'000
Trade payables - third parties	20 743	10 366
Amount due to related parties (note 30)	110	108
Other payables	1 111	466
Accruals	11 062	15 524
Leave pay provision	1 445	1 700
Operating lease payable	19	9
Interest bearing - accrued dividends	4 568	5 433
Value added tax payable	115	209
Income received in advance	<u>8 348</u>	<u>3 409</u>
	<u>47 521</u>	<u>37 224</u>

Dividends accrued bear interest at South African prime interest rate + 2% and are repayable quarterly.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

27. PARTICIPATION OF DIRECTORS IN THE COMPANY'S SHARE CAPITAL

The percentage of share capital of the Company held directly or indirectly by each member of the Board of Directors, as at 30 September 2015 and 30 September 2014 were as follows:

	30 September <u>2015</u> %	30 September <u>2014</u> %
Loucas Pouroulis	0.02	-
Phoevos Pouroulis	2.72	2.62
Michael Jones	0.02	-
Omar Kamal	<u>0.12</u>	<u>0.12</u>
Total	<u><u>2.88</u></u>	<u><u>2.74</u></u>

Where a member of the Board of Directors holds no direct or indirect interest, the director is not reflected in the table above.

Omar Kamal's interest in the shares of the Company represent shares that are indirectly owned by one of Omar Kamal's parents.

There has been no change in the Directors' interests in the share capital of the Company between the end of the financial year and the date of the approval of the consolidated financial statements.

28. ANALYSIS OF SHAREHOLDERS

The shareholders holding directly or indirectly more than 5% of the share capital and their respective number of shares as at 30 September 2015 and 30 September 2014 are as follows:

		30 September <u>2015</u> %		30 September <u>2014</u> %
	No of shares		No of shares	
Medway Developments Limited	119 030 073	46.52	119 030 073	46.72
LCC Pershing	40 548 241	15.85	40 548 241	15.91
Fujian Wuhang Stainless Steel Products Co. Limited	28 070 211	10.97	28 070 211	11.02
Maaden Invest Limited	<u>14 985 577</u>	<u>5.86</u>	<u>14 985 577</u>	<u>5.88</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

28. ANALYSIS OF SHAREHOLDERS *(continued)*

An analysis of the public and non-public shareholders of the Company as at 30 September 2015 and 30 September 2014 are as follows:

2015	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>% of issued share capital</u>
Public	660	61 034 745	23.85
Non-public:			
- Directors and associates of the Company and its subsidiaries	16	7 208 616	2.82
- Persons interested (other than directors), directly or indirectly, in 10% or more	<u>3</u>	<u>187 648 525</u>	<u>73.33</u>
	<u>679</u>	<u>255 891 886</u>	<u>100.00</u>
2014			
	<u>Number of shareholders</u>	<u>Number of shares</u>	<u>% of issued share capital</u>
Public	110	60 159 025	23.61
Non-public:			
- Directors and associates of the Company and its subsidiaries	2	6 973 096	2.74
- Persons interested (other than directors), directly or indirectly, in 10% or more	<u>3</u>	<u>187 648 525</u>	<u>73.65</u>
	<u>115</u>	<u>254 780 646</u>	<u>100.00</u>

29. FINANCIAL RISK MANAGEMENT

In the ordinary course of business the Group is exposed to credit risk, liquidity risk, and market risk. This note presents information about the Group's exposure to each of the above risks and its objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout this note.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

For the year ended 30 September 2015

29. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade and other receivables and cash and cash equivalents and long term deposits.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk. In monitoring customer credit risk, management reviews on a regular basis the ageing of trade and other receivables to obtain comfort that there are no past due amounts.

The Group establishes an allowance for credit losses that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. As at 30 September 2015 and 30 September 2014, none of the carrying amounts of trade and other receivables is either past due or impaired, for which an allowance for credit losses is necessary. Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default and who have a good track record with the Group.

The allowance for credit losses in respect of trade and other receivables is used to record credit losses unless management is satisfied that no recovery of the amount owing is possible and at that point the amount considered irrecoverable is written off against the financial asset directly.

The most significant exposure of the Group to credit risk is represented by the carrying amount of trade receivables. The Board of Directors performs regular ageing reviews of trade receivables to identify any doubtful balances. Based on the review performed for the reporting period, the Board of Directors concluded that no additional allowance for credit losses is necessary in respect of trade receivables. 35% and 41% of the trade receivables were due from the Group's largest customer as at 30 September 2015 and 30 September 2014, respectively.

Cash and cash equivalents and long term deposits:

The Group limits its exposures on cash and cash equivalents and long term deposits by dealing only with well-established financial institutions of high quality credit standing. The majority of the Group's cash resources were deposited with HSBC based in Hong Kong and South Africa.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

29. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

The maximum exposure to credit risk at the reporting date of the consolidated financial statements was:

	30 September <u>2015</u> US\$'000	30 September <u>2014</u> US\$'000
Trade and other receivables	37 979	32 515
Cash and cash equivalents	24 265	19 629
Long term deposits	<u>10 656</u>	<u>14 479</u>
	<u><u>72 900</u></u>	<u><u>66 623</u></u>

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Management is aware of the above risk. Liquidity risk is monitored on a regular basis and management is taking steps deemed necessary in an attempt to manage the corresponding risk. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, financial risk management may not be possible for instances where weakened commodity prices persist, forecast production not being achieved and further funding is not raised as discussed in note 2(d) of the consolidated financial statements, which circumstances may create a material uncertainty in relation to the going concern of the Group.

The following table shows the remaining contractual maturities of the Group's financial liabilities at the end of the reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

30 September 2015

	<u>Contractual undiscounted cash outflow</u>				Total US\$'000	Carrying amount US\$'000
	Within 1 year or on demand US\$'000	More than 1 year but less than 2 years US\$'000	More than 2 years but less than 5 years US\$'000	More than 5 years US\$'000		
Borrowings	39 060	18 078	24 198	-	81 336	70 021
Trade and other payables	<u>47 521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47 521</u>	<u>47 521</u>
	<u><u>86 581</u></u>	<u><u>18 078</u></u>	<u><u>24 198</u></u>	<u><u>-</u></u>	<u><u>128 857</u></u>	<u><u>117 542</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

29. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk *(continued)*

30 September 2014

	Contractual undiscounted cash outflow					Carrying amount US\$'000
	Within 1 year or on demand US\$'000	More than 1 year but less than 2 years US\$'000	More than 2 years but less than 5 years US\$'000	More than 5 years US\$'000	Total US\$'000	
Borrowings	39 851	25 437	52 647	-	117 935	95 209
Trade and other payables	<u>37 224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37 224</u>	<u>37 224</u>
	<u>77 075</u>	<u>25 437</u>	<u>52 647</u>	<u>-</u>	<u>155 159</u>	<u>132 433</u>

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income and the values of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

The Group is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currency of the Group entities. These currency risk exposures arise primarily from exchange rate movements in ZAR, Euro (€), British Sterling (STG) and US\$.

Management is aware of the above risk. Currency risk arising from currency fluctuations is monitored on a regular basis and management is taking steps deemed necessary in an attempt to manage the corresponding risk. Financial risk management may not be possible for instances where weakened commodity prices persist, forecast production not being achieved and further funding is not raised, as discussed in note 2(d) to the consolidated financial statements, which circumstances may create a material uncertainty in relation to the going concern of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

29. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(i) Currency risk *(continued)*

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate. Exposures in US\$ relate to recognized assets and liabilities denominated in US\$ of entities of the Group that have a functional currency other than US\$. For presentation purposes, the amounts of the exposure are shown in US\$, translated using the spot rate at the reporting date. The spot rates used at the reporting date against the US\$ are a) US\$:ZAR, 14.03 (2014: 11.26); b) US\$:EUR, 0.89 (2014: 0.79) and c) US\$:STG, 0.66 (2014: 0.62). Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

At the reporting date the Group's exposure to currency risk was as follows:

Amounts in US\$'000	<u>30 September 2015</u>				<u>30 September 2014</u>			
	US\$	ZAR	€	STG	US\$	ZAR	€	STG
Other financial assets	-	-	55	-	-	-	86	-
Trade and other receivables	753	5	108	2	-	12	91	-
Cash and cash equivalents	11 994	14	27	4	4 226	2 726	67	2
Trade and other payables	(1 314)	(119)	(323)	(14)	-	(35)	(355)	(1)
Current taxation	-	-	38	-	-	-	(371)	-
	<u>11 433</u>	<u>(100)</u>	<u>(95)</u>	<u>(8)</u>	<u>4 226</u>	<u>2 703</u>	<u>(482)</u>	<u>1</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

29. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk *(continued)*

(i) Currency risk *(continued)*

A 10% strengthening of the US\$ against the above currencies at the reporting date would have changed profits/(losses) and equity by the amounts shown below. This analysis assumes that all other variables, and in particular interest rates, remain constant. The analysis has been performed on the same basis for each reporting date.

	30 September <u>2015</u>	30 September <u>2014</u>
	Increase/(decrease) in profit for the year and accumulated losses US\$'000	(Decrease)/increase in loss for the year and accumulated losses US\$'000
ZAR	<u>9</u>	<u>(246)</u>
€	<u>9</u>	<u>44</u>
US\$	<u>(748)</u>	<u>(488)</u>
STG	<u>1</u>	<u>-</u>

A 10% weakening of the US\$ against the above currencies at each reporting date would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

Interest rate risk is the Group's exposure to adverse movements in interest rates. It arises as a result of timing differences on the repricing of assets and liabilities. Management is aware of the above risk. Interest rate risk is monitored on a regular basis and management is taking steps deemed necessary in an attempt to manage the corresponding risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

29. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

As at the reporting date, the interest rate profile of the Group was as follows :

	30 September <u>2015</u> %	30 September <u>2014</u> %	30 September <u>2015</u> US\$'000	30 September <u>2014</u> US\$'000
Variable rate financial assets				
Investments in cash funds and income funds	3.5%	3.5%	1 632	4 969
Cash and cash equivalents	5.5%-5.7%	4.6%-5.3%	<u>18 525</u>	<u>7 828</u>
			<u>20 157</u>	<u>12 797</u>
Variable rate financial liabilities				
Secured bank borrowing	JIBAR + 4.9%	JIBAR + 3.9%	50 675	81 232
Other borrowings - loan payable to third party	ZAR prime	ZAR prime	-	1 985
Other borrowings - bank credit and other facility	US libor +1.5% - 2.5%	US libor +1.5% - 2.5%	17 298	9 775
Other borrowings - loans payable to related parties	ZAR prime + 2%	ZAR prime + 2%	1 884	2 217
Interest bearing - accrued dividends	ZAR prime + 2%	ZAR prime + 2%	4 568	5 433
Other borrowings - obligation under new loan	7.92%		<u>164</u>	<u>-</u>
			<u>74 589</u>	<u>100 642</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

29. FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

A change of 100 basis points in interest rates at each reporting date would have changed profits/(losses) and equity by the amounts shown below. This analysis assumes that all other variables, and in particular foreign currency rates, remain constant. The analysis has been performed on the same basis for each reporting date.

	30 September <u>2015</u>	30 September <u>2014</u>
	Increase/(decrease) in profit for the year and accumulated <u>losses</u>	Increase/(decrease) in loss for the year and accumulated <u>losses</u>
	US\$'000	US\$'000
Investments in cash funds and income funds	12	36
Cash and cash equivalents	133	64
Secured bank borrowing	(365)	(585)
Other borrowings - loan payable to third party	-	(14)
Other borrowings - bank credit and other facility	(151)	(86)
Other borrowings - loans payable to related parties	(14)	(16)
Interest bearing - accrued dividends	(33)	(39)
Other borrowings - obligations under new loan	(1)	-
	<u>(419)</u>	<u>(640)</u>

A decrease of 100 basis points in interest rates at each reporting date would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

(d) Fair values

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

Financial instruments carried at fair value:

The following table presents the carrying values of financial instruments measured at fair value at the end of each reporting period across the three levels of the fair value hierarchy defined in IFRS 13, *Fair Value Measurement*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

29. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair values *(continued)*

The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation methodologies in which all significant inputs are directly or indirectly based on observable market data
- Level 3: fair values measured using valuation methodologies in which any significant inputs are not based on observable market data.

30 September 2015

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000
Financial assets			
– Investments in cash funds and income funds	-	1 632	-
– Interest rate caps	-	4	-
– Investments at fair value through profit or loss	<u>55</u>	<u>-</u>	<u>-</u>
	<u>55</u>	<u>1 636</u>	<u>-</u>
Financial liabilities			
– Obligations under new loan	-	164	-
– Discount facility	<u>-</u>	<u>388</u>	<u>-</u>
	<u>-</u>	<u>552</u>	<u>-</u>

30 September 2014

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000
Financial assets			
– Investments in cash funds and income funds	-	4 969	-
– Interest rate caps	-	39	-
– Investments at fair value through profit or loss	86	-	-
– Discount facility	<u>-</u>	<u>356</u>	<u>-</u>
	<u>86</u>	<u>5 364</u>	<u>-</u>
Financial liabilities			
– Obligations under new loan	-	-	-
– Discount facility	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

29. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair values *(continued)*

The movement during the years ended 30 September 2015 and 2014 in the balance of Level 3 fair value measurements is as follows:

	Years ended 30 September	
	<u>2015</u>	<u>2014</u>
	US\$'000	US\$'000
<i>Convertible redeemable preference shares</i>		
Balance at 1 October	-	260 291
Changes in fair value of financial liabilities at fair value through profit or loss	-	32 420
Conversion of redeemable convertible preference shares into ordinary shares	<u>-</u>	<u>(292 711)</u>
Balance at 30 September	<u><u>-</u></u>	<u><u>-</u></u>
Total gains or losses for the year included in profit or loss	<u><u>-</u></u>	<u><u>32 420</u></u>

(e) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Investments in cash funds and income funds, investments at fair value through profit or loss, forward exchange contracts and interest rate caps

Fair values are based on quoted market prices at the end of the reporting period without any deduction for transaction costs.

(ii) Discount facility

The fair values are calculated by multiplying the actual metal quantities per discounted invoice with the difference between the hedged metal price per discounted invoice and the average spot metal price translated to ZAR using the average monthly rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

29. FINANCIAL RISK MANAGEMENT *(continued)*

(e) Estimation of fair values *(continued)*

(iii) Convertible redeemable preference shares

On 10 April 2014, following the Company's listing on the JSE, the convertible redeemable preference shares were converted into fully paid ordinary shares as disclosed in note 8 of the consolidated financial statements. Prior to their conversion, the Company's convertible redeemable preference shares were categorised as level 3. As at 30 September 2014, changes in fair values of the convertible redeemable preference shares of US\$32 420 thousand measured before their conversion, was determined using the probability weighted expected return method, which values the financial liability based on the likelihood and expected settlement values of the respective expected settlement scenarios, discounted to their present value at the valuation date.

30. RELATED PARTY TRANSACTIONS

The balances with related parties at each reporting date were as follows:

	30 September <u>2015</u> US\$'000	30 September <u>2014</u> US\$'000
Trade and other receivables (note 18)		
Kameni Management Services Proprietary Limited	-	17
Salene Mining Proprietary Limited	-	9
Kameni Proprietary Limited	-	22
Keaton Administrative and Technical Services Proprietary Limited	<u>1</u>	<u>7</u>
	<u>1</u>	<u>55</u>
Loans payable to related parties (note 23)		
Langa Trust	<u>1 884</u>	<u>2 217</u>

Loan funding provided by Langa Trust has been subordinated in favour of the lenders of the senior debt facility and may only be repaid either out of additional equity invested into the subsidiary or from the cash flow waterfall as provided for in the financing agreements. The loan has no fixed repayment date and bears interest at South African prime interest rate + 2%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

30. RELATED PARTY TRANSACTIONS (continued)

	30 September <u>2015</u> US\$'000	30 September <u>2014</u> US\$'000
Amounts due to related parties (note 26)		
Kameni Management Services Proprietary Limited	-	2
Antonios Djakouris	23	32
David Salter	42	37
Ioannis Drapaniotis	21	26
Omar Kamal	14	11
Brian Chi Ming Cheng	<u>10</u>	<u>-</u>
	<u>110</u>	<u>108</u>

The above amounts are unsecured, interest free and with no fixed repayment dates.

	Years ended 30 September <u>2015</u> US\$'000	Years ended 30 September <u>2014</u> US\$'000
Interest bearing - accrued dividends to related parties		
Arti Trust	2 396	2 849
Ditodi Trust	204	243
Makhaye Trust	204	243
The Phax Trust	408	485
The Rowad Trust	204	243
Moira June Jacquet-Briner	<u>204</u>	<u>243</u>
	<u>3 620</u>	<u>4 306</u>

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

	Years ended 30 September <u>2015</u> US\$'000	Years ended 30 September <u>2014</u> US\$'000
Interest expense		
Langa Trust	245	285
Arti Trust	286	515
Ditodi Trust	24	44
Makhaye Trust	24	44
The Phax Trust	49	88
The Rowad Trust	24	44
Moira June Jacquet-Briner	<u>24</u>	<u>44</u>
	<u>676</u>	<u>1 064</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

30. RELATED PARTY TRANSACTIONS *(continued)*

Compensation to key management of the Company for the year ended 30 September 2015 and 2014 are set out in the tables below:

2015 Compensation to key management

	Salary and fees US\$'000	Expense allowances US\$'000	Provident fund and risk benefits US\$'000	Share based payments US\$'000	Total US\$'000
Non-Executive Directors' remuneration	504	-	-	-	504
Executive Directors' remuneration	1 230	10	83	73	1 396
Other key management remuneration	<u>817</u>	<u>32</u>	<u>109</u>	<u>42</u>	<u>1 000</u>
Total	<u>2 551</u>	<u>42</u>	<u>192</u>	<u>115</u>	<u>2 900</u>

2014 Compensation to key management

	Salary and fees US\$'000	Expense allowances US\$'000	Provident fund and risk benefits US\$'000	Share based payments US\$'000	Total US\$'000
Non-Executive Directors' remuneration	598	-	-	-	598
Executive Directors' remuneration	1 384	12	102	-	1 498
Other key management remuneration	<u>1 007</u>	<u>-</u>	<u>125</u>	<u>3</u>	<u>1 135</u>
Total	<u>2 989</u>	<u>12</u>	<u>227</u>	<u>3</u>	<u>3 231</u>

Share based awards to the Directors are disclosed in note 9 of the consolidated financial statements. Awards to the other key management in the period under review are as follows:

2015	Opening balance	<u>Allocated</u>	<u>Vested</u>	<u>Forfeited</u>	<u>Total</u>
Ordinary shares					
LTIP	239 841	474 701	(79 946)	(158 234)	476 362
2014	Opening balance	<u>Allocated</u>	<u>Vested</u>	<u>Forfeited</u>	<u>Total</u>
Ordinary shares					
LTIP	-	239 841	-	-	239 841

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

30. RELATED PARTY TRANSACTIONS *(continued)*

SARS

2015	Opening				
Ordinary shares	<u>balance</u>	<u>Allocated</u>	<u>Vested</u>	<u>Forfeited</u>	<u>Total</u>
SARS	165 946	333 310	(82 973)	(166 655)	249 628
2014	Opening				
Ordinary shares	<u>balance</u>	<u>Allocated</u>	<u>Vested</u>	<u>Forfeited</u>	<u>Total</u>
SARS	-	165 946	-	-	165 946

Details of the conditions of the share awards are disclosed in note 6 of the consolidated financial statements.

Relationships between parties:

Kameni Management Services Proprietary Limited (“Kameni”)

A director of the holding company of Kameni is also a director of Tharisa Minerals Proprietary Limited and of the Company. In addition, a director of the holding company of Kameni is also a director of the Company.

Kameni Proprietary Limited

A director of Kameni Proprietary Limited is also a director of Tharisa Minerals Proprietary Limited and of the Company. In addition a director of Kameni Proprietary Limited is also a director of the Company.

Salene Mining Proprietary Limited

A director of Salene Mining Proprietary Limited is also a director of Tharisa Minerals Proprietary Limited and the Company. In addition a director of Salene Mining Proprietary Limited is also a director of the Company.

Keaton Administrative and Technical Services Proprietary Limited (“Keaton”)

Two of the directors of the holding company of Keaton are also directors of Tharisa Minerals Proprietary Limited and the Company.

Langa Trust

One of the directors of the Company who is also a director of Tharisa Minerals Proprietary Limited is a beneficiary of this trust.

For the year ended 30 September 2015

30. RELATED PARTY TRANSACTIONS *(continued)*

Arti Trust

One of the directors of the Company who is also a director of Tharisa Minerals Proprietary Limited is a beneficiary of this trust.

Ditodi Trust

The non-controlling interest of Tharisa Minerals Proprietary Limited is a beneficiary of this trust.

Makhaye Trust

The non-controlling interest of Tharisa Minerals Proprietary Limited is a beneficiary of this trust.

The Phax Trust

One of the directors of the Company who is also a director of Tharisa Minerals Proprietary Limited is a beneficiary of this trust.

The Rowad Trust

One of the directors of the Company who is also a director of Tharisa Minerals Proprietary Limited is a beneficiary of this trust.

Moira June Jacquet-Briner

Moira June Jacquet-Briner is a director of Tharisa Minerals Proprietary Limited and is a shareholder in the non-controlling interest of Tharisa Minerals Proprietary Limited.

Fujian Wuhang Stainless Steel Products Co. Limited

Fujian Wuhang Stainless Steel Products Co. Limited is a shareholder of the Company.

Antonios Djakouris

Antonios Djakouris is a director of the Company.

David Salter

David Salter is a director of the Company.

Ioannis Drapaniotis

Ioannis Drapaniotis is a director of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

30. RELATED PARTY TRANSACTIONS *(continued)*

Omar Kamal

Omar Kamal is a director of the Company.

Brian Chi Ming Cheng

Brian Chi Ming Cheng is a director of the Company

Joanna Ka Ki Cheng

Joanna Ka Ki Cheng is an alternate director of Brian Chi Ming Cheng

31. CONTINGENT LIABILITIES

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

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

32. CAPITAL COMMITMENTS

(a) Capital commitments of the Group in respect of property, plant and equipment outstanding at the reporting period not provided for in the consolidated financial statements were as follows:

	30 September <u>2015</u> US\$'000	30 September <u>2014</u> US\$'000
Contracted for	1 421	4 411
Authorised but not contracted for	<u>10</u>	<u>-</u>
	<u><u>1 431</u></u>	<u><u>4 411</u></u>

(b) The Company holds an indirect 100% equity interest in Tharisa Fujian Industrial Co. Ltd, the registered capital of which is US\$10 000 thousand. Up to 30 September 2015, US\$5 950 thousand has been paid up. The remaining US\$4 050 thousand needs to be paid up by 14 February 2021.

(c) 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 400 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

32. CAPITAL COMMITMENTS *(continued)*

(d) A guarantee was issued by Arxo Logistics Proprietary Limited to Lombard Insurance Company Limited which guarantees the payment of certain liabilities of Arxo Logistics Proprietary Limited to Transnet totalling ZAR12 000 thousand.

(e) The Company issued a guarantee to a third party customer of Arxo Resources Limited for a maximum of US\$10 000 thousand as security for pre shipment advances made by the customer to Arxo Resources Limited.

33. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	30 September <u>2015</u> US\$'000	30 September <u>2014</u> US\$'000
Less than one year	329	228
Between one and five years	<u>190</u>	<u>390</u>
	<u><u>519</u></u>	<u><u>618</u></u>

The Group leases a number of office facilities under operating leases. The leases typically run for a period of two to three years. A portion of lease payments are increased every year to reflect market rentals. The amounts recognised as an expense in profit or loss in respect of operating leases for the years ended 30 September 2015 and 30 September 2014 are US\$404 thousand and US\$425 thousand respectively.

Since the property titles did not pass to the Group, the Group determined that the leased office facilities are operating leases. The rents paid to landlords are increased to market rents at regular intervals and the Group does not participate in the residual value of the buildings therefore it was determined that substantially all the risks and rewards of the buildings are with the landlords.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2015

34. COMPARATIVE FIGURES

The following reclassifications have been made to the comparative figures:

	Years ended 30 September	
	<u>2015</u>	<u>2014</u>
	US\$'000	US\$'000
Consolidated statement of profit or loss and other comprehensive income		
Cost of sales	-	(1 304)
Administrative expenses	-	1 304
	30 September 2015	30 September 2014
	US\$'000	US\$'000
Consolidated statement of financial position: Trade payables note		
Trade payables- third parties	-	(3 409)
Income received in advance	-	3 409

35. EVENTS AFTER THE REPORTING PERIOD

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

The terms of the senior debt facility require the completion of technical tests by 28 November 2015. The tests commenced on 1 August 2015. As a consequence of certain stoppages as instructed by the Department of Mineral Resources in terms of the Mine Health and Safety Act, Tharisa Minerals Proprietary Limited was not in a position to complete the technical tests and the tests were halted on 28 October 2015. The senior debt providers have extended the date by which the technical tests need to be completed to 28 November 2016.

Other than the matters referred to above, 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.

The consolidated financial statements were authorized for issue by the Board of Directors on 7 December 2015.