INTEGRATED ANNUAL REPORT 2018

TRANS HEX GROUP

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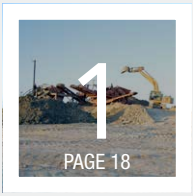


This Integrated Annual Report covers the Trans Hex Group financial year from 1 April 2017 to 31 March 2018, hereafter referred to as the 2018 financial year or reporting period or year under review. It reports on the operational, governance and financial activities of the parent company ("**Trans Hex**" or the "**Company**" or the "**Group**") and its subsidiaries during this time, and, to a lesser degree, that of associated companies.

TRANS HEX FINANCIALS AT A GLANCE

GROUP NET PROFIT
from continuing operations amounted to
R26,2m
(2017: loss of R65,2m)

GROUP NET LOSS
from discontinued operations amounted to
R213,0m
(2017: loss of R117,4m)

TOTAL GROUP NET LOSS
amounted to
R186,8m
(2017: loss of R182,6m)

REVENUE
from continuing operations amounted to
R192,5m
(2017: R91,1m)

SHARE OF RESULTS
of associated companies amounted to
R38,7m
(2017: loss of R19,0m)

GROUP NET CASH POSITION
amounted to
R79,4m
(2017: R225,4m)

NET ASSET VALUE PER SHARE
amounted to
218 cents
(2017: 337 cents)

SALIENT FEATURES

	2018 R'000	2017 R'000
Revenue – continuing operations	**192 542**	91 068
Average US$ exchange rate achieved on sales (ZAR/US$)	**12,19**	14,02
Mining loss	**(3 198)**	(117 367)
Exploration costs	**(6 574)**	(2 947)
(Loss)/profit for the year	**(186 787)**	(182 617)
– Continuing operations	**26 246**	(65 175)
– Discontinued operations	**(213 033)**	(117 442)
Headline loss	**(232 142)**	(121 201)
– Continuing operations	**(9 361)**	(23 499)
– Discontinued operations	**(222 781)**	(97 702)
(Loss)/earnings per share (cents)	**(175,6)**	(173,5)
– Continuing operations – Basic and diluted	**23,1**	(62,4)
– Discontinued operations – Basic and diluted	**(198,7)**	(111,1)
Headline loss per share (cents)	**(216,5)**	(114,6)
– Continuing operations – Basic and diluted	**(8,7)**	(22,2)
– Discontinued operations – Basic and diluted	**(207,8)**	(92,4)
Total assets	**980 639**	680 769
Net asset value per share (cents)	**218**	337

Sale of the Lower Orange River ("LOR") operations

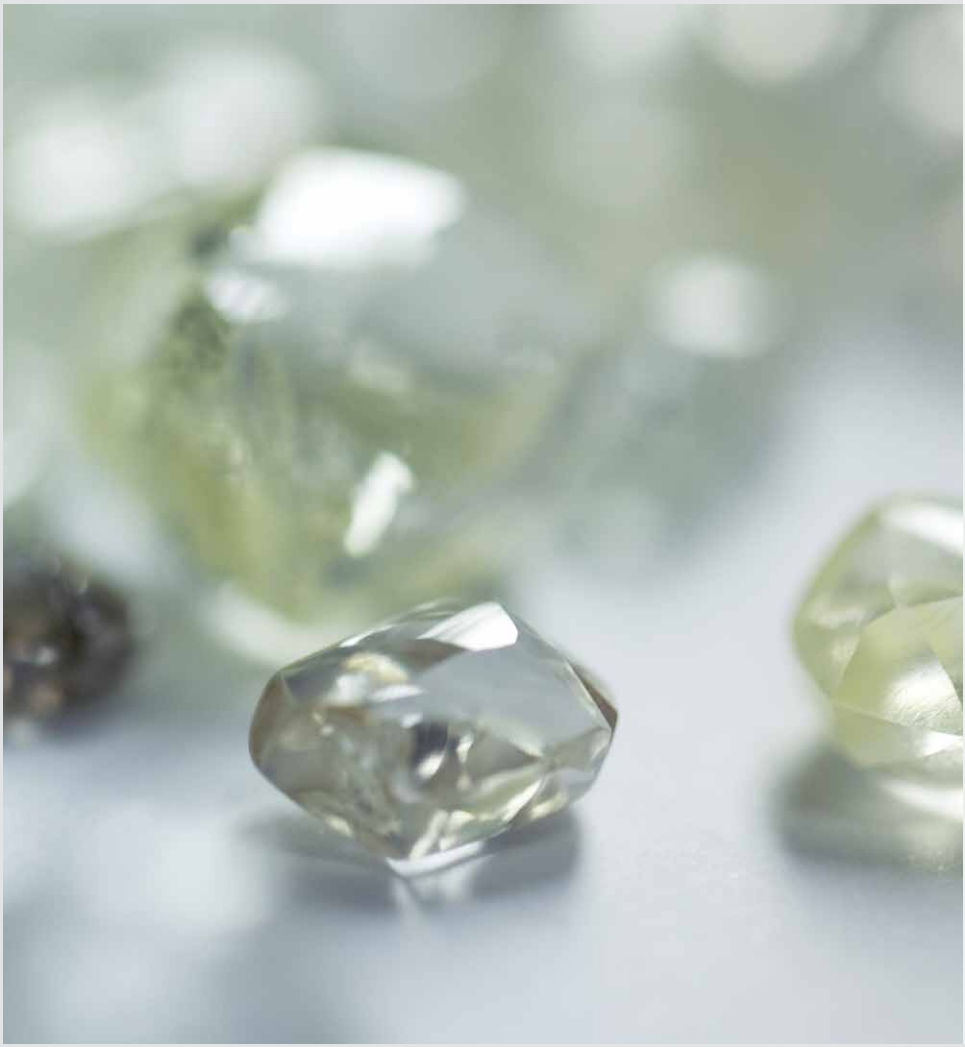
The Board of Directors of the Company approved the sale of the LOR operations on 27 March 2018. Consequently, the assets and liabilities relating to these operations have been presented as a disposal group held-for-sale in terms of IFRS 5. The results of the LOR operations for the year ended 31 March 2018 are presented as discontinued operations as this represents a separate major line of business.

Acquisition of an additional 27,2% interest in West Coast Resources (Pty) Ltd

On 1 February 2018, the Group acquired a further 27,2% equity interest in West Coast Resources (Pty) Ltd, thereby increasing its interest to 67,2% and obtaining control of West Coast Resources (Pty) Ltd. Up to this date, the 40% investment in West Coast Resources (Pty) Ltd was accounted for as an investment in an associate under the equity method.

It should be noted that the consolidation of West Coast Resources (Pty) Ltd from 1 February 2018, and the re-presentation of the results of the LOR operations as discontinued operations, impacted the comparability of the results for the year ended 31 March 2018 with the results for the year ended 31 March 2017.

ABOUT THIS INTEGRATED ANNUAL REPORT



THE INTEGRATED ANNUAL REPORT AIMS TO ENABLE SHAREHOLDERS AND POTENTIAL INVESTORS, GOVERNMENT AND INDUSTRY AUTHORITIES, AS WELL AS OTHER INTERESTED STAKEHOLDERS, TO MAKE INFORMED ASSESSMENTS OF TRANS HEX'S PERFORMANCE AND FUTURE PROSPECTS.

There is increasing pressure on the mining industry to demonstrate that it is responsible and transparent in all its actions. The governance principles espoused in the King IV Report on Corporate Governance for South Africa 2016 ("**King IV**") provide the solid foundation on which the Company's business strategies are developed. Trans Hex aligns itself with the requirements of King IV to produce an Integrated Annual Report which provides both financial and non-financial information on issues material to its stakeholders.

The Mineral Resource and Mineral Reserve information provided in this Integrated Annual Report is compiled in accordance with the 2016 South African Mineral Resource Code ("**SAMREC Code**"), as well as the Listings Requirements of the JSE Limited. This information has been reviewed and confirmed by the Competent Persons as defined by the SAMREC Code.

The annual financial statements included in this Report were prepared in accordance with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board; the IFRS Interpretations Committee interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; and the requirements of the Companies Act of South Africa.

COMPANY PROFILE

VISION

We aspire to enhance our position as a world-class player in the exploration, mining and marketing of diamonds of the highest quality.

OUR CULTURE

VALUES

1. Honesty and integrity
2. Teamwork
3. Respect
4. Humanity
5. Communication
6. Trust
7. High performance

MISSION

- Attract investors by maintaining a track record of positive growth and acceptable returns
- Grow our diamond reserves to more than 20 years through aggressive exploration and the pursuit of new business opportunities
- Upgrade productivity through ongoing research and development and the continual implementation of new technologies
- Manage all activities professionally and to the highest possible standards
- Enhance the quality of life in those communities in which we operate
- Play an active role in the personal growth of each employee so as to attract and retain only the best
- Empower those who work for us with the knowledge and resources to act responsibly in accordance with the shared values of all stakeholders
- Foster close relationships with regulators and all levels of government and statutory bodies, for the benefit of all stakeholders

COMPANY PROFILE CONTINUED

TRANS HEX HAS BEEN ENGAGED IN THE EXPLORATION, MINING AND MARKETING OF DIAMONDS FOR MORE THAN 50 YEARS.

Mining operations are presently focused in South Africa and Angola. The Company is renowned for consistently producing the highest quality diamonds available in the South African market. Rough production is sold into the open market, to the South African State Diamond Trader, to Trans Hex's joint-venture beneficiation BEE polishing factory based in Johannesburg and to Sodiam, the Angolan State-run marketing company.

Trans Hex seeks to identify and acquire diamond assets, either as a full or partial shareholder. The Company's business model is to locate, mine and process diamond deposits and to sell diamonds at an acceptable margin, in the process bringing its considerable in-house expertise to bear.

The Group is actively evaluating potential new diamond properties and pursuing opportunities to expand its diamond-marketing activities.

BUSINESS MODEL

MINING OPERATIONS

SOUTH AFRICA

Lower Orange River*

Baken Mine
100% owned

Bloeddrif Mine
100% owned

Namaqualand

West Coast Resources (Pty) Ltd
67,2% ownership

Shallow water

Contracting agreement with external parties

ANGOLA

Somiluana Mine

33% ownership

* *Operations at Bloeddrif Mine and Baken Mine ceased in May 2017 and October 2017 respectively. Post year-end, Trans Hex entered into a disposal agreement for the sale of the Lower Orange River operations. Details of the transaction were released on SENS on 18 April 2018 and are available on Trans Hex's website at www.transhex.co.za*

THE CASE FOR INVESTMENT

1. Trans Hex is renowned for its high-quality gem production, which is highly sought after in the open market.

2. Interest in and demand for Trans Hex's production are expected to remain strong and global diamond prices are anticipated to remain fairly stable in the year ahead.

3. In Namaqualand, operations at West Coast Resources (Pty) Ltd are well underway, bolstering the Group's South African footprint. In Angola, Somiluana Mine continues to show exceptional promise.

4. Trans Hex has an experienced executive team which will maintain a strong focus on identifying new opportunities, reducing production costs, disposing of unprofitable assets, and implementing sustainable performance improvements at all levels.

5. The groundwork has been laid for the Group to deliver sustained benefits for its shareholders in the future.

FIVE-YEAR CONSOLIDATED FINANCIAL REVIEW

	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
STATEMENT OF FINANCIAL POSITION					
Assets					
Property, plant and equipment	**498 669**	51 439	82 955	152 184	279 000
Investments in associates	**75 458**	195 822	219 777	253 635	59 580
Investments held by environmental trust	**70 459**	65 803	61 186	57 431	52 813
Other financial assets	**127 458**	3 000	3 000	3 000	–
Deferred income tax assets	**–**	–	21 866	432	–
Current assets	**172 287**	364 705	502 079	553 003	560 378
Assets of a disposal group classified as held-for-sale	**36 308**	–	–	–	–
Total assets	**980 639**	680 769	890 863	1 019 685	951 771
Equity and liabilities					
Stated capital	**224 678**	206 276	206 276	206 276	206 276
Reserves	**(42 533)**	150 099	329 689	459 466	342 955
Non-controlling interest	**69 654**	–	(869)	116	1 000
Non-current liabilities	**338 213**	119 464	112 449	117 065	148 488
Current liabilities	**291 024**	204 930	243 318	236 762	253 052
Liabilities of a disposal group classified as held-for-sale	**99 603**	–	–	–	–
Total equity and liabilities	**980 639**	680 769	890 863	1 019 685	951 771
Net asset value per share (cents)	**218**	337	506	630	521
INCOME STATEMENT*					
Net operating profit/(loss)	**22 310**	(53 358)	(121 392)	44 363	(1 232)
Finance costs	**(32 981)**	(591)	(4 680)	(4 705)	(4 995)
Share of results of associated companies	**38 662**	(18 959)	(29 431)	135 976	–
Profit/(loss) before income tax	**27 991**	(72 908)	(155 503)	175 634	(6 227)
Income tax	**(1 745)**	7 733	30 730	(6 568)	1 112
Profit/(loss) for the year from continuing operations	**26 246**	(65 175)	(124 773)	169 066	(5 115)
(Loss)/profit for the year from discontinued operations	**(213 033)**	(117 442)	24 023	21 508	27 854
(Loss)/profit for the year	**(186 787)**	(182 617)	(100 750)	190 574	22 739
(Loss)/earnings per share (cents)					
– Basic and diluted	**(175,6)**	(173,5)	(94,4)	181,1	20,7
– Headline	**(216,5)**	(114,6)	(56,9)	78,6	9,8
Dividend per share (cents)	**–**	–	–	60	–
Dividend cover (based on headline earnings)	**–**	–	–	1,31	–

* *The income statements for the 2018 and 2017 years have been represented to show the Lower Orange River operations as discontinued operations. It should be noted that the results for the years 2014 – 2016 have not been represented and thus are not comparable to 2017 and 2018.*

TRANS HEX GROUP DIRECTORATE

Marco Wentzel (39)

Non-executive Director (appointed April 2016) and Chairman of the Board

Representation on Trans Hex committees: Human Resources and Social & Ethics

Other directorships include Stellar Capital Partners Ltd, Mettle Investments Ltd, Advantage Wealth (Pty) Ltd, Quantech (Pty) Ltd, Truckworx SA (Pty) Ltd and Brinmar (Pty) Ltd

Athol Rhoda (58)
CTA (UCT), LLM International Taxation (UCT), CA(SA)

Independent Non-executive Director (appointed May 2017)

Representation on Trans Hex committees: Audit and Risk, Human Resources and Social & Ethics

Piet Viljoen (55)
BComm Hons, CFA

Non-executive Director (appointed April 2016)

Representation on Trans Hex committees: Audit and Risk, Human Resources and Social & Ethics

Other directorships include Regarding Capital Management (Pty) Ltd and RECM and Calibre Ltd

Albertus Marais (34)
BAcc LLB (Stell), PGDA (UCT), Adv. Cert. Taxation (UP), MComm Taxation (UCT), CA(SA)

Independent Non-executive Director (appointed August 2017)

Representation on Trans Hex committees: Audit and Risk, Human Resources and Social & Ethics

Other directorships include AJM Tax

James Gurney (47)
BSc Hons Geochemistry (UCT)

Alternate Director (appointed June 2017)

Other directorships include companies within the Mineral Services Group

Llewellyn Delport (56)
BSc Chem Eng (UCT), MBA (UCT)

Chief Executive Officer (appointed July 2004)

Ian Hestermann (51)
BAcc Hons (Stell), BComm Hons Taxation (Stell), CA(SA)

Executive Director: Finance (appointed May 2010)

TRANS HEX GROUP EXECUTIVE TEAM

Rosalino Caetano (61)
B Mining Eng (Agostinho Neto University, Luanda)

Country Manager: Trans Hex Angola Lda

Prince Mbetse (47)
LLM (UP)

Managing Director: Trans Hex Diamond Cutting Works (Pty) Ltd

Carl Niemann (55)
Nat Diploma – Metalliferous Mining (Mining Engineering)

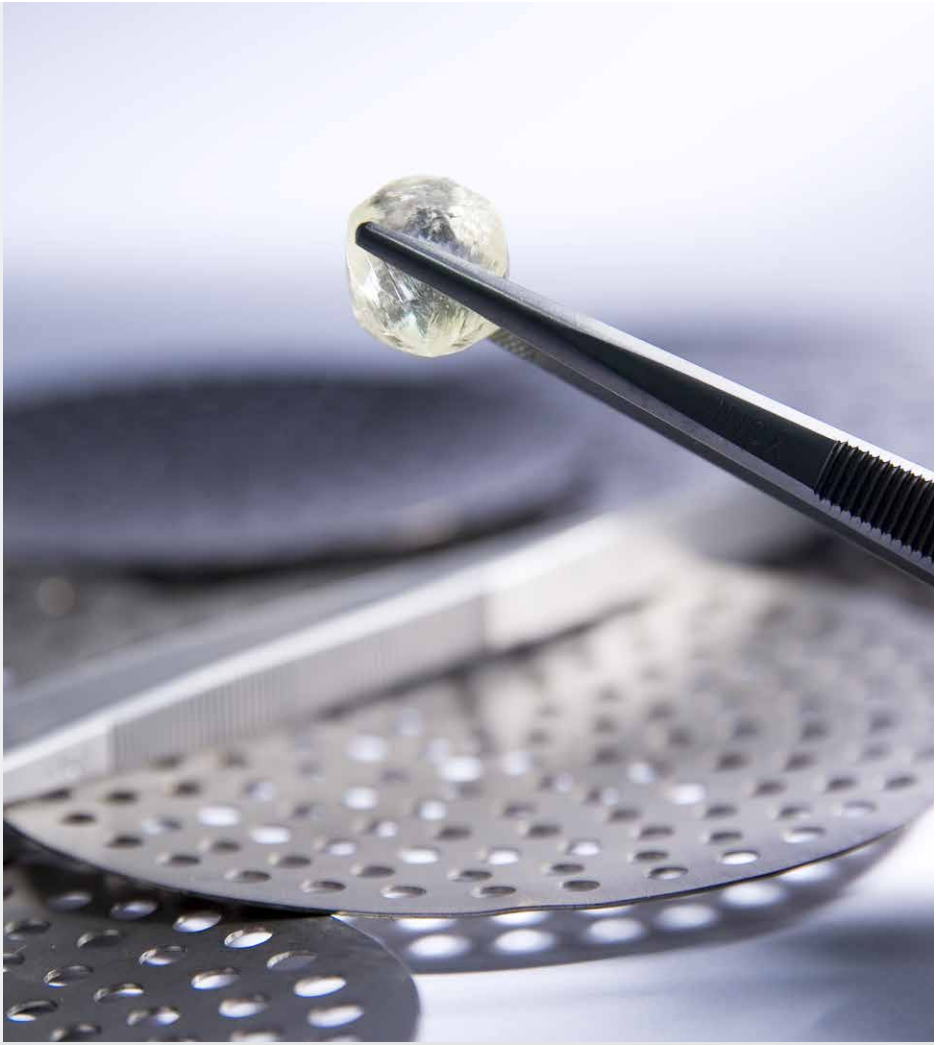
General Manager: Somiluana Mine

Tiaan Priem (44)
BEcon (Stell)

General Manager: Namaqualand Operations, West Coast Resources (Pty) Ltd

Stan Turketti (63)
Nat Dip Police Administration

Group Risk Manager



MESSAGE FROM THE CHAIRMAN

OVER THE PAST 12 MONTHS, THE GROUP HAS SUCCESSFULLY NAVIGATED THE MANY CHALLENGES WHICH ACCOMPANIED THE STATE OF TRANSITION IN WHICH IT FOUND ITSELF. MUCH OF THE PAST YEAR HAS BEEN SPENT REFINING TRANS HEX'S LONG-STANDING BUSINESS MODEL FOR BEST APPLICATION TO THE AVAILABLE ASSET BASE AND MARKET CONDITIONS.

As part of this process, the Company closed down its Lower Orange River operations after it reached the end of its viable life-of-mine under Trans Hex's management and ownership, all the while honouring the Company's various commitments to the more than 430 employees, surrounding communities and stakeholders. These operations produced approximately 2 million carats over the past 29 years. New ownership for this mining right was prioritised, and post financial year-end, the Company entered into a sale agreement with Lower Orange River Diamonds (Pty) Ltd to this effect.

At West Coast Resources (Pty) Ltd, the diligent and dedicated management team has made substantial progress in better understanding and managing this resource. During the period, the Group increased its stake in this asset, acquiring a majority shareholding on 1 February 2018.

These two important developments – the closure and proposed sale of the Lower Orange River operations

and the acquisition of a majority stake in West Coast Resources (Pty) Ltd – have had a wide-reaching impact on the financial reporting for the period. Great care should be taken when assessing the stated results to allow for the impact that these have had on the comparability of the results for the year ended 31 March 2018 with the results for the year ended 31 March 2017.

Our marine operations in South Africa and Somiluana Mine in Angola once again delivered solid results, making valuable contributions towards the sustainability of the Group.

Relationships with stakeholders on all fronts – locally and in Angola – have continued to grow and show stability.

At Board level, we welcomed Messrs Rhoda, Gurney and Marais, and engaged the services of Statucor (Pty) Ltd, an independent governance advisory firm, as Company Secretary.

Despite the challenging nature inherent to alluvial diamond mining, the Board is confident that Trans Hex has the means to successfully navigate the current conditions, especially after further refining the Company's existing business model in the year to come. We are dedicated to building a lean, streamlined business that can actively pursue new opportunities in mining and the marketing of diamonds.

I extend a word of thanks to the Board, the management and all the employees of the Group for their continued support and work ethic during this time of transition. Together we are building a solid foundation to ensure sustainability for years to come.

MVZ Wentzel
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

THE GROUP FACED MANY CHALLENGES IN THE PAST YEAR, MOSTLY DUE TO SIGNIFICANT CHANGES TO ITS AVAILABLE MINING RESOURCES AND THE REFINEMENT OF ITS BUSINESS MODEL. IT SET ABOUT THESE TASKS WITH DUE REGARD FOR ITS RESPONSIBILITY TOWARDS SHAREHOLDERS, STAKEHOLDERS AND EMPLOYEES, IN ORDER TO HELP SECURE A SUSTAINABLE FUTURE FOR TRANS HEX.

LOWER ORANGE RIVER OPERATIONS

The mining right for the Lower Orange River ("**LOR**") operations was initially acquired in 1968 and for decades it proudly served as the Company's flagship operations. But despite extensive process improvements over many years, unsustainable financial losses necessitated the gradual downscaling and eventual closure of these operations. Bloeddrif and Baken mines were placed under care and maintenance in May and October 2017, respectively, after the successful conclusion of formal consultation processes with the National Union of Mineworkers.

Post-closure, Trans Hex remained committed to diligently meeting its obligations in respect of its Social and Labour, and Environmental Management Plans for the area. It also actively investigated various potential options for this mining right, including securing its future under new ownership. The latter came into fruition post-year-end when the Company entered into a sale agreement with Lower Orange River Diamonds (Pty) Ltd. The transaction is subject to, *inter alia*, shareholder approval and a circular containing the full details thereof is expected to be distributed to shareholders by 3 August 2018.

WEST COAST RESOURCES (PTY) LTD

Results at West Coast Resources (Pty) Ltd have been pleasing, with production expectations for the year being exceeded. This has been made possible by a greater understanding of the resource and a dedicated and experienced management team that has overseen the expansion of mining activities and implementation of process improvements across the board.

At an ownership level, the Group has acquired an additional 27,2% shareholding in West Coast Resources (Pty) Ltd on 1 February 2018, effectively securing a majority stake of 67,2% in the company and its Namaqualand operations. The acquisition will help strengthen Trans Hex's South African footprint following the proposed disposal of the LOR operations in the coming financial year.

ANGOLA

Somiluana Mine has once again proved itself a stable and profitable asset, meeting its production targets for the year and contributing loan repayments and dividend payments to the total of US$2 400 000 to the Group. A set of solid results are expected for the 2019 financial year as the Mine's long-term outlook remains positive.

STAKEHOLDER RELATIONS

Trans Hex's dedication to building and maintaining sound relationships with all key local and Angolan stakeholders, including shareholders, trade unions, community representatives, government departments and regulatory bodies, has not wavered during the year and it remains high on the agenda in the year to come.

NEW BUSINESS

The Group remains focused on future prospects, including adding new mining assets to its portfolio and investigating potential new marketing opportunities, in order to unlock long-term value for all stakeholders.

In conclusion, the Group's majority shareholders and Board of Directors are owed a sincere word of gratitude for their commitment to the business and their guidance during the past year. A word of thanks must also be extended to management and all the Group's employees who have remained dedicated during these challenging times.

L Delport
Chief Executive Officer

The operational review reports on the mining activities of Trans Hex's wholly owned Lower Orange River ("**LOR**") and shallow water operations, as well as that of its subsidiary – West Coast Resources (Pty) Ltd in Namaqualand, South Africa and its associate – Somiluana Mine in Angola.

Trans Hex has an ongoing focus on exploration and new business activities in order to increase reserves. The Company is led by a strong management team with extensive understanding of the diamond-mining industry and regulatory environments.

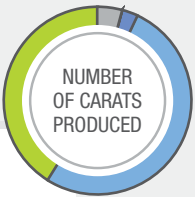
OPERATIONAL REVIEW

1

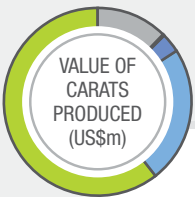
PERFORMANCE SUMMARY

	Average grade*	Carats produced	Average carats per stone	Average price per carat achieved (US$)
2018 FINANCIAL YEAR STATISTICS				
SOUTH AFRICA				
Baken	**2,43**	**13 944**	**1,17**	**946**
Bloeddrif	**2,60**	**620**	**1,52**	**877**
Shallow water	**–**	**9 012**	**0,24**	**431**
Total	**2,43**	**23 576**	**0,48**	**827**
West Coast Resources (Pty) Ltd	**27,84**	**173 920**	**0,23**	**153**
ANGOLA				
Somiluana	**44,78**	**136 402**	**0,66**	**504**
2017 FINANCIAL YEAR STATISTICS				
SOUTH AFRICA				
Baken	2,19	24 024	1,29	1 015
Bloeddrif	0,62	2 641	2,07	1 892
Shallow water	–	9 867	0,30	596
Total	1,75	36 532	0,70	959
West Coast Resources (Pty) Ltd	14,47	80 506	0,27	166
ANGOLA				
Somiluana	46,38	137 219	0,64	500

* *Note:*
1. *Calculated per 100 m³ for South Africa and Angola, and per 100 tons for West Coast Resources (Pty) Ltd.*
2. *Average grade in South Africa is calculated excluding shallow water production.*



13 944	Baken	13,9
620	Bloeddrif	0,5
9 012	Shallow water	3,9
173 920	West Coast Resources (Pty) Ltd	26,6
136 402	Somiluana	68,7



OVERVIEW

On 1 February 2018, the Group acquired a further 27,2% equity interest in West Coast Resources (Pty) Ltd, thereby increasing its interest to 67,2% and obtaining control of West Coast Resources (Pty) Ltd. Up to this date, the 40% investment in West Coast Resources (Pty) Ltd was accounted for as an investment in an associate under the equity method.

Production at the Lower Orange River ("**LOR**") operations halted on 31 October 2017, following the successful conclusion of a formal consultation process with the National Union of Mineworkers. These operations are disclosed as discontinued operations.

Sales revenue from continuing operations amounted to R192,5 million compared to R91,1 million during the previous corresponding period. The cost of goods sold increased to R172,2 million compared to R100,3 million during the 2017 financial year.

Gross profit amounted to R20,3 million compared to a gross loss of R9,2 million during the corresponding period.

Share of results from associated companies amounted to R38,7 million (2017: loss of R19,0 million), to which Somiluana Mine in Angola contributed a profit of R47,5 million and West Coast Resources (Pty) Ltd a loss of R8,8 million.

Selling and administration costs reduced to R61,2 million (2017: R88,8 million).

Loss before tax from the South African continuing operations amounted to R6,6 million (2017: loss of R104,7 million).

Profit from the Angolan continuing operations amounted to R34,6 million (2017: profit of R31,8 million), consisting of Somiluana's equity accounted profit of R47,5 million less Angolan head office costs of R12,9 million.

The Group reports an after-tax profit for the year from continuing operations of R26,2 million (2017: loss of R65,2 million).

Loss from the discontinued operations amounted to R213,0 million (2017: R117,4 million), consisting of Luarica and Fucaúma operations' profit of R2,3 million (2017: Profit of R28,9 million) less loss from the LOR operations of R215,3 million (2017: loss of R146,4 million).

The Group therefore reports a loss for the year of R186,8 million (2017: loss of R182,6 million).

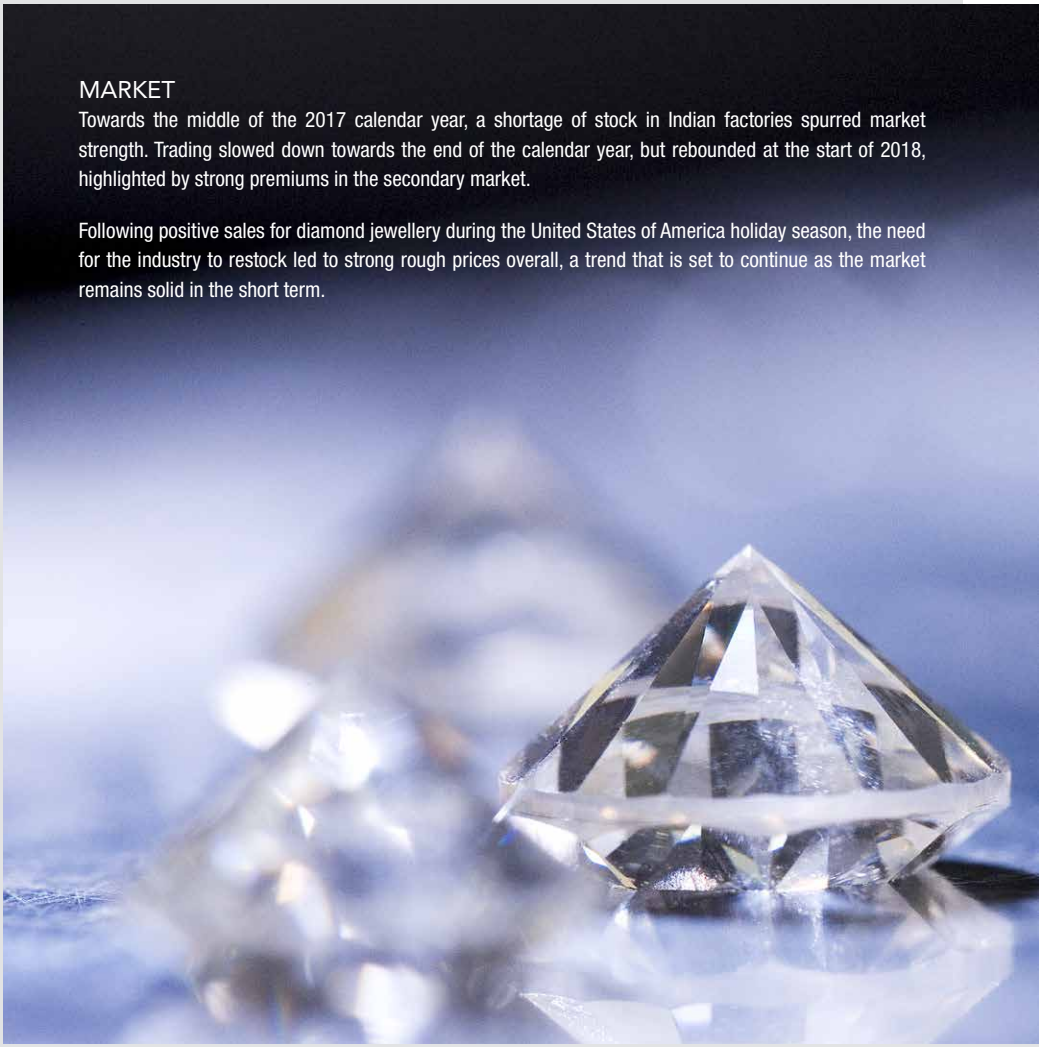
Cash and cash equivalents at the end of the year amounted to R79,4 million (2017: R225,4 million).

PERFORMANCE OUTLOOK

MARKET

Towards the middle of the 2017 calendar year, a shortage of stock in Indian factories spurred market strength. Trading slowed down towards the end of the calendar year, but rebounded at the start of 2018, highlighted by strong premiums in the secondary market.

Following positive sales for diamond jewellery during the United States of America holiday season, the need for the industry to restock led to strong rough prices overall, a trend that is set to continue as the market remains solid in the short term.



PRODUCTION

Production for the 2019 financial year is expected to be in the order of:

240 000	**West Coast Resources (Pty) Ltd**
10 000	**Shallow water operations**
145 000	**Angolan operations**

MINING OPERATIONS

LOWER ORANGE RIVER OPERATIONS

The LOR operations are situated along the southern bank of the Orange River in the Richtersveld region of the Northern Cape and consist of Baken and Bloeddrif Mines.

In line with the Company's strategy to responsibly manage these ageing assets in the final years of their economic life cycles, operations at Baken and Bloeddrif ceased during the period under review and the mines were placed under care and maintenance.

Post year-end, Trans Hex Operations (Pty) Ltd ("**THO**"), a wholly owned subsidiary of Trans Hex, entered into an agreement with Lower Orange River Diamonds (Pty) Ltd ("**LOR Diamonds**"), in terms of which THO has agreed to, *inter alia*, dispose of the business conducted by THO, as a going concern, relating to and in connection with the exploration, prospecting, mining for, recovery, treatment, production and disposal of diamonds in respect of the LOR operations, consisting of certain assets, liabilities and the transfer of employees; and cede and transfer the mining right associated with the LOR operations, to LOR Diamonds, for a total cash consideration of R72 million.

Details of the above transaction were released on SENS on 18 April 2018 and are available on Trans Hex's website at www.transhex.co.za. The transaction is subject to, *inter alia*, shareholder approval and a circular containing the full details thereof is expected to be distributed to shareholders by 3 August 2018.

BAKEN MINE	SOUTH AFRICA
Overview Baken Mine is situated on the banks of the lower Orange River, approximately 60 km from Alexander Bay. This operation mined the Baken palaeochannel, an ancient riverbed containing alluvial diamonds washed downstream from kimberlite (diamond-bearing volcanic rock) pipes millions of years ago. The site also contains lower grade meso terraces which could be viably mined at lower unit operating costs. **Operations report and outlook** Production at Baken for the 2018 financial year totalled 13 944 carats compared to 24 024 carats in the previous financial year. The average grade amounted to 2,43 carats/100 m^3 (2017: 2,19 carats/100 m^3) and the average stone size decreased from 1,29 carats per stone in 2017 to 1,17 carats per stone in 2018. The Company made every effort to sustain operations at Baken Mine, however the Mine's low carat production and subsequent financial losses were considered to be unsustainable. Production at Baken Mine was halted on 31 October 2017 and the Mine was placed under care and maintenance.	**Production:** **13 944 carats** **Average grade:** **2,43 carats/100 m^3** **Average stone size:** **1,17 carats per stone** **Average price for production:** **US$946 per carat**

BLOEDDRIF MINE	SOUTH AFRICA
Overview Bloeddrif Mine is situated in the Richtersveld region along the banks of the lower Orange River, approximately 30 km upstream from Baken Mine. Although Bloeddrif Mine traditionally produced fewer diamonds than Baken Mine, these stones were generally larger and attracted better prices per carat. **Operations report and outlook** The Mine produced 620 carats during the reporting period compared to 2 641 carats in the previous financial year. The average grade achieved increased from 0,62 carats/100 m^3 in 2017 to 2,60 carats/100 m^3 in 2018 due to the re-evaluation of ore accounting policies. The average stone size amounted to 1,52 carats per stone (2017: 2,07 carats per stone). All mining operations at Bloeddrif Mine ceased in May 2017 and the Mine was placed under care and maintenance.	**Production:** **620 carats** **Average grade:** **2,60 carats/100 m^3** **Average stone size:** **1,52 carats per stone** **Average price for production:** **US$877 per carat**

MARINE

SHALLOW WATER OPERATIONS	SOUTH AFRICA
Overview Trans Hex's shallow water operations are based off the West Coast of South Africa and consist of operations at De Punt (southern area) and Port Nolloth (northern area). The diamonds mined here are generally found close to the bedrock and are deposited in high-energy environment sediments containing pebbles, cobbles and boulders. These sediments commonly owe their existence to storm beach deposits along the base lines of low cliffs that back wave cut terraces. The shallow water concessions are mined and prospected by contracted sea vessels, shallow water shore-units and beach-mining units. The majority of these contractors are derived from the surrounding local communities and the boats are based at Lambert's Bay, Doring Bay and Hondeklip Bay. **Operations report and outlook** Production at the shallow water operations during the year decreased by 8,7% to 9 012 carats compared to 9 867 carats in 2017. The average stone size amounted to 0,24 carats per stone (2017: 0,30 carats per stone). As shallow water diamond mining is highly dependent on weather and sea conditions, the slight decrease in carats produced was mainly a direct result of a decrease in sea days and thus gravel treated. The shallow water operations have followed an established business model since 2009 and no meaningful developments or changes are planned for the 2019 financial year.	**Production:** **9 012 carats** **Average stone size:** **0,24 carats per stone** **Average price for production:** **US$431 per carat**

MINING OPERATIONS CONTINUED

NAMAQUALAND

WEST COAST RESOURCES (PTY) LTD	SOUTH AFRICA
Overview Trans Hex has been contracted by West Coast Resources (Pty) Ltd to manage its Namaqualand operations. The Mine is situated approximately 60 km south of Port Nolloth along the West Coast of the Northern Cape and spans a total geographical area of more than 2 750 km^2. During the period, Trans Hex increased its stake in West Coast Resources (Pty) Ltd by acquiring shares held by RAC Investment Holdings (Pty) Ltd, a wholly owned subsidiary of RECM and Calibre Ltd. The Company now holds a 67,2% interest, while the balance of the shares are held by the State through the Department of Public Enterprises, Dinoka Investment Holdings and the Namaqualand Diamond Fund Trust. The acquisition of the Mine was finalised in October 2014 and production commenced in December 2015. These operations celebrated 6 838 fatality-free shifts in April 2018. **Operations report and outlook** Production at West Coast Resources (Pty) Ltd during the year under review amounted to 173 920 carats compared to 80 506 carats in 2017. The average grade increased by 92,4% to 27,84 carats/100 tons compared to 14,47 carats/100 tons in 2017 due to process improvements allowing for greater gravel control and higher than estimated grades achieved. The average stone size amounted to 0,23 carats per stone (2017: 0,27 carats per stone). Production operations at the Michells Bay screening plant and the DMS plant in the Koingnaas Complex are continuing to be optimised. Two washing and screening plants have been constructed at the KN 6869 mining area to facilitate the treatment of the gravels from northern ore bodies of the Koingnaas Complex. Prospecting will continue to target high-priority areas that may identify additional resources for mining and mining activities will remain focused on the Langklip area and on other sections of the Koingnaas area. In order to improve throughput at the Final Recovery Plant in Kleinzee, further improvements are planned for the next financial year.	**Production:** **173 920 carats** **Average grade:** **27,84 carats/** **100 tons** **Average stone size:** **0,23 carats per stone** **Average price for production:** **US$153 per carat**

ANGOLA

SOMILUANA MINE

Overview

Trans Hex operates Somiluana Mine, located approximately 1 000 km northeast of Luanda in the diamond-rich but underdeveloped province of Lunda Norte. Trans Hex holds a 33% stake in the Mine, while Endiama, the State diamond company, holds a 39% stake; the balance of the shares is collectively held by three local companies.

Somiluana started production in June 2010 after the conclusion of mining-phase agreements between Trans Hex and its partners.

Operations report and outlook

Production at Somiluana during the year under review amounted to 136 402 carats at an average grade of 44,78 carats/100 m^3 compared to 137 219 carats at an average grade of 46,38 carats/100 m^3 in 2017. Total sales amounted to US$66,3 million at an average price of US$504 per carat, compared to US$69,7 million at US$500 per carat in the previous year. Repayments of US$1,6 million (2017: US$1,3 million) were made to Trans Hex against the outstanding investment amount and the Group received US$825 000 (2017: US$825 000) in dividends.

Operations during the year focused exclusively on diamond-bearing calonda formation gravels and 66% of production originated from the Nzagi Valley, 28% from the Landamona Valley, 2% from the Lulau area and the balance from test blocks as well as Liziria and terrace formation.

The Mine is pursuing an aggressive drilling programme in order to identify new resources in calonda formation gravels, as well as terraces and floodplains.

During the year under review, the Mine purchased mining equipment and started to implement other projects geared towards accelerating drilling programmes of identified target areas and increasing its gravel treatment and diamond recovery capacities. A second drill rig was acquired and commissioned in February 2018.

During the coming year, mining operations will continue on the east bank of the Luana River at Nzagi, in the south-west at Lulau, and at other areas currently being evaluated.

Production results and geological work through drilling and bulk sampling indicate a profitable, long-term future.

ANGOLA

Production:
136 402 carats

Average grade:
44,78 carats/100 m^3

Average stone size:
0,66 carats per stone

Average price for production:
US$504 per carat

DIAMOND RESOURCES AND DIAMOND RESERVES STATEMENT

I. Competent Person and general compliance

The Diamond Resources and Diamond Reserves estimates presented in this Integrated Annual Report were prepared in accordance with the Trans Hex Group Diamond Resource Reporting Policy NB-DR-01 Standards. These standards require that the South African Mineral Resource Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves 2016 ("the **SAMREC 2016 Code**") be used as a minimum standard.

The Group's Diamond Resources and Diamond Reserves for the following operations: Baken, Bloeddrif, Reuning, Somiluana, West Coast Resources (Pty) Ltd and the marine division concessions, have been prepared under the guidance of the Company's Competent Person, Mr Sean Basil Errol Damons (BSc, Cert Sci Nat 200032/16, GSSA 969098, Address: 405 Voortrekker Road, Parow 7500), who is duly registered with the South African Council for Natural Scientific Professions (www.sacnasp.org.za, physical address: Council for Geoscience Buildings, 3rd Floor, 280 Pretoria Road, Silverton 0127, South Africa), as required by South African law.

Mr Damons has 12 years' relevant experience in the estimation of Diamond Resources and Reserves. This ensures that the Mineral Resource Statements are compliant with the SAMREC 2016 Code. The Company's Competent Person has taken into account the definitions included in the SAMREC 2016 Code and the Diamond Resource and Diamond Reserve quantities reported here are considered to be fully compliant in all material respects with the requirements of the Code and the Competent Person has given written confirmation of such.

Diamond Resources reflected in the land division of this Statement include those of the Lower Orange River operations, consisting of Baken, Bloeddrif and Reuning, all held under new order mining rights.

Trans Hex Group holds a 67,2% stake in West Coast Resources (Pty) Ltd in South Africa.

Trans Hex Angola, a 100% subsidiary of Trans Hex Group, holds a 33% stake in Somiluana in Angola.

Diamond Resources reflected in the marine division are held by Trans Hex Operations, a 100% subsidiary of Trans Hex Group.

The Company's environmental obligations are managed in terms of approved environmental management plans. Compliance with the plans is audited by independent external parties on a regular basis. Details of the environmental liabilities are contained in Note 14 to the 2018 annual financial statements on page 116 and details of the funding of the environmental liabilities are contained in Note 3 to the 2018 annual financial statements on page 106. Further to this, the financial risk management section on pages 130 to 132 of this Integrated Annual Report analyses potential risks which may impact the Company's ability to continue its activities.

II. Group Diamond Resources and Diamond Reserves

The tables on pages 30, 31 and 34 summarise the Diamond Resources and Diamond Reserves of Trans Hex Group for both the year under review and previous financial year. Diamond Resources are reported inclusive of Diamond Reserves. Notes on the reporting criteria are pertinent, together with specific notes to the section.

The estimates of Diamond Resources and Diamond Reserves are stated as at 31 March 2018. The figures in the tables have been rounded and, if used to derive totals and averages, minor differences with stated results could occur.

Diamond Reserves are dynamic and are more likely to be affected by fluctuations in diamond price; uncertainties in production cost; processing cost; and other mining, infrastructure, legal, environmental, social and governmental factors which may impact the financial condition and prospects of the Group.

DIAMOND RESOURCES AND DIAMOND RESERVES STATEMENT CONTINUED

LAND DIVISION

Probable Diamond Reserves	31 March 2018				
Project name	Overburden (m^3)	Ore (m^3)	Grade (carats/ 100 m^3)	Carats	US$/carat
SOUTH AFRICA					
Baken	–	–	–	–	–
Bloeddrif	–	–	–	–	–
Reuning	–	–	–	–	–
West Coast Resources (Pty) Ltd	10 853 974	1 189 325	37,34	444 122	151
ANGOLA					
Somiluana*	85 155 686	4 453 005	43,76	1 948 832	449
Total	96 009 660	5 642 330	42,41	2 392 954	

Indicated Diamond Resources	31 March 2018				
Project name	Overburden (m^3)	Gravel (m^3)	Grade (carats/ 100 m^3)	Carats	US$/carat
SOUTH AFRICA					
Baken	48 316 758	21 550 334	1,26	270 486	810
Bloeddrif	34 713 897	31 072 438	0,53	163 197	1 058
Reuning	3 862 366	6 362 420	0,57	36 361	902
West Coast Resources (Pty) Ltd	75 961 217	5 759 029	19,23	1 107 541	149
ANGOLA					
Somiluana*	193 040 327	9 330 326	38,80	3 620 008	342
Total	355 894 565	74 074 547	7,02	5 197 593	

Inferred Diamond Resources	31 March 2018			
Project name	Overburden (m^3)	Gravel (m^3)	Grade (carats/ 100 m^3)	Carats
SOUTH AFRICA				
Baken	33 434 597	61 691 404	0,68	420 879
Bloeddrif	20 600 548	19 504 290	0,44	84 972
Reuning	20 748 545	28 692 017	0,51	146 441
West Coast Resources (Pty) Ltd	668 202 013	41 452 543	9,65	4 001 933
ANGOLA				
Somiluana*	446 637 645	27 151 589	11,48	3 117 415
Total	1 209 623 348	178 491 843		7 771 640

* *All grades are reported as run-of-mine ("**ROM**") grades, i.e. bulk and diluted at a bottom screen cut-off of 1,6 mm.*

31 March 2017			
Overburden (m^3)	Ore (m^3)	Grade (carats/ 100 m^3)	Carats
–	3 500	4,40	154
30 250	6 250	3,00	188
–	–	–	–
9 379 071	722 754	53,74	388 379
90 328 601	5 188 699	42,31	2 195 501
99 737 922	5 921 203	43,64	2 584 221

31 March 2017			
Overburden (m^3)	Gravel (m^3)	Grade (carats/ 100 m^3)	Carats
49 428 043	21 595 818	1,25	269 150
34 744 647	31 112 813	0,53	163 644
3 862 366	6 362 420	0,57	36 361
71 307 580	5 985 541	20,32	1 216 340
183 808 006	9 181 648	39,95	3 667 952
344 150 642	74 238 239	7,21	5 353 447

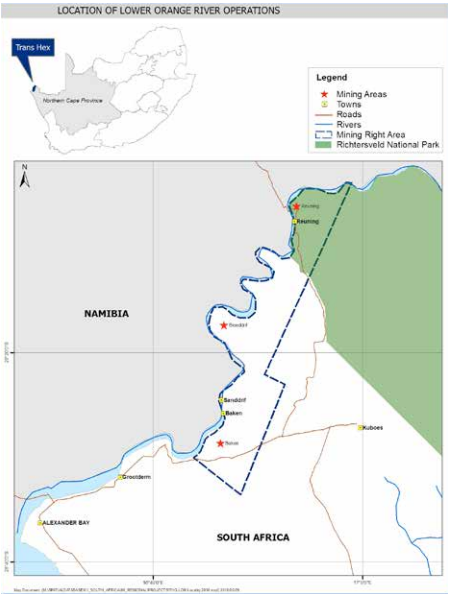
31 March 2017			
Overburden (m^3)	Gravel (m^3)	Grade (carats/ 100 m^3)	Carats
33 434 597	61 714 154	0,68	419 542
20 600 548	19 504 290	0,44	84 972
20 748 545	28 692 017	0,51	146 441
685 895 212	41 421 812	9,80	4 059 307
446 637 645	27 151 589	11,48	3 117 415
1 207 316 547	178 483 862	4,39	7 827 677

DIAMOND RESOURCES AND DIAMOND RESERVES STATEMENT CONTINUED

SOUTH AFRICA

All resources for South African inland operations are quoted as recoverable *in situ* grades with bottom screen cut-off as follows:

- Baken – 2,0 mm
- Bloeddrif – 4,0 mm
- West Coast Resources (Pty) Ltd – 1,0 mm



Lower Orange River operations

Baken

A total of 13 944 carats were produced from the Baken reserve through mining activities during the past financial year, at an average grade of 2,43 carats/100 m^3.

Operations at Baken halted on 31 October 2017 and the Mine was placed under care and maintenance. The South African Code for the Reporting of Mineral Asset Valuation classifies the operation as a dormant project, therefore no cost estimation was undertaken for this operation and no reserves are declared for the 2019 financial year.

At Baken, the total carat resource increased by 0,39%, primarily due to the delineation of additional resources areas added in the Skilpadsand area.

Indicated resources carats increased by 0,5% and the inferred resources by 0,3%, i.e. an increase of 2 673 carats in total.

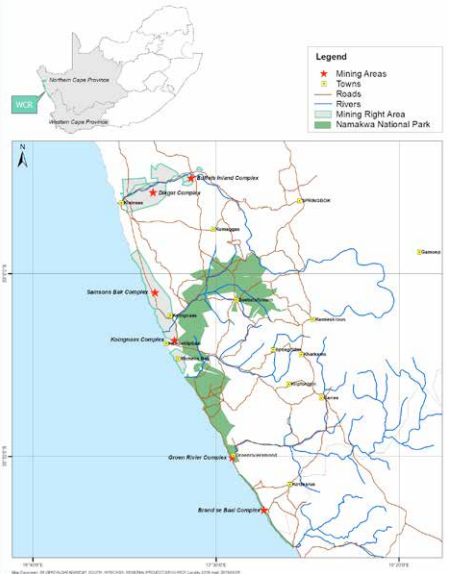
Bloeddrif

A total of 620 carats were recovered during the year, at an average grade of 2,60 carats/100 m^3.

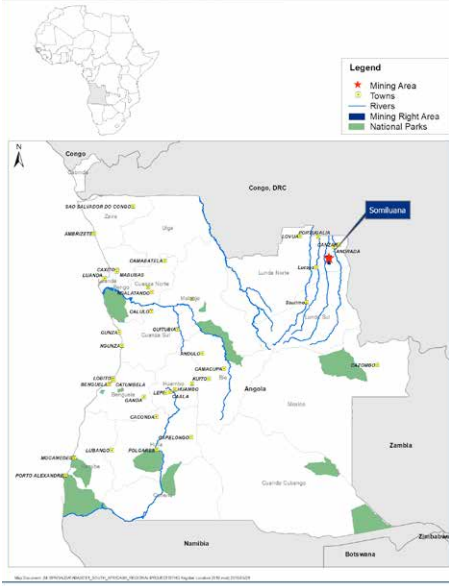
Operations at Bloeddrif halted on 17 May 2017 and the Mine was placed under care and maintenance.

The diamond resource decreased by 0,2%, or 447 carats, due to depletion through mining.

LOCATION OF WEST COAST RESOURCES OPERATIONS



LOCATION OF ANGOLAN SOMILUANA OPERATIONS



SOUTH AFRICA

West Coast Resources (Pty) Ltd

Total project Diamond Resources and Diamond Reserves are shown for West Coast Resources (Pty) Ltd. Trans Hex's attributable share is 67,2%, in line with the Group's shareholding.

A total of 173 920 carats were recovered during the year from the Michells Bay and Kleinzee Final Recovery tailings areas. This production realised an average grade of 27,84 carats/100 tons, with an average stone size of 0,23 carats per stone.

The total carat resource decreased by 3,2%, primarily due to depletion through mining activities.

The indicated and inferred diamond resource carats decreased by 8,9% and 1,4% respectively, i.e. a decrease of 166 174 carats in total.

ANGOLA

Somiluana Mine

Total project Diamond Resources and Diamond Reserves are shown for Somiluana Mine. Trans Hex's attributable share is 33%, in line with the Group's shareholding.

Production activities recovered 136 402 carats at an average grade of 44,78 carats/100 m^3 and an average stone size of 0,66 carats per stone.

Total carats in reserve at Somiluana Mine decreased by 11,2% due to depletion through mining activities and a 10% decrease in diamond prices.

Indicated resources decreased by 1,3%. New resource blocks were delineated during the 2017/18 resource review, based on an increased confidence of the geological model and grades based on actual mining.

DIAMOND RESOURCES AND DIAMOND RESERVES STATEMENT CONTINUED

MARINE DIVISION

The marine resources remained unchanged from last year.

31 March 2018

Diamond Resources

	INDICATED			INFERRED		
Concession	**Area (m^2)**	**Grade (carats/m^2)**	**Carats**	**Area (m^2)**	**Grade (carats/m^2)**	**Carats**
2b	515 210	0,21	108 194	1 043 000	0,11	114 730
3b	550 000	0,07	38 500	460 000	0,05	20 700
6b	–	–	–	5 838 711	0,02	99 258
11b	83 000	0,04	3 320	–	–	–
13b	72 169	0,05	3 608	–	–	–
Total	1 220 379	0,13	153 622	7 341 711	0,03	234 688

Notes:
No marine resources are stated for the shallow water areas (<25 m water depth).
In these areas the mineralisation is generally erratic and the lack of suitable technology to sample this zone has prevented definitive resource delineation.

III. Notes on reporting criteria

Trans Hex has been mining alluvial diamond deposits for more than 50 years and has always undertaken systematic and structured exploration and sampling activities in accordance with sound diamond placer mineral resource practices, i.e.:

- A sound geological model forms the basis for resource boundary delineation of homogenous deposits.
- Appropriate sampling tools and methodologies are applied, taking sample density and sample support requirements into consideration.
- Revenue estimates are done per homogenous diamond population and refined locally on a block scale based on the average stone size. Linear equations are calculated for major mining areas based on the relationship between known revenue and estimated stone size. Average US$/carat estimates are produced per unique population.
- Ore block boundaries are chosen by the responsible geologist based on reverse circulation drilling and sampling information.
- A bedrock contour plan, gravel development plan and gravel thickness plan are developed from all available information to guide the selection of the block boundary. It is important to note that the generation of payable mineral resources is also considered when deciding on a block boundary.

The breakdown of Mineral Resources and Mineral Reserves into respective confidence categories is determined using a semi-quantitative classification technique that analyses confidence in volume, grade, density, diamond value and geological model.

The confidence that is assigned refers collectively to the reliability of the grade and volume estimates. This reliability includes consideration of the fidelity of the base data, the geological continuity predicated by the level of understanding of the geology, the likely precision of the estimated grades and understanding of grade variability, as well as various other factors that may influence the confidence that can be placed on the mineral resource.

Diamond Resource estimation methodology is generally done on averaging of sample results within a particular block boundary for block grade, block stone size and block gravel thickness.

Diamond Resources have been converted to Diamond Reserves by the application of various modifying factors in accordance with the SAMREC 2016 Code. Mining modifying factors include a suite of operating costs, ore losses, dilution, mining recoveries and revenue estimates. Non-mining modifying factors considered include environmental, legal, social and governmental.

IV. Trans Hex Group – List of mining rights

Reference number	Description	Holder
NC 519 MR	Sea Area 2B	Trans Hex Operations*
WC 112 MR	Sea Area 11A	Trans Hex Operations
WC 47 MR	Farm 423 & Surf Zone Area	Trans Hex Operations
NC 88 MR	Hondeklipbaai & Sea World State Land	Trans Hex Operations
NC 531 MR	Richtersveld	Trans Hex Operations
WC 316 MR	Papendorp	Trans Hex Operations
WC 318 MR	Hollebaksfontein	Trans Hex Operations
WC 314 MR	De Punt	Trans Hex Operations
WC 315 MR	Bethel 278	Trans Hex Operations
WC 317 MR	Strykloof	Trans Hex Operations
WC 319 MR	Weskus	Trans Hex Operations
NCS 539 MR	Brazil	Trans Hex Operations
NCS 540 MR	Sea Area 5B	Trans Hex Operations
NCS 541 MR	Sea Area 5A	Trans Hex Operations
NCS 542 MR	Sea Area 3B	Trans Hex Operations
NCS 544 MR	Sea Area 6A	Trans Hex Operations
NCS 543 MR	Sea Area 7A	Trans Hex Operations
WC 321 MR	Sea Area 12A	Trans Hex Operations
WC 320 MR	Sea Area 13A	Trans Hex Operations
1076/18/RM/ DNLCM/2011	Angola	Trans Hex Angola (100% subsidiary of Trans Hex Group) A joint-venture company with five partners was established called Somiluana – Sociedadae Mineira, SA. Trans Hex Angola holds a 33% stake in the company.
NC 509 MR	Verdun	West Coast Resources#
NC 521 MR	Buffels Inland	West Coast Resources
NC 522 MR	Koingnaas	West Coast Resources
NC 523 MR	Brand se Baai	West Coast Resources
NC 524 MR	Dikgat	West Coast Resources
NC 525 MR	Samson's Bak	West Coast Resources

* *Trans Hex Operations is a 100% subsidiary of Trans Hex Group.*

\# *Trans Hex holds a 67,2% stake in West Coast Resources (Pty) Ltd.*

SUSTAINABLE DEVELOPMENT AND MINING CHARTER REPORT

FOR TRANS HEX GROUP AND ITS SUBSIDIARIES

2

SUSTAINABLE DEVELOPMENT

Guided by the principles of King IV, Trans Hex has due regard for the impact it has on the social, economic and natural environments in which it operates.

The Company views sustainability as protecting and growing value for the benefit of all stakeholders, while working to eliminate any negative impacts from its operations on these constituencies. The Group allocates funding and makes expertise and business skills available to protect and develop the economic, social and natural environments in which it conducts business.

This is accomplished by:

- taking economic, social and environmental risks and opportunities into account at decision-making forums at all levels, and considering these key elements in the Group's overall business strategy;
- being an efficient, ethical and value-creating business;
- creating meaningful employment in safe and healthy environments;
- reducing its environmental impact and contributing to biodiversity management;
- committing to innovation, technology and process improvement;
- creating partnerships with key stakeholders to address social issues such as HIV/Aids and rural development; and
- updating its values and practices to reflect international norms and to meet stakeholder expectations.

THE SOUTH AFRICAN MINING CHARTER

Trans Hex is actively implementing various projects and interventions in line with the requirements of the Broad-based Socioeconomic Empowerment Charter for the South African Mining and Minerals Industry ("**the Mining Charter**").

Participative structures are in place to ensure appropriate stakeholder engagement and the effective implementation of all aspects of the Mining Charter.

SAFETY, HEALTH AND ENVIRONMENTAL MANAGEMENT

The Trans Hex Safety, Health and Environment Group Standards protocol strives to set standards and minimum requirements for:

- risk assessment;
- incident investigation;
- projects and resources;
- occupational health;
- operational activities and contractor management;
- emergency preparedness; and
- performance and compliance auditing.

ENVIRONMENT

Trans Hex manages the environmental impact of its operations through the application of the Group Environmental Policy, which defines minimum standards. This policy considers the appropriate legislative requirements and, in particular, makes provision for the Mineral and Petroleum Resources Development Act, No. 28 of 2002 ("**MPRDA**"), National Water Act, No. 36 of 1998 ("**NWA**"), as well as the National Environmental Management Act, No. 107 of 1998 ("**NEMA**"). Site-specific tools have been developed to implement the Group Environmental Policy.

Environmental management

Trans Hex's operations implement environmental management programmes ("**EMPs**") that have been approved in terms of the MPRDA. These EMPs are aligned with the requirements of the NEMA and are constantly revised to take into account any changes in prospecting and mining operations. A Group environmental implementation system provides for ongoing monitoring of activities that have the potential to impact the natural environment.

The rehabilitation process is a primary consideration from the outset of mine planning. The "concurrent backfill method" is used to rehabilitate mined areas, which involves returning overburden stripped from excavated areas.

Environmentally sensitive areas, such as graves and archaeological sites, are fenced off and marked to protect them from being disturbed by mining activities.

Environmental incident reporting is encouraged during monthly meetings to enable timeous corrective actions and to avoid reoccurrence.

External environmental performance auditing

Regular internal audits assess compliance with the commitments set out in the EMPs and external audits commissioned every two years provide assurance on the Company's environmental management performance against these indicators. These audits also measure the relevance of existing EMPs to current mining operations, and identify areas for improvement and ways to integrate corrective actions into daily operations.

Environmental impact assessments ("**EIAs**") are conducted when there are any changes to the mining or processing operations, or with the introduction of significant new mining equipment. The results are shared with the relevant stakeholders, including regulatory authorities.

SAFETY, HEALTH AND ENVIRONMENTAL MANAGEMENT CONTINUED

Waste management

The Group has a comprehensive waste management programme to ensure minimisation and recycling of waste where appropriate and the responsible disposal of waste where necessary.

This programme includes:

- removing all identified scrap at various areas where it has accumulated;
- identifying salvage areas for plant and engineering re-use;
- allocating recycling bins to ensure separation of different types of waste;
- collecting and disposing of general waste at licenced waste disposal sites; and
- collecting hazardous waste, including batteries, fluorescent tubes, used oil lubricants, oil filters and oily rags, and storing it properly in designated areas until it is collected by an approved contractor.

There are licenced domestic waste disposal sites located within each of the operations for ease of disposal. Hazardous waste is collected by service providers for disposal.

Hydrocarbon rehabilitation and soil remediation are performed in line with the minimum requirements set out by the Department of Water and Sanitation and the Department of Environmental Affairs. Environmental authorisation for the establishment of a soil remediation plant was granted in August 2015 for the Lower Orange River ("**LOR**") operations as it was the biggest operation at the time and the plant was constructed in November 2015. The plant helped prevent water pollution and ensured that contaminated areas were properly rehabilitated.

Ferrosilicon, the heavy-medium separation material used in the Company's extraction plants, is an inert substance and poses no threat to the environment. However, potential losses of ferrosilicon are closely monitored.

Water and energy management

Water and energy are key components in diamond mining and processing, but both are limited resources which need to be managed responsibly. It is therefore crucial that the Group employs efficient processes to minimise the use of water and energy.

Water recycling strategies form an important part of the Company's water management programme. The LOR operations were authorised to use a combined total volume of 5 838 400 m^3 of fresh water per annum. Approximately 80% of the water was used for plant processing and the remaining 20% for domestic application. Fine residue material from the plant was pumped into the slimes dams that were designed to allow silt to settle and the clean water to seep through to the return water dam. Water was then pumped from the return water dam back to the processing plant for reuse.

Water meter readings were taken from the LOR operations' abstraction pumps every month to ensure that licenced volumes were not exceeded. The plants, slimes dams, taps and water pipelines were also inspected on a weekly basis to monitor leakages. Water leaks were reported timeously and fixed to minimise water losses. The proper use of return water dams ensured that recycled water accounted for more than 70% of the water used by the operations.

The plants at West Coast Resources (Pty) Ltd and De Punt utilise sea water which does not require licencing in terms of NWA, however, reuse of this water is practised.

Compact fluorescent lights were installed in the mining villages and offices at the LOR operations to further enhance efforts to continuously improve the Company's annual energy consumption. Households were encouraged to switch off the lights when they were not in use in order to save energy.

Environmental awareness initiatives are being undertaken to enhance environmental management in general.

OCCUPATIONAL HEALTH AND SAFETY

The Group's health and safety programme aims to:

- improve occupational health and safety awareness;
- implement and maintain an effective health and safety management system;
- enhance legal compliance through internal audits and the implementation of industry best practice;
- minimise or eliminate risk to employees;
- prevent injuries to employees and damage to Company property by applying the root cause analysis technique;
- encourage safe behaviour; and
- improve the well-being of all employees, with a special focus on HIV and TB awareness.

The Company aims to achieve zero injuries at all its operations by instilling in each employee the understanding that they are responsible for their own health and safety, as well as that of their colleagues.

The Company continuously strives to maintain and improve upon the high standards that have been set and employees are encouraged to follow best practice whilst expanding their skills and knowledge to ensure a safer working environment for all.

The two main drivers behind the Group's efforts to achieve zero injuries are the back-to-basics principle and management's leadership and commitment.

The back-to-basics principle ensures that:

- hazard identification and risk assessments are reviewed on a continuous basis;
- codes of practice and standard operating procedures are in place and implemented;
- all employees are trained in the codes of practice and standard operating procedures;
- daily planned task observations/on-site internal audits are conducted; and
- all applicable rules and standards are implemented.

Management commits to lead from the front by:

- following a visible felt leadership approach;
- being accountable for their team's health and safety performance;
- being empowered (trained, coached and mentored) to continuously ensure adherence to health and safety practices in their areas of responsibility;
- demonstrating that they care about the well-being of their team;
- acting as role models and living the vision of "zero injuries"; and
- empowering employees to stop work when conditions are deemed unsafe.

Additionally, the Group proactively identified the risk of allowing mobile phones, tablets and cameras in its mining areas, and implemented appropriate policies and procedures to address this aspect and ensure effective enforcement of Company rules.

Medical surveillance programme

Monitoring by an occupational medical practitioner, occupational health surveillance staff and the health and safety manager takes place on a monthly basis.

The occupational medical practitioner, with the assistance of an occupational nurse, submits monthly reports to the Department of Mineral Resources' Medical Inspector of Mines, Northern Cape Region with regard to HIV and TB.

Health and safety management systems

Regular internal audits of the Company's safety management system are conducted to ensure compliance and to highlight shortcomings. Continuous improvement is monitored against agreed action plans.

Regular inspections, follow-ups and observations are used to assess safety behaviour. Key elements such as risk assessments, planned inspections, task observations and communications form part of day-to-day safety management.

A full-time appointed health and safety representative was in place for the LOR operations, while workplace health and safety representatives were appointed per work area. Health and safety officers oversaw this

portfolio at the LOR operations. This ensured effective implementation of the health and safety system and more effective communication with key stakeholders.

Following the risk-based external audit which was conducted during September 2015, a number of action plans were developed to address specific issues highlighted in the audit report. The outcome of these plans includes daily and monthly submissions of minutes together with action lists from the following meetings:

- safety talks and topics;
- full-time safety representative meetings;
- departmental meetings;
- main health and safety representative meetings; and
- main health and safety committee meetings.

This measure was put in place to ensure that:

- meetings are conducted at the required intervals;
- proper minutes are kept;
- proper action lists are created to address the issues that need to be escalated; and
- uniformity on all levels is established with regard to the format of minutes recorded.

To ensure compliance, weekly follow-ups take place and non-compliance is addressed.

Building a health and safety culture

The Group continually promotes a culture within the organisation that is focused on health and safety. Proven communication methods include the daily five-minute safety talk and sharing of important safety-related information through the safety newsflashes. At every shift change, the entire team discusses a safety topic and records are kept of these discussions. The Group's health and safety culture is further bolstered by team-building workshops attended by all health and safety officers.

This multi-level approach, which involves every employee, is delivering returns in terms of health and safety results. Management remains committed to enabling sound health, safety and environmental practices, and continues to be accountable for enhancing health, safety and environment compliance.

Risk assessments

Continuous risk assessments are an integral part of the safety management system and a requirement of the Mine Health and Safety Act ("**MHSA**"), No. 29 of 1996. Baseline risk assessments and regular risk reviews are conducted on an ongoing basis.

Accident investigations

Every incident has the potential for severe consequences. Health and safety officials investigate all safety incidents to identify risk-taking behaviour or risk situations, to implement remedial actions in order to prevent similar incidents from recurring, and share lessons learnt from the incident.

Accident record and statistics

The primary objective of the Group's safety programme is to minimise all types of injuries with a target lost-time injury frequency rate of less than 0,5. Key elements of the strategy to achieve this are:

- reducing absenteeism to minimise safety risks;
- encouraging "near miss" reporting;
- eliminating property damage; and
- encouraging team performance.

Frequency rates are calculated for five categories: fatal injury frequency rate, reportable injury frequency rate, disabling injury frequency rate ("**DIFR**"), lost-time injury frequency rate and minor injury frequency rate. All are calculated on a financial year and based on 200 000 man-hours worked, as per the NOSA formulae.

Trans Hex Group safety performance

	2014	2015	2016	2017	**2018**
Number of disabling injuries	0	2	2	3	**3**
Disabling Injury Free Rate (DIFR)	0,00	0,18	0,20	0,36	**0,35**
% Change (financial-year)	(100)	200	7	42	**(2)**

Statistics for 2014 – 2017 include the LOR operations and shallow water projects only; 2018 statistics include West Coast Resources (Pty) Ltd.

HUMAN RESOURCE DEVELOPMENT

STAFF COMPLEMENT

As at 31 March 2018, the Group's South African workforce totalled 176 permanent employees. An additional 471 people were employed through joint ventures, associates and contractors. In Angola, Somiluana employed a total of 635 people.

EQUAL OPPORTUNITIES

The Group is committed to providing equal opportunities to prospective and current employees in all spheres of its business. Measures have been taken to eliminate all discriminatory provisions, to eliminate barriers to employment, and to advance diversity in the workplace. All new appointments are made in compliance with the Group's employment equity targets and comprehensive plans for the training and development of employees from the designated groups have been adopted.

RECRUITMENT POLICY

The Group recruits employees within the parameters of its recruitment policies based on best practices in human resources management. Vacancies are filled by the best available candidates and without unfair discrimination on any grounds.

The Group aims, as far as possible, to source employees from local communities and does not use migrant labour. Wherever possible, preference is given to black people, women and people with disabilities to ensure that the workforce is representative of the demographics of the various regions in which the Group operates.

EMPLOYER/EMPLOYEE RELATIONS

Working with trade union representatives, the Group uses a variety of participative structures to achieve sound employer/employee relations through effective sharing of relevant information, regular consultation, and the early identification and resolution of potential conflict.

These structures include Future Forums, collective bargaining mechanisms, health and safety committees, training and development forums, employee wellness structures and regular project-level meetings between management and employee representatives.

EMPLOYEE TRAINING AND DEVELOPMENT

The Group is committed to promoting a culture of continuous learning and development, and therefore investment in human resource development remains a key focus area. Various training and development programmes are identified and implemented in order to meet the Group's strategic objectives, and to improve operational and individual performance. Skills development planning includes training that supports the requirements of employees' current positions as well as for accelerated development within career path opportunities aligned to the Group's employment equity strategies.

The Group recognises the importance of skills portability and therefore ensures that many of the skills provided to employees, as a core business competence, are transferable to other mining operations and beyond the mining industry. Where possible, all training and development programmes are offered through South African Qualifications Authority-accredited service providers and are aligned to the National Qualifications Framework.

HUMAN RESOURCE DEVELOPMENT CONTINUED

Programmes include adult basic education and training ("**ABET**"), on-the-job training, learnerships, short courses, skills programmes, recognition of prior learning programmes, certificate courses, as well as tertiary-level diplomas and degrees.

The Group submits its Workplace Skills Plan and Annual Training Report, in consultation with trade unions and employees, to the Mining Qualifications Authority ("**MQA**") annually.

Employee learnerships and artisan learning programmes

The Group is cognisant of the lack of skilled artisans in the country and continues to help address this challenge by growing its own artisan base. During the 2018 financial year, two employees qualified in the following trades:

- Instrumentation Mechanician
- Welder

Skills Education and Training Authority-registered artisan learning programmes continued during the reporting period in the trades listed below and nine employees successfully completed the programmes:

- Artisan Aide: Auto Electrician
- Artisan Aide: Electrician
- Artisan Aide: Diesel Mechanic
- Artisan Aide: Fitter & Turner
- Artisan Aide: Boilermaking
- Artisan Aide: Plater/Welder

Employee bursaries

Employees are encouraged to apply for bursary assistance in order to further their development.

During the reporting period, three employees were granted bursaries to study the following disciplines:

- MBA
- Law
- Environmental Management

Other training and development programmes attended during the reporting period included:

- Assessors Course
- Basic Auto Electrical
- First Aid
- Lifting equipment
- K53 Driver Training
- COMSOC
- SAMTRAC 1
- Management Accounting
- Metallurgical Operator Training
- Earth Moving Operator Training

Health, safety and environmental management programmes continued as per the MHSA. These included legally required training courses and health and safety training and inductions.

COMMUNITY TRAINING AND DEVELOPMENT

Guided by its social and labour plans ("**SLPs**"), the Group shows its commitment to community development by offering various training opportunities to members of the local mining communities.

The Group continued its partnership with the University of Stellenbosch's Centre for Pedagogy ("**SUNCEP**") to fund the Namaqualand Maths and Science ("**Namasci**") Project.

The project offers additional tuition to learners in Grade 10, 11 and 12 to improve their opportunity to access higher education. To ensure that pupil performance is sustained, SUNCEP further contributes towards enhancing teacher performance through contact sessions and an interactive e-learning strategy. This strategy is aimed at ensuring that teachers are ready to implement new and exciting techniques in the classroom. Teachers were provided with tablets containing the interactive e-lessons that were developed by SUNCEP. Telematic facilities were installed at Alexander Bay and Namakwaland high schools to further strengthen teaching and learning initiatives.

Community learnerships, in-service training and trainee programmes

Practical training opportunities and workplace experience were provided to students from local communities. During the reporting period, one female from the local community continued with a learnership programme in the Electrician trade.

Two local community members received in-service training in Chemical Engineering.

The Group's Trainee Programme continued during the year. The programme provides operator training to matriculants from the local communities. The programme involves classroom and practical training under the supervision of experienced operators who have received mentoring and coaching training.

All trainees attend a work readiness programme. The modules presented to the trainees include managing personal finances; understanding your payslip; nature of business; self-management practices in the workplace; understanding the employer/employee relationship; inappropriate behaviour in the workplace; diversity; and an overview of the mining and minerals sector.

Upon successful completion of the programme, trainees are placed into permanent vacant positions where possible.

Bursary scheme

The Group's Bursary Scheme awards successful applicants from local communities with bursaries towards full-time study at an accredited tertiary institution.

The scheme provides for financial assistance towards tuition, prescribed text books and accommodation costs.

Bursaries are valid for one academic year at a time. The scheme is managed by a joint bursary committee consisting of representatives from the trade union and Trans Hex management.

The criteria used for allocating bursaries are based on financial need, academic merit and principles set out in government-prescribed training frameworks, including the Mining Charter, the National Skills Development Strategy and the Sector Skills Plan.

Thirty bursaries worth R1 118 500 in total were awarded in the 2018 financial year in the following disciplines:

- Electrical Engineering
- Finance
- Education
- Environmental Management
- Mechanical Engineering
- Civil Engineering
- Geology
- Chemical Engineering
- Law

The Group's total investment in training and development opportunities for employees, contractors and community members totalled R7,7 million in the 2018 financial year.

HUMAN RESOURCE DEVELOPMENT CONTINUED

EMPLOYMENT EQUITY

The Group fully complies with all employment equity legislation. As shown in the table below, the Company is continuously working towards the employment equity targets in terms of the revised Mining Charter scorecard.

The development of historically disadvantaged South Africans ("**HDSAs**"), especially women, remains a key focus area. The Group has developed a number of strategies to enhance their representation. These efforts include:

- identifying positions in the mines that could be filled by HDSAs;
- identifying and developing HDSAs who show potential for fast-track career advancement;
- recruiting externally for qualified employees and trainees; and
- creating an environment conducive to the empowerment of HDSAs.

The Company accelerates the introduction and advancement of women in the traditionally male-dominated mining industry through an employment equity committee which addresses women in mining.

The Company has also entered into an agreement with the National Union of Mineworkers ("**NUM**") regarding specific policies and procedures relating to pregnancy, maternity leave and breastfeeding of infants in the workplace.

As at 31 March 2018, 19% of employees at the Group's South African operations were women and 18% of management positions were occupied by women.

Employment Equity Plans, finalised in consultation with the trade unions and employees, are in place in accordance with Section 23 of the Employment Equity Act, No. 55 of 1998.

Annual Employment Equity Reports are submitted to the Department of Labour each year.

Occupational levels

	Male				Female				Total	Actual % at 31 March 2018
	A	C	I	W	A	C	I	W		Non-designated: Designated
Top management	0	1	0	0	0	0	0	0	1	0 : 100
Senior management	1	1	0	2	0	0	0	0	4	50 : 50
Professionally qualified and experienced specialists and mid-management	2	9	1	7	2	0	0	3	24	29 : 71
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	1	23	0	8	1	3	0	3	39	21 : 79
Semi-skilled and discretionary decision-making	0	82	0	5	0	21	0	0	108	5 : 95
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0	
Total permanent staff	4	116	1	22	3	24	0	6	176	

A = African; C = Coloured; I = Indian; W = White

EMPLOYEE WELLNESS AND ASSISTANCE

Medical and HIV/Aids

All permanent employees at the Group's South African operations belong to a medical aid scheme and have access to on-site professionally staffed medical clinics. At the LOR operations, employees' family members and local community residents had access to these clinics, which were visited by medical doctors twice a week.

The Group has formal HIV/Aids policies in place which makes provision for:

- compliance with all legal requirements regarding HIV/Aids in the workplace;
- non-discrimination of employees or potential employees based on their HIV status;
- general measures to prevent accidental infection; and
- strict confidentiality of information on the HIV status of employees.

A comprehensive HIV/Aids awareness and educational programme is provided to employees, their families and members of the community by the wellness co-ordinator and employees who have been trained as peer educators.

All employees and their families have access to free condoms, voluntary HIV/Aids counselling, testing and antiretroviral therapy.

Additional support and counselling are provided to employees and their families through the employee assistance programme.

Wellness support services

The Group provides a holistic employee wellness programme which includes counselling interventions, as well as information and advice on diet, health and lifestyle choices. The Group's employee wellness programme offers a number of services to employees, such as:

- peer support groups;
- access to a clinical professional who visits the mine weekly;
- on-site debriefing sessions in cases of trauma;
- access to a financial adviser who advises employees on how best to handle their finances and to assist with existing financial problems;
- psycho-social counselling for employees and their household members; and
- debt counselling and legal consultations.

In addition, the Group has contracted Careways to provide telephonic employee assistance on a 24/7 basis. All employees within the Group and their household members have access to the helpline that is manned by professional, multilingual staff who provide counselling and support for issues such as:

- emotional and personal difficulties;
- family and relationship concerns;
- alcohol, drug or gambling abuse;
- stress and change management;
- financial matters;
- legal concerns;
- career issues;
- violence and trauma;
- HIV/Aids; and
- bereavement and loss.

HOUSING AND LIVING CONDITIONS

The Group seeks to promote and facilitate home ownership by its employees and provides a range of housing benefits, including housing subsidies, allowances and interest-free housing loans.

At the LOR operations and Marine mining projects, employees are provided with free accommodation in single quarters, flats and houses. At West Coast Resources (Pty) Ltd, each employee is provided with a housing allowance.

Subsidised meals were provided by a specialist contractor at the LOR operations; the meals were monitored regularly by a dietician to ensure they represented a balanced nutritional intake.

CORPORATE SOCIAL INVESTMENT

Improving the quality of life of disadvantaged communities is a priority for the Group, particularly those communities in the vicinity of its mining operations.

The Group contributed approximately R9 million during the 2018 financial year to projects aimed at developing and empowering local communities. These donations and sponsorships focused on early childhood development, education, adult literacy, learner transport, road maintenance, provision of potable water and other infrastructure.

MINE COMMUNITY AND RURAL DEVELOPMENT

Trans Hex has made significant contributions towards the improvement of infrastructure in local communities, such as assisting with road maintenance, providing fresh water, and upgrading local education facilities.

Trans Hex's community investment plans are aligned with the Integrated Development Plans of the Richtersveld, Namakhoi, Kamiesberg and Matzikama Local Municipalities, in collaboration with councillors and officials, as well as representatives of local community organisations.

Specific projects which have been approved for implementation as part of the Group's SLPs are:

- providing additional educators for schools in the Richtersveld and the Namaqualand regions;
- providing learner transport to various schools;
- enterprise development in the Namaqualand region;
- road maintenance from Alexander Bay to Sanddrift, Kuboes and Sendelingsdrift; and
- building early childhood development centres in the Matzikama municipal area.

Trans Hex continues to make donations to various small businesses, sports clubs and non-profit organisations in the area.

School support forms a big part of the Group's SLP commitments.

PROCUREMENT

BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("BBBEE") PROCUREMENT EXPENDITURE DURING THE REPORTING PERIOD

	Capital	Material	Services
Target	40%	50%	70%
Actual	41%	80%	78%

The development of sustainable and competitive black-empowered businesses that can provide goods and services to the mining industry underpins the transformation intent of the Mining Charter. In the last eight years, the Group has demonstrated consistent growth in its BBBEE procurement spend and currently exceeds targeted levels on Capital, Services and Material BBBEE procurement.

Total spend with BBBEE enterprises for the reporting period was R305 million (2017: R301 million), amounting to 80% (2017: 81%) of the total measurable procurement spend.

CONTRACTOR POLICIES

In the tender process, all providers of contracted services to the Group undergo rigorous checks against stringent technical, financial, safety, health and environmental, and BBBEE criteria to ensure compliance with both internal and legislative requirements.

OWNERSHIP

Trans Hex is committed to compliance with the Mining Charter requirements in respect of Black Economic Empowerment ("**BEE**") and ownership by HDSAs.

The Company originally achieved HDSA ownership of more than 26% by way of a transaction with Mvelaphanda Holdings Ltd in 2002.

Over time, through the acquisition of Trans Hex shares by other HDSA-controlled companies and application for ownership credits in respect of local beneficiation and the sale of assets to HDSA-empowered entities, as stipulated in the Mining Charter, the Company reached total BEE ownership credits of 44,6% in 2015. This was despite the fact that the Mvelaphanda Holdings Ltd shareholding was transferred to Northam Platinum Ltd in 2013, resulting in a dilution of the stake, in terms of BEE ownership, to 7,2% of Trans Hex.

During 2016, the Company's current majority shareholders completed a process whereby they acquired a total of 76,5% of Trans Hex's issued shares. This included acquiring Northam Platinum Ltd's stake, as well as most of the shares held by other empowerment entities. As a result of this restructuring, the Company's BEE ownership credits reduced to 22,4% as at 28 February 2017.

The Board is aware of the challenges that the proposed Mining Charter faced and awaits finalisation of the revised Mining Charter. On publication of the revised Mining Charter the Board will consider the appropriate measures that need to be taken, if any.

Detailed information about the Group's shareholders is provided on pages 142 to 147 of this Integrated Annual Report.

BENEFICIATION

TRANS HEX DIAMOND CUTTING WORKS

Trans Hex Diamond Cutting Works ("**THDCW**") is a small-sized, black-empowered cutting and polishing factory that beneficiates a percentage of the Group's South African-mined diamonds.

Aligned to government's call for greater beneficiation of locally produced minerals, the cutting and polishing operation was established in 2008 as part of the Group's beneficiation strategy and to take advantage of the downstream benefits of the diamond industry.

Trans Hex is a 75% shareholder, with the balance owned by a BEE partner in the industry. One of the key barriers to entry into the market for any diamond-polishing operation is access to finance. As such, Trans Hex provided the start-up capital of approximately R6 million and has contributed on an ongoing basis towards the working capital costs.

THDCW contributed to the Group's profits for the first time in the 2012 reporting period.

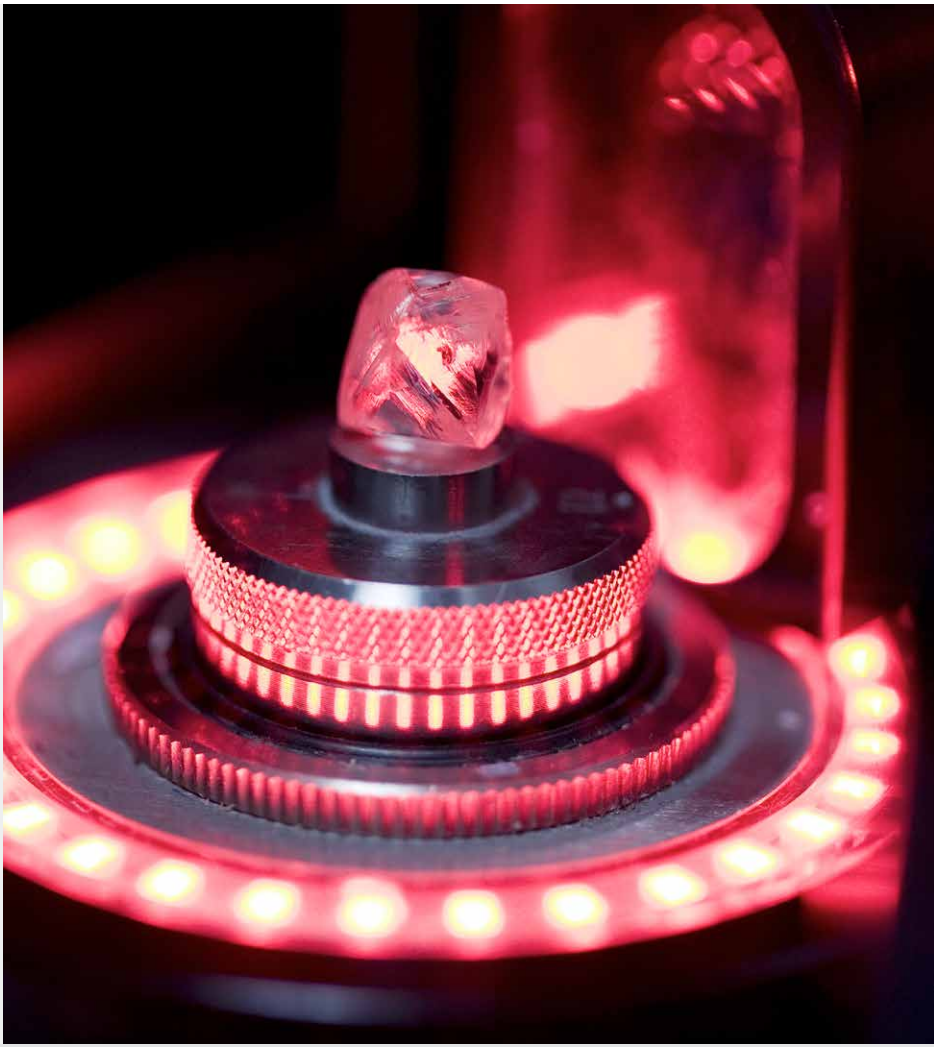
THDCW is housed in a state-of-the-art premises within Jewel City, Johannesburg. The premises also hosts Trans Hex's and West Coast Resources' rough diamond tender sales, offering the cutting works a unique opportunity to capitalise on tender clients and effectively consolidate the rough diamond tender sales and polished diamond sales of both companies.

International clients include buyers from Belgium, India, Israel and China.

The factory has 19 employees, two of whom are qualified Gemologists who grade the diamonds to ensure that strict quality standards are adhered to and that the gems are cut to perfection.

SALE OF ROUGH DIAMONDS

Trans Hex makes its total South African production available to local beneficiation licence holders by way of its tender sales system, ensuring that one of South Africa's most significant diamond outputs, by value, is made available to all potential purchasers. In total, more than 15% of Trans Hex's South African-mined diamonds are beneficiated locally.



CORPORATE GOVERNANCE

3

CORPORATE GOVERNANCE REPORT

The Trans Hex Group Limited Board of Directors and executive management are fully committed to achieving compliance with all applicable laws and regulations of the Republic of South Africa (and any other country in which the Group may conduct business from time to time), the Listings Requirements of the JSE Limited ("**JSE**") and the King IV Report on Corporate Governance for South Africa 2016 ("**King Code**" or "**King IV**").

The Group's compliance with the Broad-based Socioeconomic Empowerment Charter for the South African Mining Industry is reported on in the Sustainable Development and Mining Charter Report section of this Integrated Annual Report. The Group's compliance with the King Code is reported on in the sections that follow. Further details regarding how the principles of the King Code have been applied are available on the Group's website, together with copies of key corporate governance documents, such as the MoI and the Board Charter.

KING IV COMPLIANCE – GOVERNANCE ASSESSMENT INSTRUMENT

The Board is satisfied that the Group is in the process of applying the recommendations of the King Code to achieve good performance and effective control while maintaining legitimacy and an ethical culture.

The Group will utilise the Governance Assessment Instrument, as developed by the Institute of Directors of Southern Africa, as the due process to provide assurance once each recommended practice in King IV has been considered and applied.

BOARD OF DIRECTORS

Trans Hex has a unitary Board structure with six Directors and one Alternate Director. It comprises two salaried Executive Directors and four Non-executive Directors, two of whom are independent. The Board meets on a quarterly basis, retains full and effective control over the Group and monitors the performance of the executive management.

The Board informs and approves business strategy; ensures that strategy is aligned with the purpose of the Company, the value drivers of its business and the legitimate interests and expectations of its stakeholders; satisfies itself that the strategy and business plans are not encumbered by risks that have not been thoroughly examined by management; and, ensures that strategy is aimed at achieving sustainable outcomes taking account of people, planet and profit. The Board has implemented a delegation of authority to govern issues delegated to management.

The Board acts as the focal point and custodian of corporate governance in the Group. The Directors recognise that good governance can create shareholder value by enhancing long-term equity performance. The scope of authority, responsibility, composition and functioning of the Board is contained in a formal charter which is regularly reviewed.

The Company supports the principle of diversity at Board level and has adopted a race and gender diversity policy in this regard. The Directors will endeavour to achieve the policy targets in a pragmatic way that delivers value to the composition of the Board.

The roles of the Chairman and Chief Executive Officer ("**CEO**") do not vest in the same person and the Chairman

is a Non-executive Director with an indirect interest in the Company. Accordingly, in terms of the King Code a lead Independent Non-executive Director was appointed. The Chairman and CEO, with input from the other Directors, provide leadership and guidance to the Group and encourage proper deliberation of all matters requiring its attention.

Non-executive Directors are appointed on a three-year rotational basis and re-appointment is not automatic. Such appointments are formal and transparent and are dealt with by the Board as a whole, assisted by the Human Resources and Social & Ethics Committee (see page 59) and the Company Secretary.

There is a clear division of responsibility at Board level to ensure a balance of power and authority such that no one individual has unfettered power of decision-making.

Board composition

Mr Marco Wentzel was appointed as Chairman of the Board, effective 1 April 2017.

Mr Athol Rhoda was appointed as lead Independent Non-executive Director, effective 8 May 2017.

Mr James Gurney was appointed as an Alternate Director to Mr Wentzel, effective 12 June 2017.

The designation of Mr Quinton George changed from Non-executive Director to Independent Non-executive Director, effective 18 July 2017.

Mr Albertus Marais was appointed as an Alternate Director to Mr George, effective 21 August 2017.

Mr Greg van Heerden resigned as Company Secretary, effective 31 January 2018.

Statucor (Pty) Ltd ("**Statucor**"), an independent governance advisory firm, was appointed Company Secretary, effective 1 February 2018.

Mr George resigned as an Independent Non-executive Director, effective 1 March 2018.

Mr Marais was appointed as a Non-executive Director, effective 1 March 2018.

The designation of Mr Marais changed from Non-executive Director to Independent Non-executive Director, effective 27 March 2018.

The appointments were made by way of resolutions signed by all the Directors and are subject to ratification by the shareholders at the 2018 Annual General Meeting on 17 August 2018.

Board meetings

Five Board meetings were held during the year. The attendance of the Board meetings for 2017/18 was as follows:

	6 June	15 June	4 Aug	7 Nov	27 Mar
MVZ Wentzel (Chairman)	√	√	√	√	√
AG Rhoda	√	√	√	√	√
PG Viljoen	√	√	√	√	√
QJ George	√	√	√	√	–
AJ Marais	–	–	–	√	√
JL Gurney (Alternate)	x	x	√	√	x
L Delport	√	√	√	√	√
IP Hestermann	√	√	√	√	√
GM van Heerden	√	√	√	√	–
Statucor	–	–	–	–	√

√ *Attended*

x *Apology*

Company Secretary

Effective 1 February 2018, the company secretarial function was outsourced to Statucor, represented by Alun Rich. The Board is satisfied that Statucor is suitably qualified, competent and experienced to perform the role. The Board has considered the individuals at Statucor who perform the company secretarial functions, as well as the Directors and shareholders of Statucor, and it is satisfied that there is an arm's length relationship between the Company Secretary and the Board.

The Company Secretary provides guidance to Directors on governance, compliance and their fiduciary duties. Directors have unrestricted access to the advice and service of the Company Secretary.

Sub-committees

Two standing committees have been established, both as statutory committees and as committees of the Board, viz. the Audit and Risk Committee and the

CORPORATE GOVERNANCE REPORT CONTINUED

Human Resources and Social & Ethics Committee. These committees operate within Board-approved written terms of reference, which have been reviewed to ensure alignment with the requirements of the King Code. The Chairman of each committee is an Independent Non-executive Director.

Annual appraisals

The Company Secretary manages the annual appraisal processes for the Board, Board committees and individual Directors, under the guidance of the Human Resources and Social & Ethics Committee. Appraisal questionnaires, developed in line with best practice guidelines, are completed by all Directors. Results are summarised and presented to the Chairmen of the relevant committees and the Chairman of the Board, who ensure that any appropriate action plans are initiated.

AUDIT AND RISK COMMITTEE

During the period, the Committee consisted of four Non-executive Directors, two of whom are independent, and was chaired by Mr Athol Rhoda.

During the 2018 financial year, Mr Marco Wentzel served as the Chairman of the Board of Directors and also as a member of the Audit and Risk Committee. The Board is satisfied that Mr Wentzel acted with sufficient integrity, objectivity and independence such that the interests of the stakeholders were not prejudiced by his dual role as Chairman of the Board and member of the Audit and Risk Committee.

The Audit and Risk Committee operates within the terms of a Board-approved charter, which sets out its role and responsibilities and the requirements for its composition and meetings.

In compliance with the Companies Act, the Report of the Audit and Risk Committee is included in the financial statements of the Group in section 4 of this Integrated Annual Report, and can be found on page 71.

HUMAN RESOURCES AND SOCIAL & ETHICS COMMITTEE

This committee fulfils the statutory functions of a social and ethics committee in terms of the Companies Act, as well as the functions of a remuneration committee and a nomination committee in terms of the King Code and the Listings Requirements of the JSE ("**Listings Requirements**").

During the period, Mr Athol Rhoda served as Chairman of the Human Resources and Social & Ethics Committee in compliance with the Companies Act and fulfilled the role of Chairman of the Remuneration Committee in compliance with the Listings Requirements and King IV.

A report on the mandate and activities of this committee is included on page 59.

EXTERNAL AUDIT

The Group's external auditors are Pricewaterhouse-Coopers Inc.

A comprehensive engagement letter has been agreed between the Group and the external auditors and a policy is in place with regard to the nature and extent of any non-audit services that the external auditors may provide.

The external audit plan and fees for the year are approved by the Audit and Risk Committee on an annual basis.

INTERNAL AUDIT

Internal audit is an independent, risk-based assurance function. The internal auditors have a direct reporting line to the Chairman of the Audit and Risk Committee; attend all meetings of the Audit and Risk Committee and the Group Risk Management Committee; and, meet regularly with the executive management.

The Board reviews and approves the internal audit mandate annually to ensure compliance with King IV.

The Audit and Risk Committee approves the internal audit plan and fees for the year on an annual basis.

RISK MANAGEMENT

The Board, through the Audit and Risk Committee, is responsible for the total process of risk management and for forming its own opinion on the effectiveness of the process. Management is accountable to the Board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the Company.

The Audit and Risk Committee ensures compliance with the ongoing process of identifying, evaluating and managing significant risks.

There is a Group Risk Management Committee ("**GRMC**") and each major operation has an operational subcommittee. This includes Trans Hex Angola which maintains its own risk register for the Angolan investments and mining operation. These subcommittees meet on a regular basis to monitor all challenges and risks facing each of the mines within the Group and to ensure timeous and adequate response to any potential threat at an operational level.

Feedback from these subcommittee meetings is provided to the GRMC, which in turn reports to the Audit and Risk Committee. Corrective actions and preventive measures are implemented and closely monitored. Any significant risk that is new to the Group is reported via the GRMC to the Audit and Risk Committee. Risk management is a key focus area for operations, with risk management as a fixed agenda item for meetings of operational executive teams. It is at this level that strategies and procedures are set within the policy; programmes are executed; and performance reporting is done.

A combined assurance plan, derived from the risk management system, has been approved by the Audit and Risk Committee. The objectives of the plan are to:

- identify and specify the sources of assurance over the Group's risks;
- provide the Audit and Risk Committee and executive management with a framework of the various assurance parties;
- link the risk management activities with assurance activities;
- assist the Audit and Risk Committee to review the effectiveness of the risk management system; and
- provide a basis for identifying any areas of potential assurance gaps.

The Board reviews and approves the risk management policy and mandate on an annual basis.

MANAGEMENT REPORTING

The Group has comprehensive management reporting disciplines in place, which include the preparation of annual budgets by all operating units. Monthly results and the financial status of operating units are reported against approved budgets and compared to the previous year. Profit projections and forecast cash flows are updated monthly, while working capital and borrowing levels are continuously monitored.

SHARE TRANSACTIONS BY DIRECTORS AND SENIOR EMPLOYEES

According to Group policy, Directors and senior employees are required to adhere to the code of ethics with regard to dealing in shares of the Group during periods of price sensitivity. In terms of the code, employees are prohibited from dealing, directly or indirectly, in the Company's shares on the basis of unpublished price-sensitive information.

CODE OF ETHICS

The Group is committed to the highest standards of integrity, behaviour and ethics in dealing with all stakeholders. The Directors have implemented controls to monitor that the values, behaviour and ethics, as outlined in the Company's code of ethics and other relevant documents, are adhered to. A confidential reporting mechanism is in place that assures employees of anonymity when reporting matters relating to diamond theft, fraud or any crimes within the Company.

CORPORATE GOVERNANCE REPORT CONTINUED

STAKEHOLDER ENGAGEMENT

Trans Hex's key stakeholders include shareholders, investors, trade unions, employees, government and the communities in which it operates. Interaction with these constituencies takes place on a regular basis and addresses concerns and current issues that impact on the business and those involved in or affected by its activities.

Community stakeholder engagement is included at all mining and prospecting operations in environmental impact assessment processes and corporate social investment initiatives. Key stakeholder concerns relate to rehabilitation, biodiversity management, energy use and water management, as well as the socio-economic development of the local community which includes the provision of jobs and the development of skills. Each mine communicates with its stakeholders on specific social and environmental issues in the area, within the guidelines of the Group's broader communication initiatives.

EMPLOYER/EMPLOYEE RELATIONS

The Group uses a variety of participative structures to deal with issues affecting employees directly and materially. These include Future Forums, collective bargaining mechanisms, safety committees, training and development forums, employee wellness structures and regular project-level meetings between management and employee representatives.

These structures, established in collaboration with trade union representatives, are designed to achieve sound employer/employee relations through effective sharing of relevant information, regular consultation and the early identification and resolution of potential conflict.

INFORMATION TECHNOLOGY ("IT") GOVERNANCE

The Board, through the Audit and Risk Committee, is responsible for IT governance. IT management is fully integrated with the Group's risk management system. The CEO has appointed Mr Ian Hestermann as Chief Information Officer ("**CIO**") responsible for the management of IT.

An IT steering committee has been appointed. The committee has completed the development of an IT governance charter, which has been approved by the Board, and has overseen a thorough review of all IT policies.

The CIO provides regular reports to the Audit and Risk Committee, which monitors, evaluates and approves all significant IT investments and expenditure.

MVZ Wentzel
Chairman: Board of Directors

HUMAN RESOURCES AND SOCIAL & ETHICS COMMITTEE REPORT

The Human Resources and Social & Ethics Committee (the "**HRSE Committee**") operates within terms of reference which detail its duties in terms of the Companies Act, the JSE Listings Requirements and King IV, as well as responsibilities allocated to it by the Board.

This report is presented to shareholders in accordance with the requirements of the Companies Act.

COMPOSITION AND MEETINGS

During the period under review, the HRSE Committee consisted of four suitably qualified Non-executive Directors, two of whom are Independent Non-executive Directors (as set out in the table below).

Six HRSE Committee meetings were held during the year. The attendance for 2017/18 was as follows:

	6 June	3 Aug	16 Oct	7 Nov	22 Jan	27 Mar
AG Rhoda (Chairman)	√	√	√	√	√	√
MVZ Wentzel	√	√	√	√	√	√
PG Viljoen	√	√	√	√	√	√
QJ George	√	√	√	√	√	–
AJ Marais	–	–	–	–	–	√
L Delport#	√	√	√	√	√	√
GM van Heerden#	√	√	√	√	√	–
Statucor (Pty) Ltd#	–	–	–	–	–	√

√ *Attended*
\# *By invitation*

The Chief Executive Officer ("**CEO**") attends meetings of the HRSE Committee but does not participate in any discussions or decisions regarding his own remuneration.

ROLE OF THE HRSE COMMITTEE

The role of the HRSE Committee in respect of remuneration is to act on behalf of the Board to ensure that:

- the Company remunerates Directors, executives and other employees fairly and responsibly;
- the disclosure of Directors' and executives' remuneration is accurate, complete and transparent; and
- annual reporting to shareholders on matters within the HRSE Committee's mandate are completed.

The role of the HRSE Committee in respect of nominations is to assist the Board to ensure that:

- the Board has the appropriate composition for it to execute its duties effectively;
- Directors are appointed through a formal process;
- induction and ongoing training and development of Directors take place; and
- formal succession plans are in place for the Board, CEO and senior management.

The role of the HRSE Committee in respect of social and ethics matters is to:

- monitor the Group's activities relating to social and economic development, good corporate citizenship, the environment, health and public safety;
- review and recommend, for approval by the Board, appropriate and best practice standards that the Company should apply on matters falling under its mandate; and
- monitor and report on the Company's activities having regard for relevant legislation, other legal requirements or prevailing codes of best practice with regard to matters falling within its mandate.

HUMAN RESOURCES AND SOCIAL & ETHICS COMMITTEE REPORT CONTINUED

ACTIVITIES OF THE HRSE COMMITTEE

During the year, the HRSE Committee performed the following activities in respect of remuneration matters:

- determined remuneration of executives and staff in terms of the policy that forms part of this Integrated Annual Report; and
- proposed fees for the Non-executive Directors for shareholder approval at the Annual General Meeting.

The HRSE Committee also carried out an independence review of the Directors.

In respect of social and ethics matters, the HRSE Committee:

- monitored the development and application of policies and practices in line with the Group's social and ethics policies, King IV and the JSE Listings Requirements;
- monitored progress against the Group's employment equity plans and considered the Group's empowerment and transformation activities;
- reviewed ethics-related issues that were brought to the HRSE Committee's attention; and
- reviewed aspects of sustainability and corporate citizenship.

The HRSE Committee is satisfied that it has carried out its responsibilities during the year under review in compliance with its terms of reference.

ENGAGEMENT WITH SHAREHOLDERS REGARDING THE REMUNERATION POLICY

At the 2017 Annual General Meeting, held on 4 August 2017, the Group's Remuneration Policy was presented to shareholders for a non-binding advisory vote and its adoption was supported by 99,0% of shareholders who voted.

In future, both the Group's Remuneration Policy and the Implementation Report will be presented to shareholders for non-binding advisory votes at the Annual General Meeting.

In accordance with King IV, in the event that either the Remuneration Policy or the Implementation Report receives 25% or more dissenting votes from shareholders, management will seek to engage directly with these shareholders to:

- ascertain the reasons for the dissenting votes; and
- address legitimate and reasonable objections or concerns by clarifying or amending the Remuneration Policy, its implementation or processes, or reviewing the remuneration governance, or taking other steps to resolve the concerns.

Should it become applicable, the Group will in the following year's Implementation Report disclose:

- with whom the Company engaged;
- the manner and form of engagement to ascertain the reasons for dissenting votes; and
- the nature of steps taken to address legitimate and reasonable objections and concerns.

AG Rhoda
Chairman: Human Resources and Social & Ethics Committee

REMUNERATION REPORT

PART 1:

BACKGROUND STATEMENT

INTRODUCTION

This Remuneration Report provides an overview of the remuneration of all Group employees as well as disclosing Executive Director remuneration. The remuneration paid to Executive and Non-executive Directors for the 2018 financial year is detailed on pages 66 and 67.

The Board, through the Human Resources and Social & Ethics Committee ("**HRSE Committee**"), is ultimately responsible for establishing and implementing a remuneration policy. The HRSE Committee is responsible for appointing competent individuals as senior managers and ensuring that the Group's leadership delivers on the Group's strategic targets for fair remuneration.

The Group's Remuneration Policy is aimed at supporting its strategic goal of attracting, retaining, incentivising and rewarding employees, managers and Directors, thereby ensuring their interests align with those of shareholders.

As Trans Hex comes out of its current phase of regeneration, it is envisaged that the Remuneration Policy will adapt and change accordingly. During the course of the 2019 financial year, the HRSE Committee will continue to monitor the appropriateness of the Remuneration Policy and how it is applied. As a responsible corporate citizen, Trans Hex strives to improve employment conditions across the business and implement initiatives that will over time realise the concept of fair and reasonable remuneration. This includes the promotion of employment equity and diversity in the workplace, skills development and remuneration benchmarking to ensure internal equity and equal pay for work of equal value.

Key factors

The key factors that influenced the implementation of the Remuneration Policy in the 2018 financial year are:

- The Group is a listed diamond-mining company operating in the small-cap sector of the market.
- Whilst the Company's Head Office is based in Cape Town, its mining operations are situated in remote geographical locations.
- The Company must compete in the broader mining industry for the attraction and retention of core skills, such as artisans, engineers and management.
- The Company strives to comply with all statutory and regulatory requirements and is committed to applying best practice guidelines in all aspects of remuneration and benefits.
- The Company aims to offer remuneration packages that, at all employment levels, are market competitive, fair, reasonable and defensible in all aspects.

Approval of the Remuneration Policy and Implementation Report

At the 2017 Annual General Meeting, 99% of shareholders voted in favour of the Group's Remuneration Policy.

The latest Remuneration Policy, which is outlined in Part 2 of this Report, will be proposed to shareholders for a non-binding advisory vote at the Company's Annual General Meeting. The application of the Remuneration Policy, which details how the Group has implemented its Remuneration Policy during the year, is covered in Part 3 of this Report. In accordance with King IV, the Implementation Report will also be tabled for shareholder approval by way of a non-binding advisory vote at the Annual General Meeting.

REMUNERATION REPORT CONTINUED

In accordance with King IV, in the event that either the Remuneration Policy or the Implementation Report receives 25% or more dissenting votes, management will seek to engage directly with these shareholders to:

- ascertain the reasons for the dissenting votes; and
- address legitimate and reasonable objections or concerns by clarifying or amending the Remuneration Policy, its implementation or processes, or reviewing the remuneration governance, or taking other steps to resolve the concerns.

The steps taken to address legitimate and reasonable concerns will be disclosed in the following year's Report.

HRSE Committee's key focus areas and decisions

During the 2018 financial year, the Committee's key focus areas were:

- reviewing employee, senior management and executive salaries;
- reviewing management's and executives' bonuses;
- reviewing Directors' fees; and
- reviewing the Remuneration Policy.

Key decisions made during the year under review were:

- approving annual increases and adjustments for employees, senior management and executives; and
- approving management's and executives' bonuses.

Amendments to the Remuneration Policy

During the 2018 reporting period, the HRSE Committee approved the following amendments to the Remuneration Policy:

1. Change to severance pay parameters
2. Employees covered by collective bargaining
   The closure of the Lower Orange River operations resulted in the retrenchment of all employees covered by collective bargaining.
3. Executive bonuses
   A new profit-sharing bonus scheme was approved by the Board and replaced the old short-term executive cash bonus scheme in its entirety.

PART 2:

REMUNERATION POLICY

The HRSE Committee is responsible for the Remuneration Policy and practices.

INTRODUCTION

Trans Hex aims to attract, retain, incentivise and reward top quality staff at all levels, with particular emphasis on scarce or critical skills.

The Remuneration Policy is designed to support this strategic goal in a way that aligns the interests of employees, managers, executives and Directors with those of shareholders.

The Remuneration Policy is not intended to be a "one-size-fits-all" statement of rules and procedures, but rather to serve as the basis for a flexible approach that tailors itself to the variable and changing needs of a dynamic organisation over time.

There are, however, a number of key principles that form the foundations of the Remuneration Policy:

- Trans Hex is a listed diamond-mining company, operating in the small-cap sector of the market.
- Whilst the Company's Head Office is located in Cape Town, its mining operations are situated in remote geographical locations.
- The Company must compete in the broader mining industry for the attraction and retention of core skills, such as artisans, engineers and management.
- The Company strives to comply with all statutory and regulatory requirements and is committed to applying best practice guidelines in all aspects of remuneration and benefits.
- The Company aims to offer remuneration packages that, at all employment levels, are market competitive, fair, reasonable and defensible in all respects.

Key features of the remuneration system

Trans Hex uses the Paterson grading system of job evaluation.

Contracts of employment are prepared in compliance with employment legislation. As a general principle, employment contracts are concluded on a permanent basis (i.e. for an indefinite period), except where business needs and prevailing circumstances dictate the use of either fixed-term or short-term temporary contracts. The notice period for the termination of employment contracts is typically one month, but for critical positions this can be extended by mutual agreement to a maximum of six months.

Job grades, salary scales and employee benefit costs are benchmarked against appropriate mining industry standards and reviewed annually, taking account of the changing size, structure, financial performance and general circumstances of the Company.

The HRSE Committee approves all salary increases, for all categories of staff, in advance each year. Any material changes to allowances, benefits, bonus schemes, or any other aspect of Remuneration Policy are approved by the HRSE Committee prior to implementation.

The Company provides a market-competitive basic salary plus compulsory medical aid and retirement fund membership at all job levels.

Severance payments upon termination of service are governed by legislation, by union agreement, individual contract, and Company policy and practice. In the case of retrenchment, the Company's standard policy at all job levels is to pay the contractual notice period (if not worked) and severance pay equal to:

- in respect of service up to 31 January 2018: three weeks' remuneration per year of service with the Company; and
- in respect of service after 31 January 2018: the minimum remuneration stipulated in Section 41(2) of the Basic Conditions of Employment Act (currently one week's pay per year of service).

The Company does not provide any special retirement benefits other than the standard benefits available to employees as members of either the Trans Hex Provident Fund or the Trans Hex Retirement Fund.

The terms of service of the Executive Directors are linked to their terms of service as employees. Their remuneration consists only of remuneration as employees and they receive no additional remuneration as Directors.

All components of the Company's remuneration system are subject to regular internal and external audits.

Employees covered by collective bargaining

At the date of amendment of this Policy, the Company has no employees covered by collective bargaining agreements.

Non-union staff and management

Staff at Head Office and all members of management throughout the Company are treated individually, in accordance with their contracts of employment and the remuneration and benefit schemes and practices applicable to their job grades.

Salaries are reviewed annually, effective on 1 April. The HRSE Committee determines the extent of any general cost-of-living increase as well as any additional provision for individual adjustments based on performance, retention and market-matching criteria.

All staff members have detailed job profiles which stipulate the key performance areas of their positions and serve as the basis for performance management and the determination of any applicable performance-linked salary increases and/or bonuses.

Details of the remuneration packages paid to the Chief Executive Officer ("**CEO**"), other Executive Directors and prescribed officers are disclosed in the Integrated Annual Report.

Staff bonuses

Employees who are not members of executive management receive a guaranteed 13th cheque annually.

Management performance bonuses

Members of management, excluding executives, participate in a non-guaranteed discretionary bonus scheme whereby a bonus pool is approved by the HRSE Committee and apportioned by the CEO according to performance and retention criteria. The average bonus pool allocated under this scheme amounts to 15% of the total annual basic salaries of qualifying managers.

REMUNERATION REPORT CONTINUED

Executive bonuses

The Board has approved the adoption of a new profit-sharing bonus scheme for executives and senior managers, with effect from the 2018 financial year.

The new scheme replaces the old short-term executive cash bonus scheme in its entirety.

The participants in the scheme will be the senior managers and executives of the Group, as listed and signed off from time to time by the CEO, the Chairman of the HRSE Committee and the Chairman of the Board.

A bonus pool will be calculated each year when the Group's annual financial statements are prepared and approved.

The bonus pool will be uncapped and equal to 5% of Group profit before tax.

The bonus pool will be allocated amongst the participating executives by the CEO, in accordance with fair and objective rules and criteria, subject to ratification by the HRSE Committee.

Bonuses will be paid upon publication of the Group's annual financial results.

The scheme will be reviewed by the HRSE Committee annually.

Details of performance bonuses paid to the CEO, other Executive Directors and prescribed officers are disclosed in the Integrated Annual Report.

Long-term executive retention scheme

The Company does not have a share option scheme and does not issue shares to its executives or Directors.

Prior to the 2018 financial year, the Company operated a share appreciation entitlement scheme, details of which are outlined below.

The Board has however resolved to terminate the scheme and, accordingly, no further awards of entitlements have been made to executives since 2016.

All entitlements awarded previously that have not yet vested or been exercised will be allowed to run their course and the participants will be free to exercise their remaining entitlements, subject to the existing scheme rules.

Details of the scheme

The Company operated a share appreciation entitlement scheme, the aims of which were to promote the long-term retention of a critical nucleus of Company executives and senior management, to motivate them in their job performance and to align their interests with those of shareholders.

The target group for this scheme was defined as all senior managers and executives in job grade E1 and above.

The HRSE Committee made an initial allocation of share appreciation entitlements ("**SAEs**") to participating employees upon the introduction of the scheme in 2006 and has since used best practice allocation and grant policies to determine annual allocation amounts.

Prior to 2015

All SAEs were issued at a specified grant price, being the average closing price of one Trans Hex Group Limited ("**THG**") share recorded on the JSE Limited ("**JSE**") on the five trading days preceding the date on which they were granted, with 20% vesting on each of the first to the fifth anniversaries of the date on which they were issued.

Vested entitlements may be exercised at any time on or after the date on which they vested, provided that entitlements not exercised within ten years from the date of grant will lapse. On exercise, the participating employee will receive, in respect of each entitlement exercised, the difference (in cash, less income tax) between the closing price of one THG share recorded on the JSE on the day preceding his request to exercise and the grant price of the entitlements exercised.

Effective from 2015

All SAEs were issued at a specified price, the "grant price", being the volume-weighted average price of one THG share recorded on the JSE for the 30 trading days preceding the date on which they were granted.

One-sixth (1/6th) of each award of SAEs vest on the third anniversary of the date on which they were issued, two-sixths (2/6th) on the fourth anniversary and three-sixths (3/6th) on the fifth anniversary.

Vested entitlements may be exercised at any time on or after the date on which they vested, provided that entitlements not exercised within five years from the date of grant, plus 90 trading days, will lapse.

On exercise, the participating employee will receive, in respect of each entitlement exercised, the difference (in cash, less income tax) between:

A. the "exercise price", i.e. the volume-weighted average price of one THG share recorded on the JSE for the 30 trading days preceding his request to exercise; and

B. the "strike price", i.e. the price calculated as at market close on the day preceding his request to exercise, by way of an XIRR function based on the grant price of the entitlements exercised, the value of dividends per share declared since the grant date, and a cost of capital ("**hurdle rate**") of 15% per annum.

Details of the number and value of SAEs issued are disclosed in the Integrated Annual Report.

Non-executive Directors

Non-executive Directors are appointed on a three-year rotation basis.

Each Non-executive Director is paid a fixed annual retainer for services as a Director, with the Chairmen of the Board and its subcommittees receiving a premium in recognition of their roles and added responsibilities. In addition, a fixed fee is paid for attendance and service at each Board meeting and each subcommittee meeting.

Alternate Directors are not paid unless serving in office or attending meetings in the place of a Director. Non-executive Directors who attend subcommittee meetings by invitation are not paid for such attendance.

Non-executive Directors' remuneration is reviewed annually by the HRSE Committee. Fees applicable for the next financial year are submitted to shareholders for approval at the Annual General Meeting. The amounts paid to individual Directors are disclosed in the Integrated Annual Report.

PART 3

IMPLEMENTATION REPORT

The HRSE Committee confirms that the Trans Hex remuneration structure with its policies and procedures have been consistently applied in the year under review.

SALARY INCREASES

In respect of the 2018 financial year, the HRSE Committee approved annual salary increases for all employees at Trans Hex's South African operations, as follows:

- Employees covered by collective bargaining with the National Union of Mineworkers: An across-the-board increase of 7,0% on monthly basic salaries, effective from 1 April 2017. The minimum basic monthly salary at Trans Hex's South African mining operations was raised to R11 598 with effect from 1 April 2017 and the minimum guaranteed remuneration package increased to R17 598 per month (including fixed allowances, annual bonus and Company contributions to medical aid and retirement funds).
- Staff at Head Office, excluding members of management and executives: An increase of 6,0% on guaranteed monthly remuneration, effective from 1 April 2017.
- D-band staff/managers: An increase of 6,0% on guaranteed monthly remuneration, effective from 1 April 2017.
- Executives: An increase of 6,0% on guaranteed monthly remuneration, effective from 1 April 2017.

SHORT-TERM INCENTIVE SCHEMES

In respect of the 2018 financial year, the HRSE Committee resolved not to pay any short-term management or executive bonuses.

LONG-TERM INCENTIVE SCHEME

The Company does not have a share option scheme and does not issue shares to its executives or Directors.

Prior to the 2018 financial year, the Company operated a share appreciation entitlement scheme, details of which are outlined in the Company's Remuneration Policy.

REMUNERATION REPORT CONTINUED

The Board resolved to terminate the scheme and, accordingly, no further awards of entitlements have been made to executives.

DIRECTORS' REMUNERATION

Fees payable to Non-executive Directors are approved by shareholders annually at the Annual General Meeting. In respect of the reporting period, the following fees were approved:

Fees for the year ended 31 March 2018

Designation	R
Annual retainer	
Non-executive Director	95 400
Chairman of the Human Resources and Social & Ethics Committee	143 100
Chairman of the Audit and Risk Committee	166 925
Chairman of the Board	609 180
Fee per meeting	
Board meeting	19 080
Audit and Risk Committee meeting	17 175
Human Resources and Social & Ethics Committee meeting	11 450

Note: If the same person is Chairman of both Board subcommittees, then the annual retainer amount will be R214 625.

The Directors' and prescribed officers' remuneration for the year ended 31 March was as follows:

	Consolidated						
	Salaries and fees R'000	Retirement contribution R'000	Performance bonus R'000	Share appreciation units exercised R'000	Loss of office R'000	Other benefits* R'000	Total R'000
2018							
Executives							
L Delport	3 948	515	–	–	–	1 076	5 539
IP Hestermann	2 185	125	–	–	1 609	1 026	4 945
GM van Heerden	1 698	195	–	–	1 932	501	4 326
Subtotal	7 831	835	–	–	3 541	2 603	14 810
Non-executives							
QJ George	273	–	–	–	–	–	273
AJ Marais	56	–	–	–	–	–	56
AG Rhoda	426	–	–	–	–	–	426
PG Viljoen	328	–	–	–	–	–	328
MVZ Wentzel	842	–	–	–	–	–	842
Subtotal	1 925	–	–	–	–	–	1 925
Total paid	9 756	835	–	–	3 541	2 603	16 735
Company							1 925
Subsidiaries							14 810
							16 735

	Consolidated						
	Salaries and fees R'000	Retirement contribution R'000	Performance bonus R'000	Share appreciation units exercised R'000	Loss of office R'000	Other benefits* R'000	Total R'000
2017							
Executives							
L Delport	3 487	787	1 866	–	–	443	6 583
IP Hestermann	2 041	459	993	880	–	311	4 684
GM van Heerden	1 776	406	780	250	–	315	3 527
Subtotal	7 304	1 652	3 639	1 130	–	1 069	14 794
Non-executives							
T de Bruyn	27	–	–	–	–	–	27
QJ George	180	–	–	–	–	–	180
BP Lekubo	212	–	–	–	–	–	212
AR Martin	436	–	–	–	–	–	436
LC van Schalkwyk	216	–	–	–	–	–	216
BR van Rooyen	414	–	–	–	–	–	414
PG Viljoen	197	–	–	–	–	–	197
MVZ Wentzel	180	–	–	–	–	–	180
Subtotal	1 862	–	–	–	–	–	1 862
Total paid	9 166	1 652	3 639	1 130	–	1 069	16 656
Company							1 862
Subsidiaries							14 794
							16 656

** Other benefits mainly comprise car allowances, leave encashments and medical aid contributions*

DIRECTORS' SHAREHOLDINGS

As at 31 March, the Directors held, directly or indirectly, interest in the issued capital of the Company as reflected in the table below:

	Direct beneficial	Indirect beneficial	Shares held by associates	Total
2018				
L Delport	**150 000**	**–**	**–**	**150 000**
PG Viljoen*	**–**	**36 474 981**	**–**	**36 474 981**
MVZ Wentzel^	**–**	**–**	**27 100 400**	**27 100 400**
2017				
L Delport	150 000	–	–	150 000
PG Viljoen*	–	27 038 143	–	27 038 143
MVZ Wentzel^	–	–	27 038 143	27 038 143

* *Mr Viljoen holds an indirect interest of 50% in RECM and Calibre Ltd, a major shareholder in the Group*

^ *Metcap 14 (Pty) Ltd, a major shareholder in the Group, is ultimately controlled by a trust of which Mr Wentzel's wife, Mrs Clare Wiese Wentzel, is a trustee and beneficiary*

There has been no change in the Directors' interest set out above between the end of the financial year and the date of approval of the financial statements.

ANNUAL FINANCIAL STATEMENTS

4

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

In approving the annual financial statements, the Directors hereby confirm:

1. The Directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of Trans Hex Group Ltd and its subsidiaries. Their Report appears on page 78. The auditors are responsible for auditing and reporting on whether the financial statements are fairly presented.

2. The annual financial statements presented on pages 78 to 140 have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") of the International Accounting Standards Board; the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee; Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; the requirements of the Companies Act of South Africa; and the Listings Requirements of the JSE Limited. They conform and adhere to applicable accounting standards and are presented, applying accounting policies supported by reasonable and prudent judgements and estimates made by management, which have been consistently applied.

3. Adequate accounting records and an effective system of internal financial controls and risk management have been maintained during the entire accounting period.

4. The Directors annually review the additional information included in the Integrated Annual Report and they are responsible for both its accuracy and its consistency with the annual financial statements.

5. The going concern basis has been adopted in preparing the annual financial statements. The Directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the Company and the Group.

6. The financial statements have been audited by the independent external auditors, PricewaterhouseCoopers Inc., who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board. The Directors believe that all representations made to the independent auditors during their audit are valid and appropriate. The Audit Report of PricewaterhouseCoopers Inc. is presented on page 73.

7. A Corporate Governance Report appears on pages 52 to 67 and includes information regarding the Company's compliance with the King IV Code.

8. The preparation of the annual financial statements was supervised by the Financial Director, IP Hestermann CA(SA).

The annual financial statements were approved by the Board of Directors on 20 June 2018 and are signed on its behalf by:

MVZ Wentzel
Chairman

L Delport
Chief Executive Officer

CERTIFICATE BY THE COMPANY SECRETARY

In terms of Section 88(2)(e) of the South African Companies Act, No. 71 of 2008, I declare that, to the best of my knowledge, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date in respect of the financial year reported upon.

AJ Rich on behalf of STATUCOR (PTY) LTD
Company Secretary

20 June 2018

AUDIT AND RISK COMMITTEE REPORT

This Report is presented by the Company's Audit and Risk Committee (the "**Committee**") appointed by the shareholders in respect of the financial year ended 31 March 2018. The Committee will strive to comply with the recommendations of King IV and this Report is prepared in compliance with Section 94(7)(f) of the South African Companies Act, No. 71 of 2008, as amended ("**Companies Act**").

COMPOSITION AND MEETINGS

During the period under review, the Committee consisted of four suitably qualified Non-executive Directors, two of whom are Independent Non-executive Directors (as set out in the table below).

During the 2018 financial year, Mr Marco Wentzel served as the Chairman of the Board of Directors and also as a member of the Committee. The Board is satisfied that Mr Wentzel acted with sufficient integrity, objectivity and independence such that the interests of the stakeholders were not prejudiced by his dual role as Chairman of the Board and member of the Committee.

Four Committee meetings were held during the year. The attendance of the Committee meetings for 2017/18 was as follows:

	6 June	3 Aug	7 Nov	27 Mar
AG Rhoda (Chairman)	√	√	√	√
MVZ Wentzel	√	√	√	√
PG Viljoen	√	√	√	√
QJ George	√	√	√	–
AJ Marais	–	–	–	√
L Delport#	√	√	√	√
IP Hestermann#	√	√	√	√
GM van Heerden#	√	√	√	–
Statucor (Pty) Ltd#	–	–	–	√

√ *Attended*
\# *By invitation*

The Chief Executive Officer, Chief Financial Officer and Company Secretary, together with representatives of the internal and external auditors, attend all meetings of the Committee. A standing invitation to attend is extended to the other Non-executive Directors. The Committee may also meet separately with the external auditor and the internal auditor without executive management being present.

Mr Athol Rhoda was appointed as the Chairman of the Audit and Risk Committee, effective 8 May 2017.

Messrs Marco Wentzel, Piet Viljoen and Quinton George were appointed as members of the Committee, effective 8 May 2017.

Mr George resigned from the Board of Directors and from the Committee, effective 1 March 2018.

Mr Albertus Marais was appointed as a member of the Committee, effective 27 March 2018.

The appointments were made by way of resolutions signed by all Directors and are subject to ratification by the shareholders at the 2018 Annual General Meeting on 17 August 2018.

Biographical details of the Committee members appear on pages 10 and 11. Fees paid to the Committee members for the period are disclosed in the Remuneration Implementation Report on page 61.

ROLE AND FUNCTION OF THE COMMITTEE

The Committee has an independent role with accountability to both the Board and to shareholders. The Committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King IV, as well as additional responsibilities assigned by the Board.

The Committee is required to meet at least four times annually, with two meetings coinciding with the key dates of the financial reporting and audit cycle. Minutes of the meetings of the Committee are circulated to all Directors and supplemented by an update from the Committee Chairman at each Board meeting. The Chairman of the Committee is required to attend all statutory shareholder meetings to respond to questions on the Committee's activities.

The Committee performed the following activities relating to the audit function during the year under review, with certain of these duties being required in terms of the Companies Act:

- recommended to the Board and shareholders the appointment of the external auditors; approved their terms of engagement and remuneration; and monitored their independence, objectivity and effectiveness;
- determined the nature and extent of any non-audit services which the external auditor may provide to the Group and pre-approved any proposed contracts with the external auditors;
- reviewed the Group's internal financial control and financial risk management systems;
- monitored and reviewed the effectiveness of the Group's internal audit functions; and
- reviewed and recommended to the Board for approval the Integrated Annual Report and financial statements.

AUDIT AND RISK COMMITTEE REPORT CONTINUED

The Committee is satisfied that it has fulfilled all its statutory duties and duties assigned to it by the shareholders during the financial year under review, as further detailed below.

EXTERNAL AUDIT

The Committee has assessed the independence, expertise and objectivity of the independent external auditors, PricewaterhouseCoopers Inc., approved their proposed fee, and determined their terms of engagement. The Committee also assessed the suitability of the external auditors and the designated individual partner, in terms of the JSE Listings Requirements, prior to recommending their re-appointment.

The Committee has received confirmation from the external auditor that the partners and staff responsible for the audit comply with all legal and professional requirements with regard to rotation and independence, including the stipulation that they should not own shares in Trans Hex.

Their re-appointment is presented to the shareholders of the Company at the Annual General Meeting for approval.

The Committee is satisfied that the Company's external auditors are independent of the Group and are not included on the JSE list of disqualified auditors, thereby they are able to conduct their audit functions without any influence from the Group.

A formal policy governs the provision of non-audit services by the Group's external auditors to ensure their ongoing independence. In terms of the policy, the Committee is responsible for determining the nature and extent of any such services and pre-approving any proposed contract with the external auditors for the provision thereof.

INTERNAL AUDIT

Internal audit forms an integral part of the Group's risk management to provide assurance on the effectiveness of the Group's risk management process and systems of internal control. The Committee is satisfied with the independence, quality and scope of the internal audit process.

INTERNAL FINANCIAL AND ACCOUNTING CONTROL

The Committee is responsible for assessing the Group's systems of internal financial and accounting control.

In this regard the Committee has, *inter alia*, considered the reports from the internal and external auditors and satisfied itself as to the adequacy and effectiveness of the Group's systems of internal control. The Committee is satisfied that appropriate financial reporting procedures have been established and are operating.

No material matter has come to the attention of the Board that has caused the Directors to believe that the Company's systems of internal controls and risk management are not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The Committee also performed a review of the Group's Financial Director and its finance function. Based on the review, the Committee has satisfied itself as to the appropriateness of the expertise, resources and experience of the Group's Financial Director and its finance function.

RISK MANAGEMENT

The Committee is integral in the implementation of the Group's Risk Management Policy. It monitors the Group's risk management processes and systems of internal control through the review of the activities of each major operation, the Group's internal and external auditors, and the Group's risk management function. Further details on the Group's risk management function are contained in the Corporate Governance Report on page 54.

The Committee is satisfied that the systems and the process of risk management are effective.

COMPLIANCE

The Committee is responsible for reviewing any major breach of relevant legal, regulatory and other responsibilities. The Committee is satisfied that there has been no material non-compliance with laws and regulations.

PUBLIC REPORTING

The Committee is responsible for considering and making recommendations to the Board relating to the Group's Integrated Annual Report, the financial statements and any other reports (with reference to the financial affairs of the Group) for external distribution or publication, including those required by any regulatory or statutory authority.

The Committee is satisfied that it has complied with all its legal, regulatory and other responsibilities during the year under review and that its report to shareholders has been approved by the Board.

AG Rhoda
Chairman: Audit and Risk Committee

20 June 2018

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Trans Hex Group Ltd

pwc

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects the consolidated and separate financial position of Trans Hex Group Limited (the "**Company**") and its subsidiaries (the "**Group**") as at 31 March 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRS**") and the requirements of the Companies Act of South Africa.

What we have audited

Trans Hex Group Limited's consolidated and separate financial statements, set out on pages 81 to 140, comprise:

- the consolidated and separate statements of financial position as at 31 March 2018;
- the consolidated and separate income statements for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our Report.

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

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors* ("**IRBA Code**") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach

Overview

Overall Group materiality

- R5 390 000, which represents 5% of loss before tax, adjusted for retrenchment costs, gain on bargain purchase and loss on remeasurement arising on acquisition of subsidiary

Group audit scope

- An audit was performed on all operating subsidiaries and the associate of the Group
- Specified audit procedures were performed over the material joint ventures to obtain sufficient appropriate audit evidence to express an opinion on the Group financial statements as a whole

Key audit matters

- Impairment considerations of the mining operations of West Coast Resources (Pty) Ltd

INDEPENDENT AUDITOR'S REPORT CONTINUED

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our Group audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	R5 390 000
How we determined it	5% of loss before tax, adjusted for retrenchment costs, gain on bargain purchase and loss on remeasurement arising on acquisition of subsidiary
Rationale for the materiality benchmark applied	We chose loss before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users. We excluded retrenchment costs, gain on bargain purchase and loss on remeasurement with acquisition of subsidiary from the loss before taxation for purposes of determining materiality as these items are considered to be one-off. We chose 5% which is consistent with quantitative materiality thresholds used for profit-orientated companies in this sector.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of three operating subsidiaries, comprising the Group's operating businesses and centralised functions, along with various other dormant or semi-operating entities. The Group financial statements also include equity accounted earnings from associates and joint ventures. During the current year, an additional share in West Coast Resources (Pty) Ltd was purchased and as at year-end this entity, which was previously an associate of the Group, is included as one of the operating subsidiaries. An audit was performed on all the operating subsidiaries of the group and the one remaining associate.

The joint ventures have been discontinued and the only movement during the year relates to the prescription of unclaimed debts, as such specified procedures were performed on this derecognition of the liabilities.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or component auditors from other PwC network firms or other audit firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Consolidated financial statements:

Key audit matter	How our audit addressed the key audit matter
Impairment considerations of the mining operations of West Coast Resources (Pty) Ltd West Coast Resources (Pty) Ltd, a subsidiary of the Group, operates diamond-mining operations approximately 60 km south of Port Nolloth along the west coast of the Northern Cape in South Africa. The mining operations of this subsidiary ("**West Coast Resources Mining Operations**") are considered to be a separate cash-generating unit. During the prior year, the estimated Mineral Resources and Mineral Reserves of the West Coast Resources Mining Operations were adjusted downwards. This, as well as the operating losses incurred by the West Coast Resources Mining Operations, were considered to be impairment indicators triggering an impairment assessment. During the current year, the West Coast Resources Mining Operations continued to incur losses and this triggered a further impairment assessment during the current year. Management determined the recoverable amount using the fair value less costs of disposal premise of value. The determination of the fair value less costs of disposal is disclosed as a critical accounting estimate and assumption in applying the Group's accounting policies on page 93, along with the key estimates and assumptions applied in the assessment. We focused our audit effort on the following key assumptions and judgments: • The Mineral Resources and Mineral Reserves, budgets and future production levels used in the cash flow forecasts • Discount rates applied to projected future cash flows Management's assessment concluded that no additional impairment loss in respect of the West Coast Resources Mining Operations is required during the current year. We considered the impairment assessment as a matter of most significance in our current year audit as the key judgements and estimates are subject to a high degree of estimation uncertainty.	Our audit procedures included the following: • We evaluated the model used by management for compliance with IAS 36, "Impairment of assets". Utilising our valuation expertise, we assessed the appropriateness of using the fair value less costs of disposal premise of value for the impairment assessment and found this to be consistent with industry practice; • The Mineral Resources and Mineral Reserves estimates are determined by a competent person employed by the Group. We evaluated the competence, capabilities and objectivity of the competent person. We obtained an understanding of the work performed by the competent person and evaluated the appropriateness of conclusions reached; • The approved budget schedule (upon which forecasts are based) was compared to historical results as well as detailed mine plans and operating plans to assess whether, with hindsight, the budgets have been robustly prepared. Budgets were found to be consistent with mine and operating plans and historically have been found to be robustly prepared; • Future production levels were compared to data provided by the competent person, historical performance and the calculation of reserves and resources; and • Using our valuation experts, a reasonability test was performed over the fair value less costs of disposal calculated by management. This involved using the cash flow forecasts prepared by management and an independently calculated discount rate. Based on the results of the procedures performed the fair value less costs of disposal calculated by management was found to be within a reasonable range to support management's assessment that neither an impairment, nor a reversal of previous impairments, were required in the current year.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Separate financial statements

We have determined that there are no key audit matters in respect of the separate financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual financial statements 2018, which include the Report of the Board of Directors, the Audit and Risk Committee's Report and the Certificate by the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of our Audit Report and the other sections of the Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our Auditor's Report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this Auditor's Report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated and separate financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the Companies Act of South Africa, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

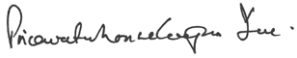
We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Trans Hex Group Limited for 53 years.



PricewaterhouseCoopers Inc.
Director: H Zeelie
Registered Auditor

Stellenbosch
20 June 2018

REPORT OF THE BOARD OF DIRECTORS

This Report is presented by the Company's Board of Directors in respect of the financial year ended 31 March 2018.

NATURE OF ACTIVITIES

Trans Hex is an integrated, international company engaged directly and through associated companies and joint-venture agreements with others in the exploration for, mining and marketing of high-quality diamonds from land and marine deposits.

OPERATING RESULTS

Year ended 31 March:	2018	2017
Profit/(loss) for the year attributable to owners of the parent (R'000)		
– Continuing operations	**24 777**	(66 044)
– Discontinued operations	**(213 033)**	(117 442)
Headline loss (R'000)		
– Continuing operations	**(9 361)**	(23 499)
– Discontinued operations	**(222 781)**	(97 702)
Basic and diluted profit/(loss) per share (cents)		
– Continuing operations	**23,1**	(62,5)
– Discontinued operations	**(198,7)**	(111,1)
Basic and diluted headline loss per share (cents)		
– Continuing operations	**(8,7)**	(22,2)
– Discontinued operations	**(207,8)**	(92,4)

SPECIAL RESOLUTIONS PASSED

Since the previous Report of the Board of Directors, special resolutions number one, two and three were passed at the Annual General Meeting of the Company held on 4 August 2017.

Special resolution number one approved the basis for calculating the remuneration payable by the Company to its Non-executive Directors for their services as Directors of the Company for the period ending 31 March 2018.

Special resolution number two granted the Directors a general authority, up to and including the date of the following Annual General Meeting, to approve the Company's purchase of shares in itself.

Special resolution number three provided for the granting of authority to Directors to enable the Company to provide financial assistance to any company or corporation which is related or inter-related to the Company in accordance with the Companies Act, No. 71 of 2008.

CORPORATE ACTIVITIES

Acquisition of additional shares in West Coast Resources (Pty) Ltd

During the reporting period, Trans Hex acquired an additional 27,2% shareholding in West Coast Resources (Pty) Ltd from RAC Investment Holdings (Pty) Ltd for a total purchase consideration of approximately R18,4 million, settled through approximately 9,4 million new Trans Hex shares to RAC Investment Holdings (Pty) Ltd. The acquisition was approved by shareholders on 30 November 2017 and all conditions precedent to the transaction were fulfilled, with an implementation date of 1 February 2018.

Specific issue of Trans Hex shares

The potential future specific issue of, in aggregate, a maximum of 18,7 million new Trans Hex shares, for cash, to Cream Magenta (Pty) Ltd and Metcap (Pty) Ltd, at an issue price of R4,14 per Trans Hex share was approved by shareholders on 30 November 2017, but no shares have been issued in this regard to date.

For full details of the above transaction and specific issue, shareholders are referred to the Circular dated 2 November 2017, which is available on Trans Hex's website at www.transhex.co.za.

GROUP FINANCIAL REVIEW

Statement of financial position

Shareholders' interest at book value on 31 March 2018 amounted to R251,8 million or R2,18 per share (2017: R356,4 million or R3,37 per share).

Income statement

The consolidated loss after income tax for the year ended 31 March 2018 amounted to R186,8 million or 175,6 cents per share (2017: loss of R182,6 million or 173,5 cents per share).

Composition	2018 R'000	2017 R'000
Subsidiary companies		
– Losses	**(227 768)**	(192 574)
Associated companies		
– Share of net profit/(loss)	**38 662**	(18 959)
Joint ventures		
– Share of net profit	**2 314**	28 912
The Company		
– Excluding intergroup dividends and impairments	**5**	4
	(186 787)	(182 617)

The financial statements on pages 81 to 140 set out fully the financial position, results of operations and cash flows of the Group for the financial year ended 31 March 2018. Segment information is presented in Note 35.

DIVIDEND

The Board has resolved that it would not be prudent to recommence dividend payments until there is a degree of confidence that the Group has achieved a growing flow of new earnings.

SUBSIDIARIES AND INVESTMENTS

Details of subsidiaries, associated companies and other investments are set out in Note 40. Amounts owing in respect of subsidiary companies to the holding company are presented in Note 4.

DIRECTORS

Mr Marco Wentzel was appointed as Chairman of the Board, effective 1 April 2017.

Mr Athol Rhoda was appointed as an Independent Non-executive Director, effective 8 May 2017.

Mr James Gurney was appointed as an Alternate Director to Mr Wentzel, effective 12 June 2017.

The designation of Mr Quinton George changed from Non-executive Director to Independent Non-executive Director, effective 18 July 2017.

Mr Albertus Marais was appointed as an Alternative Director to Mr George, effective 21 August 2017.

Mr George resigned as an Independent Non-executive Director, effective 1 March 2018.

Mr Marais was appointed as a Non-executive Director, effective 1 March 2018.

The designation of Mr Marais changed from Non-executive Director to Independent Non-executive Director, effective 27 March 2018.

The appointments were made by way of resolutions signed by all the Directors and are subject to ratification by the shareholders at the 2018 Annual General Meeting on 17 August 2018.

The Directors' profiles appear on pages 10 and 11.

DIRECTORS' INTEREST

As at 30 March 2018, the aggregate of the direct and beneficial interest of Directors was 55,18% (2017: 51,13%) of the issued share capital of the Company. Individual Directors' interest in the issued share capital of the Company is reflected in Note 23 of the financial statements.

Since the end of the financial year and until the date of this Report there were no changes in the interests of the Directors.

DIRECTORS' FEES

The Board reports that Non-executive Directors' fees for the services rendered during the past financial year amounted to a total of R1 924 343 (2017: R1 862 076).

COMPANY SECRETARY

Mr Greg van Heerden resigned as Company Secretary, effective 31 January 2018. Statucor (Pty) Ltd, an independent governance advisory firm, was appointed Company Secretary, effective 1 February 2018.

The registered address of the Company appears on the inside back cover of this Integrated Annual Report.

EVENTS AFTER REPORTING DATE

Post year-end, Trans Hex Operations (Pty) Ltd ("**THO**"), a wholly owned subsidiary of Trans Hex, entered into an agreement with Lower Orange River Diamonds (Pty) Ltd

REPORT OF THE BOARD OF DIRECTORS CONTINUED

("**LOR Diamonds**"), in terms of which THO has agreed to, *inter alia*, dispose of the business conducted by THO, as a going concern, relating to and in connection with the exploration, prospecting, mining for, recovery, treatment, production and disposal of diamonds in respect of the Lower Orange River ("**LOR**") Operations, consisting of certain assets, liabilities and the transfer of employees; and cede and transfer the mining right associated with the LOR operations, to LOR Diamonds, for a total cash consideration of R72 million.

Details of the above transaction were released on SENS on 18 April 2018 and are available on Trans Hex's website at www.transhex.co.za. The transaction is subject to, *inter alia,* shareholder approval and a circular containing the full details thereof is expected to be distributed to shareholders by 3 August 2018.

EXTERNAL AUDITORS

The Board conducts an annual evaluation of the performance of the Company's external auditors who are nominated by the Audit and Risk Committee and whose appointment is approved by shareholders at the Annual General Meeting.

INTEGRATED ANNUAL REPORT

Information on the Group's activities and performance is contained in the Integrated Annual Report. The Board acknowledges its responsibility to ensure the integrity of the Report and, accordingly, applies its mind annually to this end. In the opinion of the Board, the Report addresses all material issues and presents fairly the integrated performance, sustainability and impacts of the Company.

CORPORATE GOVERNANCE

The Board reaffirms its commitment to sound governance. It ensures that the Group's business is conducted to the highest standards of corporate governance, including risk management and control, and in accordance with locally and internationally accepted corporate governance guidelines. Details are provided on pages 52 to 67.

LEGAL PROCEEDINGS

The Board is satisfied that there are no current legal proceedings or material conditions which may impact the Company's ability to continue mining or exploration activities.

ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated and separate financial statements are set out on pages 81 to 95.

MVZ Wentzel
Chairman

L Delport
Chief Executive Officer

Parow
20 June 2018

ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared on the historical-cost basis, except for the revaluation of available-for-sale investments and financial assets at fair value through profit or loss, and are consistent with those of the previous year unless otherwise stated. The financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("**IFRS**"); the IFRS Interpretations Committee interpretations; the SAICA Financial Reporting Guidelines, as issued by the Accounting Practices Committee; Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council; and the requirements of the Companies Act of South Africa. The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below:

Standards, interpretations, and amendments effective for the first time in 2018

The following standards, interpretations and amendments are mandatory for the Company's accounting period ending 31 March 2018. None of these standards had a material impact on the Company, unless otherwise stated.

(i) *Amendments to IAS 7, "Cash flow statements" (Annual periods beginning on or after 1 January 2017)*
The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. Refer to Note 28 where this was included during the current year.

(ii) *Amendment to IAS 12, "Income taxes" (Annual periods beginning on or after 1 January 2017)*
The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.

(iii) *Annual improvements 2014 – 2016 (Annual periods beginning on or after 1 January 2017)*
These amendments impact three standards, one being effective from 1 January 2017.

- IFRS 12, "Disclosure of interests in other entities" regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held-for-sale except for summarised financial information (paragraph B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. The disclosure requirements were considered and found to be appropriately applied in the Group financial statements.

Standards, interpretations and amendments not yet effective and not already adopted by the Company in 2018

The following standards, interpretations and amendments are mandatory for the Company's accounting period beginning on or after 1 April 2018. None of these standards are expected to have a material impact on the Company.

(i) *IFRS 9, "Financial instruments (2009 & 2010)" (Annual periods beginning on or after 1 January 2018)*
IFRS 9 addresses the classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. IFRS 9 includes guidance on financial liabilities and the derecognition of financial instruments. Although IFRS 9 changes the classification of certain financial instruments, the measurement basis of the Group's financial assets and liabilities is expected to be unchanged under the new principles. Trade and other receivables are all held to collect solely payments of principal and interest on the principal amount ("**SPPI**") and will continue to be measured at amortised cost in future along with other financial assets and loans. Similarly, borrowings and trade and other payables will continue to be measured at amortised cost. Investments held by the rehabilitation trust are expected to be measured at amortised cost. However, this is not expected to have a material impact. The Group does not expect the new expected credit loss impairment model to have a significant effect on the provision for impairment for receivables as it does not hold material receivables measured in terms of IFRS 9.

ACCOUNTING POLICIES CONTINUED

(ii) *Amendment to IFRS 15, "Revenue from contracts with customers" (Annual periods beginning on or after 1 January 2018)*

IFRS 15 is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of the goods or service transfers to a customer. Revenue needs to be recognised at a point in time or over time depending on the performance obligations linked to separate elements of the contract with the customer. The Group has one revenue stream being the sale of diamonds. It is expected that the timing and measurement of the Group's revenue will not change as a result of the implementation of IFRS 15. Risk and rewards of ownership only pass to the purchaser when cash is received in the bank and revenue is recognised at that point in time when the diamonds are handed over to the purchaser. No further performance obligations are noted.

(iii) *IFRS 16, "Leases" (Annual periods beginning on or after 1 January 2019)*

The new standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change is that most operating leases will be accounted for on the statement of financial position of lessees. Management is currently investigating the impact of this new standard, but no material impact on the consolidated annual financial statements of the Group is expected.

(iv) *Amendments to IFRS 2, "Share-based payments" (Annual periods beginning on or after 1 January 2018)*

This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

(v) *Amendments to IFRS 10, "Consolidated financial statements" and IAS 28, "Investments in associates and joint ventures", on sale or contribution of assets (Effective date postponed – initially 1 January 2016)*

The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10, "Consolidated financial statements", and IAS 28, "Investments in associates and joint ventures". Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.

(vi) *Amendments to IAS 28, "Investments in associates and joint ventures" (Annual periods beginning on or after 1 January 2018)*

These amendments clarify that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.

(vii) *Annual improvements 2014 – 2016 (Annual periods beginning on or after 1 January 2018)*

These amendments impact two standards at the end of 2018:

- IFRS 1, "First-time adoption of IFRS", regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
- IAS 28, "Investments in associates and joint ventures", regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss ("**FVTPL**"). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition. Effective 1 January 2018.

(viii) Annual improvements 2015 – 2017 (Annual periods beginning on or after 1 January 2019)

These amendments include minor changes to:

- IFRS 3, "Business combination" – A company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, "Joint arrangements" – A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, "Income taxes" – The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23, "Borrowing costs" – A company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

(ix) IFRIC 22, "Foreign currency transactions and advance consideration" (Annual periods beginning on or after 1 January 2018)

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

(x) IFRIC 23, "Uncertainty over income tax treatments" (Annual periods beginning on or after 1 January 2019)

IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. The interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material.

BASIS OF CONSOLIDATION

The consolidated annual financial statements include the results of Trans Hex Group Ltd and all its subsidiaries, associated companies and joint arrangements.

SUBSIDIARIES

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

All intergroup transactions, balances and unrealised gains on transactions between Group companies are eliminated as part of the consolidation process. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the net assets for consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for the non-controlling interest.

Transactions which result in changes in ownership levels, where the Group has control of the subsidiary both before and after the transaction, are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling interest is retained, the remaining investment is measured at fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

ACCOUNTING POLICIES CONTINUED

In the separate financial statements of the companies which form part of the Group, the investments in subsidiary companies are stated at cost less accumulated impairments. Loans made by the parent company to its subsidiaries with no set terms and the intention to provide the subsidiary with a long-term source of capital, is considered to form part of the parent's investment in the subsidiary. These loans are carried at cost in the separate financial statements of the parent company.

ASSOCIATED COMPANIES

Companies in which the Group holds a long-term interest, and over whose financial and operating policies a significant influence can be exercised, are accounted for as associated companies according to the equity method of accounting and are initially recognised at cost. Associated companies are entities over which the Group generally has between 20% and 50% of the voting rights, but which it does not control. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Financial loans with no written terms or interest charge are recognised and accounted for as part of the investment in associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of associates" in the income statement.

Dilution gains and losses in associates are recognised in the income statement.

JOINT ARRANGEMENTS

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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

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

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of

the primary economic environment in which the entity operates ("**the functional currency**"). The consolidated financial statements are presented in South African Rand, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in other comprehensive income.

GROUP COMPANIES

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date.

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

(iii) All resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss of sale. When repayments of loans classified as part of the net investment in foreign operations are received, this is treated as a partial disposal under paragraph 49 of IAS 21.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash-in-hand, deposits held at call with banks, other short-term highly liquid investments with maturity of three months or less at the date of purchase and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

INVENTORIES

Inventories, which include rough and polished diamonds, are stated at the lower of cost of production on the weighted average basis or estimated net realisable value. Cost price includes direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less marketing costs. Consumable stores are stated at the lower of cost on the weighted average basis or estimated net realisable value.

ACCOUNTING POLICIES CONTINUED

FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market input and relying as little as possible on entity-specific input.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, and cash and cash equivalents in the statement of financial position (Notes 8 and 9). Loans and receivables are carried at amortised cost using the effective-interest method.

Loans and trade receivables are initially measured at fair value and subsequently measured at amortised cost using the effective-interest method, less provision for impairment. A provision for impairment of loans and trade receivables is established when there is objective evidence that the Group will not be able to collect or realise all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The amount of the provision is recognised in the income statement during the year in which it is identified.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit ratings), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount

of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities, calculated using the effective-interest method, is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payment is established.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivatives are designated as hedging instruments and, if so, the nature of the item being hedged. The Group does not apply hedge accounting.

Changes in the fair value of derivative instruments are recognised immediately in the income statement.

OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of the business and in the event of default, insolvency or bankruptcy of the Group or counterparty.

SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When any company in the Group purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable additional costs (net of income taxes), is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable additional transaction costs and the related income tax effects, is included in equity attributable to the Group's shareholders.

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective-interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation of which a reliable estimate can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance expense.

TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective-interest method.

ACCOUNTING POLICIES CONTINUED

Trade payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

EXPLORATION COSTS

Exploration costs are expensed until the point is reached at which there is a high degree of confidence in the project's viability and it is considered probable that future economic benefits will flow to the Group. Revenue earned from the discovery of diamonds during the exploration phase is included in sales revenue in the income statement. The estimated cost of production of diamonds sold, not exceeding related revenue, are credited against exploration expenditure and included in cost of sales.

MINE DEVELOPMENT COSTS

Mine development costs, relating to major programmes at existing mines, are capitalised. Development costs consist primarily of expenditure to expand the capacity of operating mines. Day-to-day mine development costs to maintain production are expensed as incurred. Following completion of a favourable feasibility study, initial development and preproduction costs relating to a new ore body, including interest on borrowed funds used to develop the ore body, are capitalised until the ore body is brought into commercial levels of production. At this time the costs are amortised as set out in the depreciation and amortisation policy.

Revenues from discovery of diamonds during the mine development phase are included in sales revenue in the income statement. The estimated costs of production of diamonds sold, not exceeding related revenue, are credited against mine development costs and included in cost of sales.

DEFERRED STRIPPING COSTS

Where stripping costs have been incurred in excess of the expected pit life average stripping ratio, these costs are deferred and charged to production when the exposed reserves are mined. Deferred stripping costs are included in mine development costs.

PROPERTY, PLANT AND EQUIPMENT

All property, mining plant and equipment are recorded at historical cost less accumulated depreciation and impairment. Historical costs include expenditure that is directly attributable to the acquisition of the items and the estimated close-down and restoration costs associated with the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced cost is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation and amortisation of alluvial mining properties, mine development costs and mine plant facilities are computed over the life of the mine principally by the units-of-production method. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Earthmoving equipment is depreciated based on hours worked (10 000 – 45 000 hours) to allocate their costs to their residual values over their estimated useful hours.

Depreciation and amortisation of marine mining properties, mine development costs and mine plant facilities are computed over the estimated useful life of 20 years.

Other property, plant and equipment are depreciated principally on a straight-line basis to allocate their costs to their residual values over their estimated useful lives of 1 – 20 years. The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets of the Group, including development costs and deferred stripping costs, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds the recoverable amount. An impairment loss is recognised

for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Fair value is assessed by: estimating future net cash flows from each mine using estimates of production; future sales prices (considering historical and current prices, price trends and related factors); production and rehabilitation costs plus capital; or with reference to recent transactions for similar assets.

Management's estimates of future cash flows are subject to risks and uncertainties. Therefore, it is possible that changes could occur which may affect recoverability of the Group's investments in mineral properties and other assets.

Undeveloped properties and mineral rights, upon which the Group has not performed sufficient exploration work to determine whether significant mineralisation exists, are carried at original acquisition cost. If it is subsequently determined that significant mineralisation does not exist, the property will be written down to estimated net recoverable value at the time of such determination.

REHABILITATION COSTS

Rehabilitation costs and related accrued liabilities, based on the Group's assessment of current environmental and regulatory requirements, are accrued to reflect the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. The costs so provided are capitalised as part of mining assets and depreciated accordingly. Annual increases in the provision are split between finance costs relating to the change in the net present value of the provision, inflationary increases in the provision estimate and restoration cost relating to additional environmental disturbances that have occurred. Remediation liabilities, other than rehabilitation costs, which relate to liabilities arising from specific events, are expensed when they are identified, probable and may be reasonably estimated.

The Group's estimated future rehabilitation liability is funded by way of payments to the Trans Hex Rehabilitation Trust Fund. Assets of the Rehabilitation Trust Fund are included in investments. This fund was established with the approval of the South African Revenue Service. Interest earned on monies paid to the Rehabilitation Trust Fund is accrued on an annual basis. It is reasonably possible that the Group's estimate of its ultimate rehabilitation liabilities could change as a result of changes in regulations or cost estimates.

EMPLOYEE BENEFITS

Provident funds

The Group has provident funds, consisting of two defined-contribution plans. A defined-contribution plan is a plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The provident funds are funded through monthly contributions and administered independently of the finances of the Group by financial institutions.

The Group's contributions are charged against income in the year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Both funds are governed by the South African Pension Funds Act, No. 24 of 1956, as amended.

Post-employment medical benefits

The present value of the liability of the Group in respect of future contributions is determined every second year by independent actuaries. The actuarial valuation method used is the projected unit credit method prescribed by the relevant accounting standard. Future benefits are projected using specified actuarial assumptions and the liability for in-service members is accrued over expected working lifetime.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to equity in other comprehensive income in the year in which they arise.

Only a limited number of current and past employees qualify for this benefit. This scheme is closed for any new participants.

ACCOUNTING POLICIES CONTINUED

Leave accrual

Employee entitlements to annual leave are recognised on an ongoing basis. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

OTHER LONG-TERM EMPLOYEE BENEFITS

The Group provides for long-service awards that accrue to employees. Independent actuaries calculate the liability recognised in the statement of financial position in respect of long-service awards every second year, using the same accounting methodology as used for defined-benefits plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised immediately in the income statement.

SHARE-BASED COMPENSATION

Cash-settled share-based payments

Share appreciation units were granted to executive management from the 2007 financial year by a subsidiary of the Group. Units are granted linked to the share price, with appreciation for all units issued up to 31 March 2014 payable beginning one year from the date of grant with a vesting period of five years. One fifth vests at the end of each year. For units issued during and after the 2015 financial year, appreciation is payable beginning three years from the date of grant with a vesting period of three years. One sixth vests at the end of year three, two sixths at the end of year four and three sixths at the end of year five. The settlement is in cash.

The Group adopts the requirements of IFRS 2, "Share-based payments". The fair value of the employee services received in exchange for the share appreciation units is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the units granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

The share appreciation units are valued at each reporting date with any change in fair value recognised in the income statement over the vesting period of the rights. The fair value of the share appreciation units is determined through the use of option pricing models, which take into account market prices and the terms and conditions on which the share appreciation units were granted.

REVENUE RECOGNITION

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of diamonds in the ordinary course of the Group's activities. Revenue is shown net of value-added taxation and after eliminating sales within the Group. Revenue is recognised as follows:

- Sale of goods – product sales are recognised when risk and reward passes at the shipment or delivery point.

OTHER INCOME RECOGNITION

- Interest income – as it accrues, taking into account the effective yield of the asset, unless collectability is in doubt.
- Dividend income – when the shareholder's right to receive payment is established, recognised on the last date of registration.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the leases' commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

MINING PROFIT/(LOSS)

Mining profit/(loss) represents the gross profits/(losses) earned from operational mines as well as the Group's share of after-tax profits/(losses) of associates after the deduction of royalties and selling and administration costs.

DEFERRED INCOME TAX

The Group follows the liability method of accounting for deferred income tax, whereby deferred income tax is recognised for the tax consequences of temporary differences. This translates into applying the currently enacted tax rates to differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities. Changes in deferred tax assets and liabilities include the impact of any tax rate change enacted during the year.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets relating to unredeemed capital expenditure and calculated tax losses are raised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

CURRENT INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset until such time as the asset is ready for its intended use.

The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and

ACCOUNTING POLICIES CONTINUED

- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

EARNINGS PER SHARE

Basic earnings per share are computed by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are as follows:

(a) Critical accounting estimates and assumptions

(i) Impairment of assets

The recoverable amount of each long-lived asset is determined as the higher of the asset's fair value less costs to sell and its value in use in accordance with the relevant accounting standard. When events or changes in circumstances impact on a particular asset, its carrying value is assessed by reference to its recoverable amount being the higher of fair value less costs to sell and value in use (being the net present value of expected future cash flows of the relevant long-lived asset). The best evidence of an asset's fair value is its value obtained from an active market or binding sale agreement. Where neither exists, fair value less costs to sell is based on the best information available to reflect the amount the Group could receive for the asset in an arm's length transaction.

(ii) Impairment assessment of investment in Somiluana

For the purposes of determining whether impairment has occurred, and the extent of any impairment, the carrying amount of the investment is compared to the present value of the estimated future cash flows. The estimated future cash flows are based on the Group's share of after-tax free cash flows available to Somiluana.

The key assumptions management uses in estimating the after-tax free cash flows are future diamond prices, expected production volumes, cash costs of production, capital expenditure, close-down, restoration and environmental clean-up appropriate to the local circumstances and environment. These assumptions and the judgements of management that are based on them are subject to change as new information becomes available.

Future price assumptions tend to be stable because management does not consider short-term increases or decreases in prices as being indicative of long-term levels, but they are nonetheless subject to change. Expected production volumes, which comprise proved reserves and unproved resources, are used for impairment testing because management believes this to be the most appropriate indicator of expected future cash flows. As discussed in "Ore reserve estimates", reserves estimates are inherently imprecise. Furthermore, projections about unproved volumes are based on information that is necessarily less robust than that available for mature reservoirs. Changes in assumptions could affect the carrying amounts of assets, and impairment charges and reversals will affect income.

(iii) Impairment assessment of South African CGUs

During the prior year, the mining operations of West Coast Resources (Pty) Ltd experienced challenging and volatile market conditions and the Mineral Resources and Mineral Reserves were adjusted downwards, which are considered impairment indicators. During the current year, the operations continued to incur losses. An impairment assessment was thus performed using a fair-value-less-costs-to-sell premise of value. The fair value is classified as a Level 3 fair value.

The estimates used for impairment reviews are based on detailed mine plans and operating plans.

Future cash flows are based on estimates of:

- the quantities of the Mineral Resources and Mineral Reserves for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production, capital expenditure, close-down, restoration and environmental clean-up.

The cash flow forecasts are based on best estimates of expected future revenues and costs. These may include net cash flows expected to be realised from extraction, processing and sale of mineral resources that do not currently qualify for inclusion in proved or probable ore reserves. Such non-reserve material is included where there is a high degree of confidence in its economic extraction.

This expectation is usually based on preliminary drilling and sampling of areas of mineralisation that are contiguous with existing reserves. Typically, the additional evaluation to achieve reserve status for such material has not yet been done because this would involve incurring costs earlier than is required for the efficient planning and operation of the mine.

Based on this assessment, management concluded that a further impairment loss should not be recognised during the current year.

The key assumptions that have been taken into account in the impairment assessment are as follows:

- Discount rate
  14,8%
- Diamond price per carat
  US$148 – US$200
- Forecasted ZAR/US$ exchange rate
  R12,40/US$

(iv) Restoration obligations

Provision is made for the anticipated costs of future restoration and rehabilitation of mining areas from which natural resources have been extracted in accordance with the accounting policy. Provision is made for the anticipated costs of future restoration and rehabilitation of mining sites to the extent that a legal or constructive obligation exists in accordance with the accounting policy. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies and engineering cost estimates. A change in any of the assumptions used may have a material impact on the carrying value of rehabilitation provisions.

(v) Retirement benefit obligations

An asset or liability in respect of defined-benefit medical plans is recognised in the statement of financial position in accordance with the accounting policy. The present value of a defined-benefit obligation is dependent on a number of factors that are determined on an actuarial basis. Also refer to Note 14.

ACCOUNTING POLICIES CONTINUED

(vi) Ore reserve estimates

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact depreciation and amortisation rates, asset carrying values and deferred stripping calculations.

(vii) Share-based payments

The Group issued cash-settled share-based awards (share appreciation rights) to certain employees. Cash-settled share-based payments are measured at fair value at each reporting date. Fair value is measured using the actuarial binomial pricing model. Estimates in the model were made with regard to the expected life of the option, future share price volatility, expected dividend yield and expected staff turnover. Also refer to Note 11.

(viii) Income taxes and royalties

The Group is subject to income taxes and royalties in different jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes and royalties. There are transactions and calculations for which the ultimate tax and royalty determination is uncertain. The Group recognises liabilities for tax based on estimates of whether additional taxes or royalties will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities as well as provision for royalties in the period in which such determination is made.

(b) Critical judgements in applying the Group's accounting policies

(i) Interest in Angolan joint ventures

Classification

The Group's interest in its Angolan operations Luarica and Fucaúma are via interests of 35% and 32% respectively in two Associação em Participação, being unincorporated joint-venture structures in the Republic of Angola.

For purposes of IFRS 11, "Joint arrangements", the Group classifies its interests in the two Associação em Participação as joint ventures, based on management's judgements of the long-term strategic relationship with its joint-venture partners.

The Group's interest in its Angolan joint ventures is reflected in the Group statement of financial position as the Group's share of consolidated assets and liabilities of the joint ventures, as well as long-term receivables from the joint ventures.

The long-term receivables were assessed on the basis of management's estimates of future cash flows to be derived from the respective Angolan cash-generating units ("**CGUs**").

Calculations indicated that the Group will not be able to recover the receivable. Impairment losses have been recognised in the prior years.

For purposes of assessment of impairment at CGU level, Luarica and Fucaúma are regarded as separate CGUs. The carrying values of the CGUs, which include allocated goodwill, are assessed by reference to their recoverable amounts, being the higher of fair value less costs to sell and value in use.

In terms of IAS 36, "Impairment of assets", the best evidence of an asset's fair value less costs to sell is a price in a binding sale agreement in

arm's length transactions, or its market price less costs of disposal if the asset is traded in an active market. For Luarica and Fucaúma neither a binding sales agreement nor an active market is available.

As both Luarica and Fucaúma are currently under care and maintenance, no reversal of impairment is considered appropriate.

(ii) Revenue recognition and presentation: gross versus net

When deciding the most appropriate basis for presenting revenue, both the legal form and substance of the agreement between the Group and its business partners are reviewed to determine each party's respective role in the transaction.

Where the Group's role in a transaction is that of principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost. Where the Group's role in a transaction is that of an agent, revenue is recognised on a net basis with revenue representing the margin earned.

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2018

	Notes	Company 2018 R'000	Company 2017 R'000	Consolidated 2018 R'000	Consolidated 2017 R'000
ASSETS					
Non-current assets		**31 884**	75 328	**772 044**	316 064
Property, plant and equipment	1	**–**	–	**498 669**	51 439
Investments in associates	2	**–**	–	**75 458**	195 822
Investments held by environmental trust	3	**–**	–	**70 459**	65 803
Investment in subsidiaries	4	**31 884**	75 328	**–**	–
Other financial assets	5	**–**	–	**127 458**	3 000
Current assets		**249**	200	**172 287**	364 705
Inventories	7	**–**	–	**74 522**	59 276
Trade and other receivables	8	**170**	121	**18 398**	80 026
Current income tax		**2**	2	**3**	3
Cash and cash equivalents	9	**77**	77	**79 364**	225 400
Assets of a disposal group classified as held-for-sale	10	**–**	–	**36 308**	–
Total assets		**32 133**	75 528	**980 639**	680 769
EQUITY					
Capital and reserves		**31 386**	74 436	**182 145**	356 375
Stated capital	11	**226 494**	208 092	**224 678**	206 276
Other reserves	12	**–**	–	**(18 684)**	(14 308)
Retained (loss)/profit		**(195 108)**	(133 656)	**(23 849)**	164 407
Non-controlling interest		**–**	–	**69 654**	–
LIABILITIES		**747**	1 092	**629 237**	324 394
Non-current liabilities		**–**	–	**338 213**	119 464
Borrowings	13	**–**	–	**111 813**	–
Deferred income tax liabilities	6	**–**	–	**33 943**	–
Provisions	14	**–**	–	**192 457**	119 464
Current liabilities		**747**	1 092	**291 024**	204 930
Trade and other payables	15	**747**	1 092	**63 243**	123 391
Interest in joint ventures	16	**–**	–	**69 595**	81 539
Borrowings	13	**–**	–	**158 186**	–
Liabilities of a disposal group classified as held-for-sale	10	**–**	–	**99 603**	–
Total equity and liabilities		**32 133**	75 528	**980 639**	680 769

The notes on pages 101 to 140 form an integral part of these consolidated financial statements.

INCOME STATEMENTS

for the year ended 31 March 2018

	Notes	Company 2018 R'000	Company 2017 R'000	Consolidated 2018 R'000	Consolidated 2017 R'000
Continuing operations					
Revenue	17			**192 542**	91 068
Cost of goods sold				**(172 205)**	(100 285)
Gross profit/(loss)				**20 337**	(9 217)
Share of results and impairment of associated companies	18			**38 662**	(18 959)
Royalties				**(1 005)**	(389)
Selling and administration costs				**(61 192)**	(88 802)
Mining loss				**(3 198)**	(117 367)
Exploration costs				**(6 574)**	(2 947)
Other income		**7**	6	**–**	–
Other gains – net	19			**45 724**	18 775
Finance income				**25 020**	29 222
Finance costs	20			**(32 981)**	(591)
Impairment of assets	21	**(61 457)**	(169 251)	**–**	–
Profit/(loss) before income tax	22	**(61 450)**	(169 245)	**27 991**	(72 908)
Income tax	24	**(2)**	(2)	**(1 745)**	7 733
Profit/(loss) for the year from continuing operations		**(61 452)**	(169 247)	**26 246**	(65 175)
Discontinued operations					
Loss for the year from discontinued operations	25			**(213 033)**	(117 442)
Loss for the year		**(61 452)**	(169 247)	**(186 787)**	(182 617)
Attributable to:					
Continuing operations		**(61 452)**	(169 247)	**26 246**	(65 175)
– Owners of the parent		**(61 452)**	(169 247)	**24 777**	(66 044)
– Non-controlling interest		**–**	–	**1 469**	869
Discontinued operations					
– Owners of the parent		**–**	–	**(213 033)**	(117 442)
		(61 452)	(169 247)	**(186 787)**	(182 617)

		Cents	Cents
Earnings/(loss) per share – basic and diluted	26		
– Continuing operations		**23,1**	(62,4)
– Discontinued operations		**(198,7)**	(111,1)

The notes on pages 101 to 140 form an integral part of these consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2018

	Company		Consolidated	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Loss for the year	**(61 452)**	(169 247)	**(186 787)**	(182 617)
Other comprehensive (loss)/income net of tax:	**–**	–	**(4 376)**	3 896
Items that will not be reclassified to profit or loss				
Remeasurements of post-employment benefit obligations	**–**	–	**320**	–
Before-tax amount	**–**	–	**320**	–
Tax expense	**–**	–	**–**	–
Items that may be subsequently reclassified to profit or loss				
Translation differences on foreign subsidiaries before and after tax	**–**	–	**232**	5 108
Recycling of foreign currency translation differences on repayment of long-term receivables from foreign operations	**–**	–	**(4 928)**	(1 212)
Total comprehensive loss for the year	**(61 452)**	(169 247)	**(191 163)**	(178 721)
Attributable to:				
Continuing operations	**(61 452)**	(169 247)	**21 870**	(61 279)
– Owners of the parent	**(61 452)**	(169 247)	**20 401**	(62 148)
– Non-controlling interest	**–**	–	**1 469**	869
Discontinued operations				
– Owners of the parent	**–**	–	**(213 033)**	(117 442)
	(61 452)	(169 247)	**(191 163)**	(178 721)

The notes on pages 101 to 140 form an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2018

	Stated capital (Note 11) R'000	Other reserves (Note 12) R'000	Accumu-lated profit/(loss) R'000	Non-controlling interest R'000	Total R'000
Consolidated					
Balance at 31 March 2016	206 276	(18 204)	347 893	(869)	535 096
(Loss)/profit for the year	–	–	(183 486)	869	(182 617)
Total other comprehensive loss for the year	–	3 896	–	–	3 896
Balance at 31 March 2017	**206 276**	**(14 308)**	**164 407**	**–**	**356 375**
Shares issued during the year	**18 402**	**–**	**–**	**–**	**18 402**
(Loss)/profit for the year	**–**	**–**	**(187 936)**	**1 469**	**(186 467)**
Acquisition of subsidiary	**–**	**–**	**–**	**68 185**	**68 185**
Total other comprehensive loss for the year	**–**	**(4 376)**	**(320)**	**–**	**(4 696)**
Balance at 31 March 2018	**224 678**	**(18 684)**	**(23 849)**	**69 654**	**251 799**
Company					
Balance at 31 March 2016	208 092	–	35 591	–	243 683
Loss for the year	–	–	(169 247)	–	(169 247)
Balance at 31 March 2017	**208 092**	**–**	**(133 656)**	**–**	**74 436**
Shares issued during the year	**18 402**	**–**	**–**	**–**	**18 402**
Loss for the year	**–**	**–**	**(61 452)**	**–**	**(61 452)**
Balance at 31 March 2018	**226 494**	**–**	**(195 108)**	**–**	**31 386**

The notes on pages 101 to 140 form an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2018

		Company		Consolidated	
	Notes	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Cash utilised in operations	27	**–**	–	**(264 464)**	(108 386)
Income tax (paid)/received	29	**–**	–	**(3)**	468
Net cash utilised in operating activities		**–**	–	**(264 467)**	(107 918)
Cash flows from investment activities		**–**	–	**36 385**	(17 306)
Proceeds from disposal of property, plant and equipment		**–**	–	**15 087**	–
Replacement of property, plant and equipment		**–**	–	**–**	(32 147)
Additions to property, plant and equipment	30	**–**	–	**(6 579)**	(6 196)
Proceeds from repayment of loan to associate	2	**–**	–	**20 160**	18 886
Loan to associate		**–**	–	**(8 903)**	(27 010)
Dividends received from associate		**–**	–	**10 716**	11 594
Interest received		**–**	–	**5 904**	17 567
Cash flows from financing activities		**–**	–	**83 992**	(3)
Proceeds from borrowings	28	**–**	–	**95 000**	–
Repayment of borrowings	28	**–**	–	**(6 848)**	–
Interest paid		**–**	–	**(4 160)**	(3)
Net decrease in cash and cash equivalents		**–**	–	**(144 090)**	(125 227)
Cash and cash equivalents at beginning of year		**77**	77	**225 400**	353 499
Effects of exchange rates on cash and cash equivalents		**–**	–	**(1 946)**	(2 872)
Cash and cash equivalents at end of year	9	**77**	77	**79 364**	225 400

The notes on pages 101 to 140 form an integral part of these consolidated financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2018

	Consolidated		
	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000
1. PROPERTY, PLANT AND EQUIPMENT			
2018			
Land and buildings	**53 228**	**8 673**	**44 555**
Mining rights	**395 986**	**90 525**	**305 461**
Mining plant and equipment	**201 074**	**52 421**	**148 653**
	650 288	**151 619**	**498 669**
2017			
Land and buildings	79 695	76 714	2 981
Mining rights	83 998	83 998	–
Mine development costs	139 937	139 937	–
Mining plant and equipment	1 513 958	1 465 500	48 458
	1 817 588	1 766 149	51 439

Reconciliation of carrying value at the beginning and end of the year

	Land and buildings R'000	Mining rights R'000	Mining plant and equipment R'000	Total R'000
2018				
Opening balance	**2 981**	**–**	**48 458**	**51 439**
Additions	**568**	**–**	**6 011**	**6 579**
Acquired as part of a business combination (refer to Note 31)	**41 117**	**313 455**	**153 022**	**507 594**
Classified as held-for-sale (refer to Note 10)	**–**	**–**	**(33 064)**	**(33 064)**
Transfers	**392**	**–**	**(392)**	**–**
Disposals	**–**	**–**	**(6 697)**	**(6 697)**
Depreciation charge	**(503)**	**(7 994)**	**(18 685)**	**(27 182)**
Closing balance	**44 555**	**305 461**	**148 653**	**498 669**
2017				
Opening balance	8 115	–	74 840	82 955
Additions	453	–	37 890	38 343
Impairment of assets (refer to Note 21)	–	–	(27 417)	(27 417)
Exchange rate differences	–	–	(2)	(2)
Depreciation charge	(5 587)	–	(36 853)	(42 440)
Closing balance	2 981	–	48 458	51 439

The registers containing details of land and buildings are available for inspection by shareholders or their authorised representatives at the registered offices of the companies owning the relevant properties.

Depreciation expense of R26 362 039 (2017: R41 286 219) has been included in cost of goods sold. Assets in the course of construction amounted to R3 385 073 (2017: R1 645 505).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	Consolidated	
	2018 R'000	2017 R'000
2. INVESTMENTS IN ASSOCIATES		
Somiluana – Sociedade Mineira, S.A.	**75 458**	68 660
– Loan to Somiluana	**7 945**	29 840
– Investment in Somiluana	**67 513**	38 820
West Coast Resources (Pty) Ltd	**–**	127 162
– Loan to West Coast Resources (Pty) Ltd	**–**	28 677
– Investment in West Coast Resources (Pty) Ltd	**–**	98 485
	75 458	195 822

On 1 February 2018, the Group increased its interest in West Coast Resources (Pty) Ltd to 67,2%. At year-end, the results of West Coast Resources (Pty) Ltd have therefore been consolidated and no current year numbers for West Coast Resources (Pty) Ltd are disclosed under the Investments in Associates Note.

2.1 Somiluana – Sociedade Mineira, S.A.

2.1.1 Loan to associated company

Opening balance	**29 840**	52 912
Repayment of loan amount	**(20 160)**	(18 886)
Foreign exchange differences	**(1 735)**	(4 186)
Closing balance	**7 945**	29 840

The loan to Somiluana represents a portion of the exploration costs previously incurred by the Group which is recoverable from the mining company. In terms of the Somiluana mining contract, the Group has a contractual right to be reimbursed for the exploration costs incurred, and as at 31 March 2018, the loan receivable from Somiluana amounted to US$20,1 million.

During the 2011 financial year, an amount of US$10,5 million was recognised as a loan receivable by the Group. This represented the recoverable amount of the loan receivable from Somiluana when the entity was formed on 12 May 2010.

In terms of the shareholders' agreement, the loan is repaid in instalments of US$1,15 million. To date, US$9,8 million has been paid back, and as at 31 March 2018, the recognised portion of the loan receivable by the Group amounted to US$0,7 million, translated to R7,9 million. Refer to page 92 in respect of the critical accounting estimates and assumptions made in respect of this loan.

2. INVESTMENTS IN ASSOCIATES CONTINUED

2.1.2 Investment in associated company

Somiluana operates a diamond mine, located approximately 1 000 km northeast of Luanda in the diamond-rich province of Lunde Norte in Angola.

The 33% investment in Somiluana is accounted for as an investment in an associate under the equity method.

	Consolidated	
	2018 R'000	2017 R'000
SUMMARISED STATEMENT OF FINANCIAL POSITION		
Non-current assets	**231 977**	181 256
Current assets	**373 964**	417 913
Total assets	**605 941**	599 169
Non-current liabilities	**(5 815)**	(1 067)
Current liabilities	**(374 499)**	(446 603)
Total liabilities	**(380 314)**	(447 670)
Total net assets	**225 627**	151 499
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME		
Revenue	**861 628**	979 821
Profit before taxation	**184 738**	261 331
Income tax	**(40 790)**	(65 073)
Profit attributable to ordinary shareholders	**143 949**	196 258
Other comprehensive income/(loss)	**–**	–
Total comprehensive income	**143 949**	196 258
RECONCILIATION OF SUMMARISED FINANCIAL INFORMATION		
Opening net assets/(liabilities)	**117 636**	(39 460)
Total comprehensive income for the year	**143 949**	196 258
Dividends paid	**(32 472)**	(35 134)
Foreign exchange differences	**(24 528)**	(4 028)
Closing net assets	**204 585**	117 636
CARRYING VALUE		
Share in the net assets (33%)	**67 513**	38 820

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	Consolidated	
	2018 R'000	2017 R'000
2. INVESTMENTS IN ASSOCIATES CONTINUED		
2.2 West Coast Resources (Pty) Ltd		
2.2.1 Loan to associated company		
Opening balance	–	–
Amounts advanced	–	27 010
Capitalised interest	–	1 667
Closing balance	–	28 677

The loan to West Coast Resources (Pty) Ltd represents working capital funding advanced. The loan does not form part of the net investment in the associate as settlement of the loan is considered likely to occur in the foreseeable future. The loan carries interest at 2% per month.

2.2.2 Investment in associated company

West Coast Resources (Pty) Ltd operates a diamond mine situated approximately 60 km south of Port Nolloth along the West Coast of the Northern Cape of South Africa.

In the prior year, the 40% investment in West Coast Resources (Pty) Ltd was accounted for as an investment in an associate under the equity method. Effective 28 October 2014, West Coast Resources (Pty) Ltd acquired assets and liabilities relating to Namaqualand Mines.

SUMMARISED STATEMENT OF FINANCIAL POSITION		
Non-current assets	–	647 036
Current assets	–	40 422
Total assets	–	687 459
Non-current liabilities	–	(335 682)
Current liabilities	–	(122 878)
Capitalised interest	–	(2 875)
Total liabilities	–	(461 435)
Total net assets	–	226 024
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME		
Revenue	–	172 102
Loss before taxation	–	(247 378)
Income tax	–	69 240
Loss attributable to ordinary shareholders	–	(178 138)
Other comprehensive income/(expenses)	–	–
Total comprehensive loss	–	(178 138)

	Consolidated	
	2018 R'000	2017 R'000
2. INVESTMENTS IN ASSOCIATES CONTINUED		
2.2 West Coast Resources (Pty) Ltd continued		
2.2.2 Investment in associated company continued		
RECONCILIATION OF SUMMARISED FINANCIAL INFORMATION		
Opening net assets/(liabilities)	–	404 162
Total comprehensive loss for the year	–	(178 138)
Closing net assets	–	226 024
CARRYING VALUE		
Share in the net assets (40%)	–	90 410
Preferential loan	–	5 200
Capitalised interest	–	2 875
	–	98 485

The preferential loan was granted on initial acquisition of the associate and represents a long-term interest for which settlement is neither planned nor likely to occur in the foreseeable future. This loan is considered to form part of the net investment in the associate. The preferential loan carries interest at 25% per annum and is repayable before any dividend distributions or other shareholder loan repayments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	Consolidated	
	2018 R'000	2017 R'000
3. INVESTMENTS HELD BY ENVIRONMENTAL TRUST		
Movement in total investments held by environmental trust:		
Opening balance	**65 803**	61 186
Growth in environmental trust	**4 656**	4 617
Closing balance	**70 459**	65 803

Trans Hex Rehabilitation Trust Fund

The Rehabilitation Trust Fund in South Africa received cash contributions to accumulate funds for the Group's rehabilitation liability relating to the eventual closure of the Group's operations. Amounts are paid out from the trust fund following completion and once the South African Department of Mineral Resources approves the rehabilitation work. The contributions to the fund are placed with investment banks that are responsible for making investments in equity, money market instruments and call deposits. At year-end investments held by the trust consisted of call deposits. The trust fund is to be used according to the terms of the trust deed and the assets are not available for the general purpose of the Group. The Group is not exposed to any risks relating to the trust.

	Company	
	2018 R'000	2017 R'000
4. INVESTMENTS IN SUBSIDIARIES		
Unlisted subsidiary companies (refer to Note 40):		
Shares at book value	**22 683**	4 280
Advances and loans (after impairment)	**9 201**	71 048
Advances and loans	**293 379**	293 769
Less: Provision for impairment	**(284 178)**	(222 721)
	31 884	75 328
The movement for the Company's provision for impairment of financial assets is as follows:		
Opening balance	**222 721**	53 470
Impairment	**61 457**	169 251
Closing balance	**284 178**	222 721

The loans are unsecured, interest-free with no fixed payment terms.

	Consolidated	
	2018 R'000	2017 R'000
5. OTHER FINANCIAL ASSETS		
Money market deposits	**124 458**	–
The effective interest rate on these deposits is 7,6% and these deposits have an average maturity of one day. Investments at the end of the period include deposits of R124 457 717 which are not available for general use by the Group.		
The money market deposits were acquired in the business combination disclosed in Note 31.		
Preference shares	**3 000**	3 000
During the 2015 financial year, 300 preference shares were acquired carrying a dividend rate of prime plus 3,5%.		
	127 458	3 000
6. DEFERRED INCOME TAX		
Companies in the Group with net deferred income tax assets	**–**	–
Companies in the Group with net deferred income tax liabilities	**(33 943)**	–
Net deferred income tax liability	**(33 943)**	–
The net movement on the deferred income tax account is as follows:		
Opening balance	**–**	21 866
Acquired as part of a business combination (refer to Note 31)	**(32 201)**	–
Income statement charge	**(1 742)**	(21 866)
Tax charge to other comprehensive income	**–**	–
Closing balance	**(33 943)**	–
Comprised of:		
Temporary differences		
Capital allowances	**(87 862)**	(2 370)
Provisions	**78 702**	35 754
Assessed losses recognised	**111 541**	32 236
Exchange differences on foreign subsidiaries	**(5 584)**	(5 584)
	96 797	60 036
Tax losses for which a deferred tax asset was not raised	**(130 740)**	(60 036)
	(33 943)	–
7. INVENTORIES		
Diamonds	**61 622**	55 068
Consumables	**12 900**	4 208
	74 522	59 276

The carrying value of diamond inventories, carried at net realisable value, amounted to R4 081 444 (2017: R33 167 323).

Cost of inventories included in cost of goods sold amounted to R163 million (2017: R90 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	Company		Consolidated	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
8. TRADE AND OTHER RECEIVABLES				
Trade receivables	**–**	–	**3 238**	13 259
Receivables from joint-venture partners	**–**	–	**5 855**	5 855
Prepayments	**170**	121	**1 815**	30 257
State – VAT	**–**	–	**8 606**	26 631
Interest accrued	**–**	–	**1 243**	3 896
Staff loans	**–**	–	**1 179**	4 457
Other receivables	**–**	–	**2 297**	1 506
	170	121	**24 233**	85 861
Provision for impairment of other receivables	**–**	–	**(5 835)**	(5 835)
	170	121	**18 398**	80 026
The movement for the Group's provision for impairment of other receivables is as follows:				
Opening balance	**–**	–	**5 835**	8 152
Reversal of impairment	**–**	–	**–**	(2 317)
Closing balance	**–**	–	**5 835**	5 835
Trade and other receivables are denominated in the following currencies:				
South African Rands	**170**	121	**17 249**	79 499
Euros	**–**	–	**–**	509
US Dollars	**–**	–	**1 149**	18
	170	121	**18 398**	80 026

	Company		Consolidated	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
9. CASH AND CASH EQUIVALENTS				
Cash at the bank and in-hand	**77**	77	**16 477**	57 400
Short-term bank deposits	**–**	–	**62 887**	168 000
	77	77	**79 364**	225 400
The effective interest rates on short-term bank deposits varied between nil% and 6,25% (2017: nil% and 7,96%). These deposits have an average maturity of between one and 31 days.				
Cash and cash equivalents include the following for the purposes of the statement of cash flows:				
Cash and cash equivalents	**77**	77	**79 364**	225 400

Cash and cash equivalents at the end of the period include deposits with banks of R13,7 million (2017: R7,1 million) which are not available for immediate use by the Group. These amounts relate to known amounts of cash held in bank accounts within the Group. The amounts serve as cash cover or security for guarantees issued by the banks or other guarantors. The guarantees represent demand guarantees and thus these represent short-term commitments of the Group. This cash is thus held to meet these short-term commitments of the Group.

	Consolidated	
	2018 R'000	2017 R'000
10. A DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE		
The Board approved the sale of its Lower Orange River operations on 27 March 2018 for a total consideration of R72 million. Consequently the assets and liabilities relating to these operations have been presented as a disposal group held-for-sale. The results for the year ended is presented as discontinued operations as this represents a separate major line of business (refer to Note 25).		
Assets of a disposal group classified as held-for-sale:		
Property, plant and equipment	**33 064**	–
Consumables	**3 244**	–
	36 308	–
Liabilities of a disposal group classified as held-for-sale:		
Rehabilitation liabilities – Lower Orange River operations	**99 603**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	Company		Consolidated	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
11. STATED CAPITAL				
Authorised				
300 000 000 ordinary shares of no par value				
Issued				
115 488 113 fully paid ordinary shares of no par value (2017: 106 051 275 fully paid ordinary shares of no par value)				
Opening balance	**208 092**	208 092	**208 092**	208 092
Consideration received for shares issued	**18 402**	–	**18 402**	–
Closing balance	**226 494**	208 092	**226 494**	208 092
Treasury shares held by the Group	**–**	–	**(1 816)**	(1 816)
	226 494	208 092	**224 678**	206 276

During the period 9 436 838 shares were issued to RAC Investment Holdings (Pty) Ltd ("**RAC**"), for a total consideration of R18 401 834, to acquire RAC's 27,2% shareholding in West Coast Resources (Pty) Ltd, through Trans Hex Diamante Bpk (refer to Note 31).

The unissued shares were placed under the control of the Board of Directors until the forthcoming Annual General Meeting. The difference between the number of shares issued by the Company (115 488 113 shares) and the Group (115 135 785 shares) respectively, relates to treasury shares held by the Group.

11. STATED CAPITAL CONTINUED

Share appreciation units

The Group issued cash-settled share-based awards (share appreciation units) to certain employees.

The fair value of these shares was estimated using the Binomial Tree Option Pricing Model taking into account the market price of the shares, the expected dividend yield, volatility in the share price, employee attrition and the expected life of the option. No further units were issued during the financial year. At 31 March 2018, the units issued were as follows:

	Issue date	Issue price R	Number of units at beginning of year	Number of units issued during the year	Number of units exercised during the year	Number of units lapsed during the year	Number of units out-standing
L Delport	5 July 2007	14,24	242 573	–	–	242 573	–
L Delport	5 July 2008	9,14	421 244	–	–	–	421 244
L Delport	22 January 2010	4,31	78 142	–	–	–	78 142
L Delport	22 January 2011	2,32	78 995	–	–	–	78 995
L Delport	22 January 2012	3,33	169 927	–	–	–	169 927
L Delport	22 January 2013	3,24	427 444	–	–	–	427 444
L Delport	22 January 2014	4,05	504 275	–	–	–	504 275
L Delport	16 February 2015	3,43	517 043	–	–	–	517 043
L Delport	15 February 2016	2,84	209 187	–	–	–	209 187
IP Hestermann	22 January 2012	3,33	25 482	–	–	–	25 482
IP Hestermann	22 January 2013	3,24	95 702	–	–	–	95 702
IP Hestermann	22 January 2014	4,05	145 648	–	–	–	145 648
IP Hestermann	16 February 2015	3,43	248 695	–	–	–	248 695
IP Hestermann	15 February 2016	2,84	100 599	–	–	–	100 599
Other employees	5 July 2007	14,24	346 523	–	–	346 523	–
Other employees	5 July 2008	9,14	653 929	–	–	123 160	530 769
Other employees	22 January 2013	3,24	349 800	–	–	198 588	151 212
Other employees	22 January 2014	4,05	604 225	–	–	195 976	408 249
Other employees	16 February 2015	3,43	1 234 262	–	–	288 677	945 585
Other employees	15 February 2016	2,84	440 214	–	–	116 753	323 461
			6 893 909	–	–	1 512 250	5 381 659

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	Consolidated	
	2018 R'000	2017 R'000
12. OTHER RESERVES		
Translation reserves	**(18 684)**	(14 308)
13. BORROWINGS		
Non-current		
Loan secured by a second mortgage bond to the value of R38 775 000 over certain immovable properties and a general notarial bond over certain movable assets to the value of R173 383 700. The loan carries interest at the prime overdraft rate plus 0,4% and is repayable in 66 monthly instalments, the first of which was paid on 1 September 2016. The total amount, inclusive of capitalised interest, available under this loan is R189 010 000.	**146 178**	–
Less: Portion of loan repayable within one year, included in current liabilities	**(34 365)**	–
	111 813	–
Current		
Revolving loan facilities secured by a special notarial bond to the value of R264 000 000 over certain movable assets, cession of certain book debts, shares and claims. The loans carry interest at the rate of 2% per month. The total amount available under the facility is R148 000 000.	**123 821**	–
Portion of non-current liabilities repayable within one year, included in current liabilities	**34 365**	–
	158 186	–

	Consolidated	
	2018 R'000	2017 R'000

14. PROVISIONS

Provision for post-employment medical benefits

The amount included in the statement of financial position arising from the Group's obligation in respect of the defined-benefit plan is as follows:

Present value of unfunded obligations	**11 017**	11 071
Amounts recognised in the income statement were as follows:		
Interest cost	**1 055**	1 029
Employer benefit payments	**(789)**	(742)
	266	287
Movements in the liability recognised in the statement of financial position were as follows:		
Opening balance	**11 071**	10 784
Actuarial gain recognised in other comprehensive income	**(320)**	–
Amounts charged to the income statement	**266**	287
Closing balance	**11 017**	11 071

The provision is independently determined every second year, with an independent forecast for the year in between. The last independent actuarial valuation was at the end of March 2018.

Key assumptions used:	**%**	%
Discount rate	**9,0**	9,9
Health care cost inflation	**7,8**	9,5
Expected retirement age (years)	**63**	63

Mortality tables used

During employment: SA85 – 90 (Light) ultimate table PA(90).

Post-employment: PA(90) ultimate table rated down two years plus 1% improvement per annum (from a base year of 2006).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	Consolidated	
	2018 R'000	2018 %
14. PROVISIONS CONTINUED		
The sensitivity of the present value of unfunded obligations for changes in certain key assumptions used is as follows:		
Health care cost inflation		
Liability at 31 March 2018: -1%	**10 135**	**(8,0)**
Liability at 31 March 2018: +1%	**12 028**	**9,2**
Current service cost and interest cost for the year ending 31 March 2018: -1%	**934**	**(9,2)**
Current service cost and interest cost for the year ending 31 March 2018: +1%	**1 139**	**10,7**
Liability at 31 March 2018: +5% for 5 years	**13 251**	**20,3**
Liability at 31 March 2018: +10% for 5 years	**15 880**	**44,1**
Discount rate		
Liability at 31 March 2018: -1%	**12 049**	**9,4**
Liability at 31 March 2018: +1%	**10 133**	**(8,0)**

The liability and fair value of plan assets relating to the post-retirement medical plan were as follows for the current and four preceding financial years:

	Present value of obligations R'000	Fair value of plan assets R'000	Fair value of obligations in excess of plan assets R'000	Experience adjustments in respect of present value of obligations R'000	Experience adjustments in respect of fair value of plan assets R'000
2014	12 574	–	12 574	2 347	–
2015	12 893	–	12 893	–	–
2016	10 784	–	10 784	2 497	–
2017	11 071	–	11 071	–	–
2018	**11 017**	**–**	**11 017**	**781**	**–**

The expected contributions to be paid for the period 1 April 2018 to 31 March 2019 amount to R910 000.

	Consolidated	
	2018 R'000	2017 R'000
14. PROVISIONS CONTINUED		
Provision for long-service awards		
Amounts recognised in the income statement were as follows:		
Current service cost	**1 475**	1 352
Interest cost	**2 521**	1 096
Expected employer benefit payments	**(1 254)**	(1 108)
Curtailment	**(11 803)**	–
Actuarial gain recognised in year	**(1 840)**	–
	(10 901)	1 340
Movements in the liability recognised in the statement of financial position were as follows:		
Opening balance	**13 917**	12 577
Amounts charged to the income statement	**(10 901)**	1 340
Closing balance	**3 016**	13 917

The provision is independently determined every second year, with an independent forecast for the year in between. The last independent actuarial valuation was at the end of March 2018.

Key assumptions used:	%	%
Discount rate	**8,4**	9,1
Salary inflation	**6,9**	8,3
Expected retirement age (years)	**63**	63
CPI inflation	**5,4**	6,8

Mortality tables used
During employment: SA85 – 90 (Light) ultimate table.

	2018 R'000	2018 %
The sensitivity of the liability recognised for changes in certain key assumptions used is as follows:		
Salary inflation		
Liability at 31 March 2018: -1%	**2 828**	**(6,2)**
Liability at 31 March 2018: +1%	**3 222**	**6,8**
Discount rate		
Liability at 31 March 2018: -1%	**3 204**	**6,2**
Liability at 31 March 2018: +1%	**2 846**	**(5,6)**
Expected retirement age		
Liability at 31 March 2018: 1 year younger	**2 367**	**(21,5)**
Liability at 31 March 2018: 1 year older	**3 302**	**9,5**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	Consolidated	
	2018 R'000	2017 R'000
14. PROVISIONS CONTINUED		
Provision for rehabilitation liabilities		
Opening balance	**94 476**	89 088
Increase due to costs debited to income statement	**11 351**	–
Rehabilitation provision – unwinding of discount	**5 310**	5 388
Acquired as part of a business combination (refer to Note 31)	**166 890**	–
Classified as liabilities of a disposal group classified as held-for-sale (refer to Note 10)	**(99 603)**	–
Closing balance	**178 424**	94 476
Comprised of:		
Decommissioning and dismantling	**179**	1 615
Environmental restoration	**178 245**	92 861
	178 424	94 476

A provision is recognised for the restoration and rehabilitation of current mining activities based on current environmental and regulatory requirements. It is expected that the provision will be settled at the end of the life of mine.

Key assumptions used:	%	%
Inflation rate	**4,0**	6,1
Risk-free rate	**7,02**	7,37
Total provisions (R'000)	**192 457**	119 464

	Company		Consolidated	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
15. TRADE AND OTHER PAYABLES				
Trade payables	**747**	911	**34 482**	82 416
Government royalties	**–**	–	**9 497**	7 499
Contractor fees payable	**–**	–	**9 923**	11 855
Accrued leave pay and bonuses	**–**	–	**5 330**	15 294
State – other taxes	**–**	181	**55**	181
Share appreciation units	**–**	–	**1 998**	5 615
Other payables	**–**	–	**1 958**	531
	747	1 092	**63 243**	123 391

	Consolidated	
	2018 R'000	2017 R'000
16. INTEREST IN JOINT VENTURES		
The Group holds the following interest in joint-venture entities:		
Fucaúma Association (Angola)*	**32**	32
Luarica Association (Angola)*	**35**	35
Mvelaphanda Exploration (Pty) Ltd (South Africa)	**50**	50
Northbank Diamonds Ltd (Namibia)	**50**	50
** Refer to Note 25.*		
16.1 Angolan joint ventures		
Opening balance	**81 539**	120 650
Share of profit	**(2 314)**	(28 912)
Foreign exchange profits	**(9 630)**	(10 199)
Closing balance	**69 595**	81 539
Fucaúma Association and Luarica Association are unincorporated joint ventures as the Group has rights to the net assets and are equity accounted. These operations have been discontinued as disclosed in Note 25.		
Interest in joint ventures		
Long-term receivable from Angolan joint ventures	**–**	–
Gross value	**345 546**	345 546
Setoff of loans to joint-venture partners (refer to Note 25)	**(84 625)**	(84 625)
Less: Provision for impairment	**(260 921)**	(260 921)
Setoff of a financial asset and a financial liability In the Group financial statements, this asset off-sets against a related liability to the other joint-venture partners.		
16.2 Summarised financial information for Angolan joint ventures		
Current assets	**85**	97
Current liabilities	**(290 209)**	(325 481)
Net liabilities before adjustments	**(290 124)**	(325 384)
Setoff of loans to joint-venture partners (refer to Note 25)	**84 625**	84 625
Net liabilities after adjustments	**(205 499)**	(240 759)
Interest in net liabilities	**(69 595)**	(81 539)
Revenue	**–**	–
Profit before income tax	**6 826**	70 095
Income tax	**–**	–
Profit after income tax	**6 826**	70 095
Interest in profit after income tax	**2 314**	28 912

16.3 Other joint ventures

There are no commitments or contingent liabilities in respect of Mvelaphanda Exploration (Pty) Ltd and Northbank Diamonds Ltd. These operations are dormant and the results thereof are immaterial for Group purposes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	Consolidated	
	2018 R'000	2017 R'000
17. REVENUE		
Diamonds: Mining	**192 542**	540 183
Disclosed as part of discontinued operations (refer to Note 25)	**–**	(449 115)
	192 542	91 068
18. SHARE OF RESULTS OF ASSOCIATED COMPANIES		
Share of results of associated companies consists of the following categories:		
18.1 Somiluana – Sociedade Mineira, S.A.	**47 503**	52 296
The 33% investment in Somiluana is accounted for as an investment in an associate under the equity method.		
18.2 West Coast Resources (Pty) Ltd		
On 1 February 2018, West Coast Resources (Pty) Ltd became a subsidiary. Up to this date, the 40% investment in West Coast Resources (Pty) Ltd was accounted for as an investment in an associate under the equity method. Included in the prior year's results is an amount of R43 million, representing the Group's share of an impairment charge to mining rights after tax.		
Share of results and impairment of associate	**(8 841)**	(71 255)
Share of results of associate	**(8 841)**	(27 837)
Impairment charge to mining rights, after tax	**–**	(43 418)
	38 662	(18 959)
19. OTHER GAINS/(LOSSES) – NET		
Other gains/(losses) consist mainly of the following principal categories:		
Loss on scrapping of property, plant and equipment	**(1 357)**	–
Net foreign exchange gains/(losses)	**4 371**	8 944
Gain on bargain purchase with acquisition of subsidiary	**38 142**	–
Loss on re-measurement to fair value with acquisition of subsidiary	**(7 575)**	–
Commission on third-party diamond sales	**12 143**	9 831
	45 724	18 775
20. FINANCE COSTS		
Interest paid	**(20 502)**	(3)
Loan facility fee paid	**(11 000)**	–
Unwinding of discount	**(1 479)**	(588)
	(32 981)	(591)

	Consolidated	
	2018 R'000	2017 R'000
21. IMPAIRMENT OF ASSETS		
Impairment of property, plant and equipment		
Mining plant and equipment	–	27 417

No impairment was recognised in the current year. Refer to critical accounting estimates and assumptions, Note a(iii), on page 93, for further detail in this regard.

During the prior financial year, the recoverable amount of the mining areas (each considered a separate cash-generating unit ["**CGU**"]) was calculated based on value-in-use calculations. The impairment loss was limited to the fair value less costs to sell of the individual assets comprising these CGUs.

In assessing the fair value less costs to sell of individual assets, independent market-related valuations were obtained to assess the price at which the assets included in each CGU could be sold at in an orderly transaction between market participants. The impairment recognised during the prior year was calculated with reference to these valuations. The valuation inputs used were these market values and costs associated with the disposal of these assets. Market values obtained were specific to the assets of the entity and thus along with the costs of disposal are considered unobservable inputs. The fair value is thus classified as a Level 3 fair value. The impairment charges and recoverable amounts relating to these CGUs in the prior year are outlined below:

	Baken R'000	Bloeddrif R'000	Total R'000
2017			
Carrying value pre-impairment	34 876	37 337	72 213
Recoverable amount	(30 232)	(14 564)	(44 796)
Impairment loss recognised	4 644	22 773	27 417

These impairment charges relate to the discontinued operations shown in Note 25 during the current year.

	Company	
	2018 R'000	2017 R'000
Impairment of financial assets	**61 457**	169 251

Changes to the solvency of certain subsidiaries resulted in an impairment adjustment. The recoverable amount of the loans is based on the fair value less costs to sell of the investments. This impairment relates to advances and loans disclosed in Note 4. The fair value is classified as a Level 3 fair value as the valuation inputs are unobservable.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	Company		Consolidated	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
22. PROFIT/(LOSS) BEFORE INCOME TAX				
The following items have been charged in arriving at loss before income tax*:				
Income				
Income from subsidiary companies:				
Administration fees	**3 069**	3 210	**–**	–
Expenses				
Auditor's remuneration:			**(3 946)**	(3 065)
– Audit – current year			**(3 172)**	(2 878)
– underprovision previous years			**(287)**	–
– Taxation services			**(119)**	(102)
– Other services			**(368)**	(85)
Depreciation			**(16 322)**	(1 801)
Maintenance and material			**(9 872)**	(546)
Movement in provision for impairment of accounts receivable			**–**	2 317
Operating lease payments			**(1 627)**	(4 090)
Share appreciation rights expense				
– Adjustment to provision			**3 617**	2 187
Staff costs			**(65 173)**	(85 234)
– Salaries and wages			**(51 558)**	(78 174)
– Termination benefits			**(8 457)**	(387)
– Company contributions to retirement benefits			**(4 892)**	(6 386)
– Other post-employment medical benefits (refer to Note 14)			**(266)**	(287)

** This is not a complete list of all items of income and expense.*

23. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

The Directors' and prescribed officers' remuneration for the year ended 31 March was as follows:

	Consolidated						
	Salaries and fees R'000	Retirement contribution R'000	Performance bonus R'000	Share appreciation units exercised R'000	Loss of office R'000	Other benefits* R'000	Total R'000
2018							
Executives							
L Delport	3 948	515	–	–	–	1 076	5 539
IP Hestermann	2 185	125	–	–	1 609	1 026	4 945
GM van Heerden	1 698	195	–	–	1 932	501	4 326
Subtotal	7 831	835	–	–	3 541	2 603	14 810
Non-executives							
QJ George	273	–	–	–	–	–	273
AJ Marais	56	–	–	–	–	–	56
AG Rhoda	426	–	–	–	–	–	426
PG Viljoen	328	–	–	–	–	–	328
MVZ Wentzel	842	–	–	–	–	–	842
Subtotal	1 925	–	–	–	–	–	1 925
Total paid	9 756	835	–	–	3 541	2 603	16 735
Company							1 925
Subsidiaries							14 810
							16 735
2017							
Executives							
L Delport	3 487	787	1 866	–	–	443	6 583
IP Hestermann	2 041	459	993	880	–	311	4 684
GM van Heerden	1 776	406	780	250	–	315	3 527
Subtotal	7 304	1 652	3 639	1 130	–	1 069	14 794
Non-executives							
T de Bruyn	27	–	–	–	–	–	27
QJ George	180	–	–	–	–	–	180
BP Lekubo	212	–	–	–	–	–	212
AR Martin	436	–	–	–	–	–	436
LC van Schalkwyk	216	–	–	–	–	–	216
BR van Rooyen	414	–	–	–	–	–	414
PG Viljoen	197	–	–	–	–	–	197
MVZ Wentzel	180	–	–	–	–	–	180
Subtotal	1 862	–	–	–	–	–	1 862
Total paid	9 166	1 652	3 639	1 130	–	1 069	16 656
Company							1 862
Subsidiaries							14 794
							16 656

** Other benefits mainly comprise car allowances, leave encashments and medical aid contributions.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

23. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION CONTINUED

Directors' and director-related entities

No material transactions other than Directors' emoluments in this Note and loans and charges with Director-related entities disclosed in Note 34 were entered into during the year.

Remuneration philosophy

The Human Resources and Social & Ethics Committee establishes executive remuneration. Full details are provided in the Remuneration Policy on pages 62 to 65 of this Integrated Annual Report.

As at 31 March, the Directors held, directly or indirectly, interest in the issued capital of the Company as reflected in the table below:

	Direct beneficial	Indirect beneficial	Shares held by associates	Total
2018				
L Delport	**150 000**	**–**	**–**	**150 000**
PG Viljoen*	**–**	**36 474 981**	**–**	**36 474 981**
MVZ Wentzel^	**–**	**–**	**27 100 400**	**27 100 400**
2017				
L Delport	150 000	–	–	150 000
PG Viljoen*	–	27 038 143	–	27 038 143
MVZ Wentzel^	–	–	27 038 143	27 038 143

* *Mr Viljoen holds an indirect interest of 50% in RECM and Calibre Ltd, a major shareholder in the Group.*

^ *Metcap 14 (Pty) Ltd, a major shareholder in the Group, is ultimately controlled by a trust of which Mr Wentzel's wife, Mrs Clare Wiese Wentzel, is a trustee and beneficiary.*

There has been no change in the Directors' interest set out above between the end of the financial year and the date of approval of the financial statements.

	Company		Consolidated	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
24. INCOME TAX				
24.1 Income tax per income statement				
RSA tax				
Current				
– Current year	**2**	2	**3**	3
Deferred				
– Current year	**–**	–	**1 742**	(7 736)
	2	2	**1 745**	(7 733)

Tax losses and unredeemed capital of certain subsidiaries at the end of the financial year available for utilisation against future taxable income of those companies are estimated at R634,0 million (2017: R172,0 million). No deferred tax asset has been raised for these losses as future utilisation is uncertain.

24.2 Reconciliation of effective income tax rate with standard rate				
Effective income tax rate	**(0,0)**	(0,0)	**0,9**	10,6
Increase/(decrease) in rate as a result of:				
– Amounts for which a deferred tax asset was not raised	**–**	–	**(36,6)**	(29,3)
– Associates' results net of tax	**–**	–	**5,6**	(8,8)
– Amounts not deductible for income tax purposes	**(28,0)**	(28,0)	**(4,4)**	(2,8)
– Amounts not taxable for income tax purposes	**–**	–	**6,5**	–
– Tax losses in loss-making affiliates utilised	**–**	–	**–**	2,3
Standard rate	**(28,0)**	(28,0)	**(28,0)**	(28,0)

Amounts not deductible for the Company relate to the impairment of investments in subsidiaries during the current year. For the Group, amounts not deductible mainly relate to amounts of a capital nature, whereas amounts not taxable mainly relate to the fair value gains on acquisition of a subsidiary.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

25. DISCONTINUED OPERATIONS

25.1 Angolan joint ventures

On 5 October 2011, the Angolan Ministry of Geology, Mines and Industry revoked the mining rights of the Luarica and Fucaúma joint ventures as no mining activities had been performed at the sites for a period of three years as a result of the projects being placed under care and maintenance.

Trans Hex currently has a legally enforceable right to set off a portion of the amounts owed by the other joint-venture parties to Trans Hex against its *pro rata* share of certain of the joint ventures' liabilities.

The prescription of unclaimed debts of R2 million (2017: R28 million) are included below.

	Consolidated	
	2018 R'000	2017 R'000
The results of these operations were as follows:		
Share of income from joint ventures	**2 314**	28 912
Profit before income tax	**2 314**	28 912
Income tax	**–**	–
Profit for the year	**2 314**	28 912

25.2 Lower Orange River operations

In line with the Company's strategy of responsibly managing the Lower Orange River operations in the final years of their viable economic life cycles, these operations were gradually downscaled. Production was finally halted on 31 October 2017 following the successful conclusion of a formal consultation process with the National Union of Mineworkers.

The results of these operations were as follows:

Revenue	**205 874**	449 115
Cost of goods sold	**(426 109)**	(531 370)
Gross loss	**(220 235)**	(82 255)
Royalties	**(1 029)**	(2 280)
Mining loss	**(221 264)**	(84 535)
Other gains – net	**9 748**	–
Finance costs	**(3 831)**	(4 800)
Impairment of assets	**–**	(27 417)
Loss before income tax	**(215 347)**	(116 752)
Income tax	**–**	(29 602)
Loss for the year	**(215 347)**	(146 354)
Net operating cash flows	**(182 604)**	1 799
Net investing cash flows	**10 620**	(37 463)
Net financing cash flows	**171 984**	35 664
Total	**(213 033)**	(117 442)

	Consolidated	
	2018 R'000	2017 R'000
26. EARNINGS PER SHARE		
Basic earnings per share		
Profit/(loss) for the year from continuing operations attributable to owners of the parent	**24 777**	(66 044)
Loss for the year from discontinued operations attributable to owners of the parent	**(213 033)**	(117 442)
Weighted average number of ordinary shares in issue (thousands)	**107 198**	105 699
Basic and diluted earnings/(loss) per share – continuing operations (cents)	**23,1**	(62,4)
Basic and diluted loss per share – discontinued operations (cents)	**(198,7)**	(111,1)
Basic and diluted loss per share – total (cents)	**(175,6)**	(173,5)

Diluted earnings per share

No adjustment to basic earnings per share was required.

	Continuing operations		Discontinued operations	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Headline earnings per share				
Profit/(loss) for the year	**24 777**	(66 044)	**(213 033)**	(117 442)
Gain on bargain purchase with acquisition of subsidiary	**(38 142)**	–	**–**	–
Loss on re-measurement to fair value with acquisition of subsidiary	**7 575**	–	**–**	–
(Profit)/loss on sale of assets	**1 357**	–	**(9 748)**	–
Impairment of assets	**–**	–	**–**	27 417
Taxation impact	**–**	–	**–**	(7 677)
Foreign currency translation differences on repayment of long-term receivables from foreign operations recycled to profit or loss	**(4 928)**	(1 212)	**–**	–
Taxation impact	**–**	339	**–**	–
Impairment of assets acquired by associate	**–**	43 418	**–**	–
Headline (loss)/earnings	**(9 361)**	(23 499)	**(222 781)**	(97 702)
Headline (loss)/earnings per share (cents)	**(8,7)**	(22,2)	**(207,8)**	(92,4)
Headline loss per share – total (cents) (2018)				**(216,5)**
Headline loss per share – total (cents) (2017)				(114,6)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

	Company		Consolidated	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
27. RECONCILIATION OF NET LOSS BEFORE INCOME TAX WITH CASH UTILISED IN OPERATIONS				
Loss before income tax	**(61 450)**	(169 245)	**(185 042)**	(160 748)
Other income	**(3 069)**	(3 210)		
Other operating expenses	**3 062**	3 204		
Depreciation			**27 182**	42 440
Profit on sale of assets			**(8 391)**	–
Net impairment of assets and investments	**61 457**	169 251	**–**	27 417
Gain on bargain purchase with acquisition of subsidiary			**(38 142)**	–
Loss on re-measurement to fair value with acquisition of subsidiary			**7 575**	–
Other non-cash flow gains from Angolan operations			**(2 314)**	(28 912)
Exchange rate adjustments			**(2 927)**	2 260
Increase for post-employment medical benefits			**266**	287
(Decrease)/increase for long-service awards			**(10 901)**	1 340
Increase in rehabilitation liabilities			**16 661**	5 388
Income from Trans Hex Rehabilitation Trust Fund and other financial assets			**(6 098)**	(4 617)
Share of results of associated companies			**(38 662)**	18 959
Net interest paid/(received)			**14 059**	(24 602)
Operating loss before movements in working capital	**–**	–	**(226 734)**	(120 788)
Movement in working capital	**–**	–	**(37 730)**	12 402
Inventory			**89 339**	51 721
Trade and other receivables			**11 569**	(40 421)
Trade and other payables	**–**	–	**(138 638)**	1 102
Cash utilised in operations	**–**	–	**(264 464)**	(108 386)

	Consolidated	
	2018 R'000	2017 R'000
28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES		
BORROWINGS		
Opening balance	–	–
New loans	95 000	–
Acquired as part of a business combination (refer to Note 31)	153 026	–
Repayment of borrowings	(6 848)	–
Interest and finance fee accrued	28 821	–
Closing balance	269 999	–

29. RECONCILIATION OF INCOME TAX RECEIVED/(PAID) WITH AMOUNT DISCLOSED IN THE INCOME STATEMENT		
Amount receivable at beginning of year	3	474
Amount per income statement	(3)	(3)
Amount receivable at end of year	(3)	(3)
Amount received	(3)	468

30. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT		
Plant extensions	5 600	4 920
Housing and personnel benefits	–	715
Computer hardware and software	979	337
Other	–	224
	6 579	6 196

31. BUSINESS COMBINATIONS

On 1 February 2018, the Group acquired a further 27,2% of the equity and voting interest in West Coast Resources (Pty) Ltd, thereby increasing its interest to 67,2%. West Coast Resources (Pty) Ltd operates a diamond mine approximately 60 km south of Port Nolloth along the west coast of the Northern Cape of South Africa. The purchase consideration was discharged by the issue of 9 436 838 ordinary shares in Trans Hex Group Ltd of no par value for a total consideration of R18,4 million, based on the ruling market price on that day of R1,95 per share.

The fair value exercise over the opening balance sheet of West Coast Resources (Pty) Ltd remains provisional at 31 March 2018 as permitted by IFRS 3, as the fair value of the acquired assets and liabilities is still being finalised. This is expected to be finalised during the next year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

31. BUSINESS COMBINATIONS CONTINUED

The following table summarises the provisional purchase price allocation for the acquisition and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	Consolidated	
	2018 R'000	2017 R'000
Recognised amounts of identifiable assets acquired and liabilities assumed at book value:		
Total assets	**744 180**	–
Property, plant and equipment	**194 139**	–
Mining rights	**313 455**	–
Other financial assets	**123 016**	–
Inventories	**107 829**	–
Trade and other receivables	**5 603**	–
Cash and cash equivalents	**138**	–
Total liabilities	**(536 300)**	–
Provisions	**(166 890)**	–
Deferred income tax liabilities	**(32 201)**	–
Borrowings	**(202 934)**	–
Trade and other payables	**(134 275)**	–
Total identifiable net assets	**207 880**	–
Net asset value purchased (67,2%)	**139 695**	–
Fair value of consideration transferred	**(18 402)**	–
Previously held equity	**(83 151)**	–
Provisional gain on bargain purchase (Refer to Note 19).	**38 142**	–
The value of the previously held interest is based on the proportional share of the provisional fair value of total identifiable net assets. The provisional gain on business combination arises due to the decrease in the Company share price from the agreed consideration share price of R4,14 to the closing date share price of R1,95.		
Acquisition-related costs were charged to administrative expenses in the consolidated income statement of the Group.	**1 017**	–

From the date of acquisition, West Coast Resources (Pty) Ltd contributed R123 million of revenue and a profit after tax of R4 million to the net profit of the Group. If the business combination had taken place at the beginning of the financial year, revenue from continuing operations would have been R372 million and the net loss after tax of the Group would have been R231 million.

32. FINANCIAL INSTRUMENTS

Financial instruments, as disclosed in the statements of financial position, include long- and short-term borrowings, investments, cash resources, long-term receivables, trade receivables and trade payables.

Categories of financial instruments

	Loans and receivables R'000	At fair value through profit or loss R'000	Other financial liabilities at amortised cost R'000
Consolidated			
At 31 March 2018			
Investments held by environmental trust	**–**	**70 459**	**–**
Loans to associated companies	**7 945**	**–**	**–**
Other financial assets	**127 458**	**–**	**–**
Trade and other receivables	**7 977**	**–**	**–**
Cash and cash equivalents	**79 364**	**–**	**–**
Borrowings	**–**	**–**	**(269 999)**
Trade and other payables	**–**	**–**	**(46 363)**
At 31 March 2017			
Investments held by environmental trust	–	65 803	–
Loans to associated companies	58 517	–	–
Other financial assets	3 000	–	–
Trade and other receivables	23 138	–	–
Cash and cash equivalents	225 400	–	–
Trade and other payables	–	–	(94 802)
Company			
At 31 March 2018			
Loans to subsidiaries	**9 201**	**–**	**–**
Cash and cash equivalents	**77**	**–**	**–**
Trade and other payables	**–**	**–**	**(747)**
At 31 March 2017			
Loans to subsidiaries	71 048	–	–
Cash and cash equivalents	77	–	–
Trade and other payables	–	–	(1 092)

The Group's exposure to various risks associated with the financial instruments is discussed in Note 33.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

33. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including the effects of changes in credit risk, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations. Entities in the Group use forward contracts to hedge their exposure to foreign currency risk as economic hedges. Sales denominated in foreign currency are only hedged for a short period of time from tender to payment date. The Group also hedges the foreign currency exposure of its contract commitments to purchase certain production equipment. The forward contracts used in its programme are consistent with the related purchase commitments. There were no outstanding forward contracts at year-end.

At 31 March 2018, if the currency had strengthened/weakened by 5% against the US Dollar, post-tax profit or loss for the year would have been R0,3 million (2017: R1,1 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of the US Dollar denominated loan to Somiluana.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group sometimes borrows at variable rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's interest rate exposure and effective interest rates are summarised in Notes 9 and 13. At 31 March 2018, if the interest rate had increased/decreased by 1%, post-tax profit for the year would have increased/decreased as a result of interest received/paid on cash and cash equivalents and borrowings by R0,7 million (2017: by R2,2 million).

The other financial instruments in the Group's statement of financial position are not exposed to interest rate risk.

(iii) Credit risk

The Group has policies in place to ensure that the sale of goods and rendering of services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

The Group minimises its credit risk by investing its cash and cash equivalents with major banks and financial institutions located principally in South Africa, Belgium and Angola. The majority of cash funds are held at South African financial institutions, all of which have a BAA3 Moody's short-term credit rating. The Group believes that no concentration of credit risk exists with respect to investment of its cash and cash equivalents.

33. FINANCIAL RISK MANAGEMENT CONTINUED

(iii) Credit risk continued

Amounts past due at reporting date have been impaired in full. Management considers the credit quality of fully performing financial assets to be good. This is assessed on initial recognition and monitored consistently.

The Group's maximum exposure to credit risk at the reporting date is the fair value of each class of financial assets.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by keeping committed credit lines available. In terms of the articles of association, the Group has unlimited borrowing powers. There would be forewarning of any payments required in terms of financial guarantees (refer to Note 36) as the probability of payment is considered to be low.

The table (below) analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Trade and other payable balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one year R'000	1 to 2 years R'000	2 to 5 years R'000
Consolidated			
At 31 March 2018			
Borrowings	171 751	44 356	86 859
Trade and other payables	46 363	–	–
At 31 March 2017			
Trade and other payables	94 802	–	–
Company			
At 31 March 2018			
Trade and other payables	747	–	–
At 31 March 2017			
Trade and other payables	1 092	–	–

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Total capital is considered to be "equity" as shown in the consolidated statement of financial position.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

33. FINANCIAL RISK MANAGEMENT CONTINUED

Fair value estimation

The bullets below analyse financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Financial assets are classified as Level 1 according to the fair value hierarchy. Investments held by the environmental trust are the only financial assets carried at fair value, however, this fund consists primarily of cash and cash equivalents with the largest driver of the growth in the trust fund being attributable to interest received. Refer to Note 3.

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed equity investments classified as trading securities or available-for-sale.

The nominal value less impairment provisions of trade receivables, cash and cash equivalents, trade payables, other financial assets and borrowings are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for the Group for similar financial instruments.

34. RELATED-PARTY BALANCES AND TRANSACTIONS

Controlling entities

The ultimate holding company of the Group is Trans Hex Group Ltd. The Company's major shareholders as at 31 March 2018 were RECM and Calibre Ltd, which held 31,58% (2017: 25,50%), Cream Magenta 140 (Pty) Ltd, which held 23,47% (2017: 25,50%) of the Company's shares and Metcap 14 (Pty) Ltd, which held 23,47% (2017: 25,50%). These shareholders provided financial support to the Group as stated in Note 38.

Subsidiaries and joint ventures

The Group holds several interests in subsidiaries and joint ventures. A detailed list of investments in subsidiaries is disclosed under Note 40. A detailed list of joint ventures is disclosed under Note 16.

The following transactions were carried out with related parties:

		Consolidated	
		2018 R'000	2017 R'000
(i)	**Sale of goods to associated companies**		
	Somiluana – Sociedade Mineira, S.A.	**–**	703
(ii)	**Sale of property, plant and equipment to associated companies**		
	Somiluana – Sociedade Mineira, S.A.	**4 645**	–
	West Coast Resources (Pty) Ltd	**10 759**	–
(iii)	**Receipts for services rendered to associated companies**		
	West Coast Resources (Pty) Ltd	**15 190**	15 110
	The sale of goods and rendering of services are usually negotiated with related parties on a cost-plus basis, allowing for a margin ranging from 2,5% to 7,5%.		
(iv)	**Executive Directors and key management compensation**		
	Salaries and other short-term benefits	**31 612**	33 179
	Share-based payments	**–**	3 581
		31 612	36 760
(v)	**Loans to/(from) associated companies and shareholders at end of year**		
	Somiluana – Sociedade Mineira, S.A.	**7 945**	29 840
	West Coast Resources (Pty) Ltd	**–**	36 752
	Cream Magenta 140 (Pty) Ltd	**(48 608)**	–
	Metcap 14 (Pty) Ltd	**(48 608)**	–
	RECM and Calibre Ltd	**(26 611)**	–

34. RELATED-PARTY BALANCES AND TRANSACTIONS CONTINUED

		Consolidated	
		2018 R'000	2017 R'000
(vi)	**Short-term payables to associated company at end of year**		
	West Coast Resources (Pty) Ltd	–	(722)
(vii)	**Short-term investments**		
	Money market investments at Regarding Capital Management (Pty) Ltd	**124 458**	113 697
(viii)	**Finance income**		
	From money market investments at Regarding Capital Management (Pty) Ltd	**10 967**	13 816
	From loans and advances to West Coast Resources (Pty) Ltd	**13 620**	6 407
(ix)	**Finance costs and fees**		
	Cream Magenta 140 (Pty) Ltd	**11 315**	–
	Metcap 14 (Pty) Ltd	**11 315**	–
	RECM and Calibre Ltd	**6 191**	–

		Company	
		2018 R'000	2017 R'000
(i)	**Receipts for services rendered**		
	Subsidiaries	**3 069**	3 210
(ii)	**Loans to subsidiaries at end of year**	**9 201**	71 048
(iii)	**Executive Directors and key management compensation**		
	Directors' remuneration (non-executive)	**1 925**	1 862

35. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive management that are used to make strategic decisions.

The executive management considers the business from a geographic perspective. Geographically, management considers the performance of South Africa and Angola.

The reportable operating segments derive their revenue primarily from the selling of diamonds. The executive management assesses the performance of the operating segments in a manner consistent with that of the financial statements.

The amounts provided to the executive management with respect to the total assets and total liabilities are measured in a manner consistent with that of the financial statements.

Revenues from transactions with certain customers can amount to 10% or more of total revenue. During the year under review, no individual customer was responsible for aggregate sales in excess of 10% of revenue (2017: R82,3 million).

	CONTINUING			DISCONTINUED		
	South Africa	Angola	Total	South Africa	Angola	Total
2018						
Carats sold	78 185	–	78 185	16 698	–	16 698
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	192 542	–	192 542	205 874	–	205 874
Cost of goods sold	(172 205)	–	(172 205)	(426 109)	–	(426 109)
Gross profit/(loss)	20 337	–	20 337	(220 235)	–	(220 235)
Share of results and impairment of associated companies	(8 841)	47 503	38 662	–	–	–
Royalties	(1 005)	–	(1 005)	(1 029)	–	(1 029)
Selling and administration costs	(50 007)	(11 185)	(61 192)	–	–	–
Mining (loss)/profit	(39 516)	36 318	(3 198)	(221 264)	–	(221 264)
Exploration costs	(6 574)	–	(6 574)	–	–	–
Other gains/(losses) – net	47 466	(1 742)	45 724	9 748	–	9 748
Profit for the year from discontinued operations	–	–	–	–	2 314	2 314
Finance income	25 020	–	25 020	–	–	–
Finance costs	(32 981)	–	(32 981)	(3 831)	–	(3 831)
(Loss)/profit before income tax	(6 585)	34 576	27 991	(215 347)	2 314	(213 033)
Depreciation included in the above	(16 319)	(3)	(16 322)	(10 860)	–	(10 860)
Net assets/(liabilities)	302 742	81 947	384 689	(63 295)	(69 595)	(132 890)
Capital expenditure	2 111	–	2 111	4 468	–	4 468
Net asset value per share (cents)	262	71	333	(55)	(60)	(115)

35. SEGMENT INFORMATION CONTINUED

	CONTINUING			DISCONTINUED		
	South Africa	Angola	Total	South Africa	Angola	Total
2017						
Carats sold	10 304	–	10 304	29 883	–	29 883
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	91 068	–	91 068	449 115	–	449 115
Cost of goods sold	(100 285)	–	(100 285)	(531 370)	–	(531 370)
Gross loss	(9 217)	–	(9 217)	(82 255)	–	(82 255)
Share of results and impairment of associated companies	(71 254)	52 295	(18 959)	–	–	–
Royalties	(389)	–	(389)	(2 280)	–	(2 280)
Selling and administration costs	(68 520)	(20 282)	(88 802)	–	–	–
Mining (loss)/profit	(149 380)	32 013	(117 367)	(84 535)	–	(84 535)
Exploration costs	(2 947)	–	(2 947)	–	–	–
Other gains/(losses) – net	19 046	(271)	18 775	–	–	–
Profit for the year from discontinued operations	–	–	–	–	28 912	28 912
Finance income	29 133	89	29 222	–	–	–
Finance costs	(591)	–	(591)	(4 800)	–	(4 800)
Impairment of assets	–	–	–	(27 417)	–	(27 417)
(Loss)/profit before income tax	(104 739)	31 831	(72 908)	(116 752)	28 912	(87 840)
Depreciation included in the above	(1 796)	(5)	(42 440)	(40 639)	–	(40 639)
Net assets/(liabilities)	388 763	85 438	474 201	(36 287)	(81 539)	(117 826)
Capital expenditure	880	–	880	37 463	–	37 463
Net asset value per share (cents)	367	81	448	(34)	(77)	(111)

	Consolidated	
	2018 R'000	2017 R'000
Geographical external revenue for the Group is as follows:		
South African customers	**185 541**	**107 280**
Foreign customers	**212 875**	**432 903**
	398 416	**540 183**
Non-current assets are located as follows:		
South Africa	**696 586**	**247 400**
Angola	**75 458**	**68 662**
Belgium	**–**	**2**
	772 044	**316 064**

36. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group is subject to claims which arise in the ordinary course of business. The Group has provided performance guarantees to banks and other third parties amounting to R8 million (2017: R135 million).

There were no contingent assets in the Group at either 31 March 2018 or 31 March 2017.

	Consolidated	
	2018 R'000	2017 R'000
37. COMMITMENTS		
Capital commitments		
Incomplete contracts for capital expenditure	**2 184**	6 351
Capital expenditure authorised but not yet contracted for	**10 063**	29 940
	12 247	36 291
The above capital commitments mainly constitute the acquisition of mining plant and equipment.		
Operating lease commitments		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
No later than one year	**1 840**	1 640
Later than one year and no later than five years	**2 095**	3 330
	3 935	4 970

The above operating lease commitments mainly constitute the rental of data lines and buildings.

38. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets as well as liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Based on cash flow forecasts up to 31 March 2019, the Group can meet its obligations in the ordinary course of business. However, the Group is subject to significant financial and operational risks, principally the Rand/US Dollar exchange rate, diamond prices and diamond production levels. During the forecast period there are periods during which the available cash resources are marginal and the Group's three largest shareholders (Cream Magenta 140 [Pty] Ltd, Metcap 14 [Pty] Ltd and RECM and Calibre Ltd) have provided a combined loan facility of R148 million (refer to Note 13) to financially support Trans Hex Group Ltd should the Group be unable to fulfil its obligations as and when they become due.

39. EVENTS AFTER THE REPORTING PERIOD

On Tuesday, 17 April 2018, Trans Hex Operations Proprietary Limited ("**THO**"), a wholly owned subsidiary of Trans Hex, entered into an agreement with Lower Orange River Diamonds (Pty) Ltd (formerly Koffiefontein Diamonds [Pty] Ltd) ("**LOR Diamonds**"), in terms of which THO has agreed to, *inter alia*:

- dispose of the business conducted by THO, as a going concern, relating to and in connection with the exploration, prospecting, mining for, recovery, treatment, production and disposal of diamonds in respect of the Lower Orange River operations, consisting of certain assets, liabilities and the transfer of employees; and
- cede and transfer the mining right associated with the Lower Orange River operations,

to LOR Diamonds, for a total cash consideration of R72 million. Refer to Note 10 and Note 25.

40. INVESTMENTS

Name of company	Issued share capital		Effective interest		Held by the Company			
					Shares		Loan	
Incorporated in South Africa (unless stated otherwise)	**2018 R**	2017 R	**2018 %**	2017 %	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
COMPANY								
Buffelsbank Diamante Ltd	**50**	50	**100**	100	**1 481**	1 481	**9 201**	71 048
Trans Hex Bemarking Ltd	**100**	100	**100**	100	**–**	–	**–**	–
Trans Hex Finansiering Ltd	**10**	10	**100**	100	**2 294**	2 294	**–**	–
Trans Hex Diamante Ltd	**22 403**	4 000	**100**	100	**18 908**	505	**–**	–
					22 683	4 280	**9 201**	71 048

40. INVESTMENTS CONTINUED

Name of company Incorporated in South Africa (unless stated otherwise)	Issued share capital 2018 R	 2017 R	Effective interest 2018 %	 2017 %
GROUP				
Benguela Concessions Ltd	**1 077 509**	1 077 509	**100**	100
Gem Diamond Mining Corporation Ltd	**2 833 324**	2 833 324	**100**	100
KPO Liberia – Liberia (US$)#	**4**	4	**50**	50
Marine West (Pty) Ltd	**1 355 000**	1 355 000	**100**	100
Matikara Prestacao De Servicos SARL – Angola (US$)#	**100**	100	**49**	49
Mineracao Barra Grande Limitada – Brazil (R$)	**1 000**	1 000	**65**	65
Moonstone Diamonds (South Africa) (Pty) Ltd	**2**	2	**100**	100
Mvelaphanda Exploration (Pty) Ltd^	**12**	12	**50**	50
Namex (Pty) Ltd	**120 900**	120 900	**100**	100
Northbank Diamonds Ltd – Namibia (N$)^	**8**	8	**50**	50
Ocean Diamond Mining 6C (Pty) Ltd	**100**	100	**100**	100
Ocean Diamond Mining 14C (Pty) Ltd	**100**	100	**100**	100
Oranje-Kunene Diamante Ltd	**57**	57	**100**	100
Sida Ei-gûs Diamond Mining Company (Pty) Ltd – Namibia (N$)	**100**	100	**100**	100
Somiluana – Sociedade Mineira, S.A. – Angola (US$)#	**2 517 500**	2 517 500	**33**	33
Trans Hex Angola Lda – Angola (US$)	**50 000**	50 000	**100**	100
Trans Hex België N V – Belgium (Euro)	**62 000**	62 000	**100**	100
Trans Hex Brasil Limitada – Brazil (R$)	**3 568 601**	3 568 601	**100**	100
Trans Hex Diamond Cutting Works (Pty) Ltd	**135**	135	**75**	75
Trans Hex Liberia (THL) Ltd – Liberia (US$)	**100**	100	**100**	100
Trans Hex Marine (Namibia) (Pty) Ltd – Namibia (N$)	**100**	100	**100**	100
Trans Hex Mynbou Ltd	**500 000**	500 000	**100**	100
Trans Hex Namibia (Pty) Ltd – Namibia (N$)	**5**	5	**100**	100
Trans Hex Operations (Pty) Ltd	**12 768**	12 768	**100**	100
Trans Hex UK Ltd (GBP)	**1 000**	1 000	**100**	100
Trans Hex (Zimbabwe) Ltd – Zimbabwe (ZIM$)	**30 000**	30 000	**100**	100
Trans Tropic Trading Incorporated – British Virgin Islands (US$)	**250 000**	250 000	**100**	100
WADU – Investimentos Mineiros SARL – Angola (US$)	**100**	100	**80**	80
Weasua Diamonds Ltd – Seychelles (US$)#	**178 555**	178 555	**50**	50
West Coast Resources (Pty) Ltd	**1 000**	1 000	**67**	40
X6688335 (South Africa) (Pty) Ltd	**120**	120	**100**	100

All the companies are unlisted unless stated otherwise.

All the companies are subsidiaries unless classified as one of the following:
 # Associated company
^ Jointly controlled entities

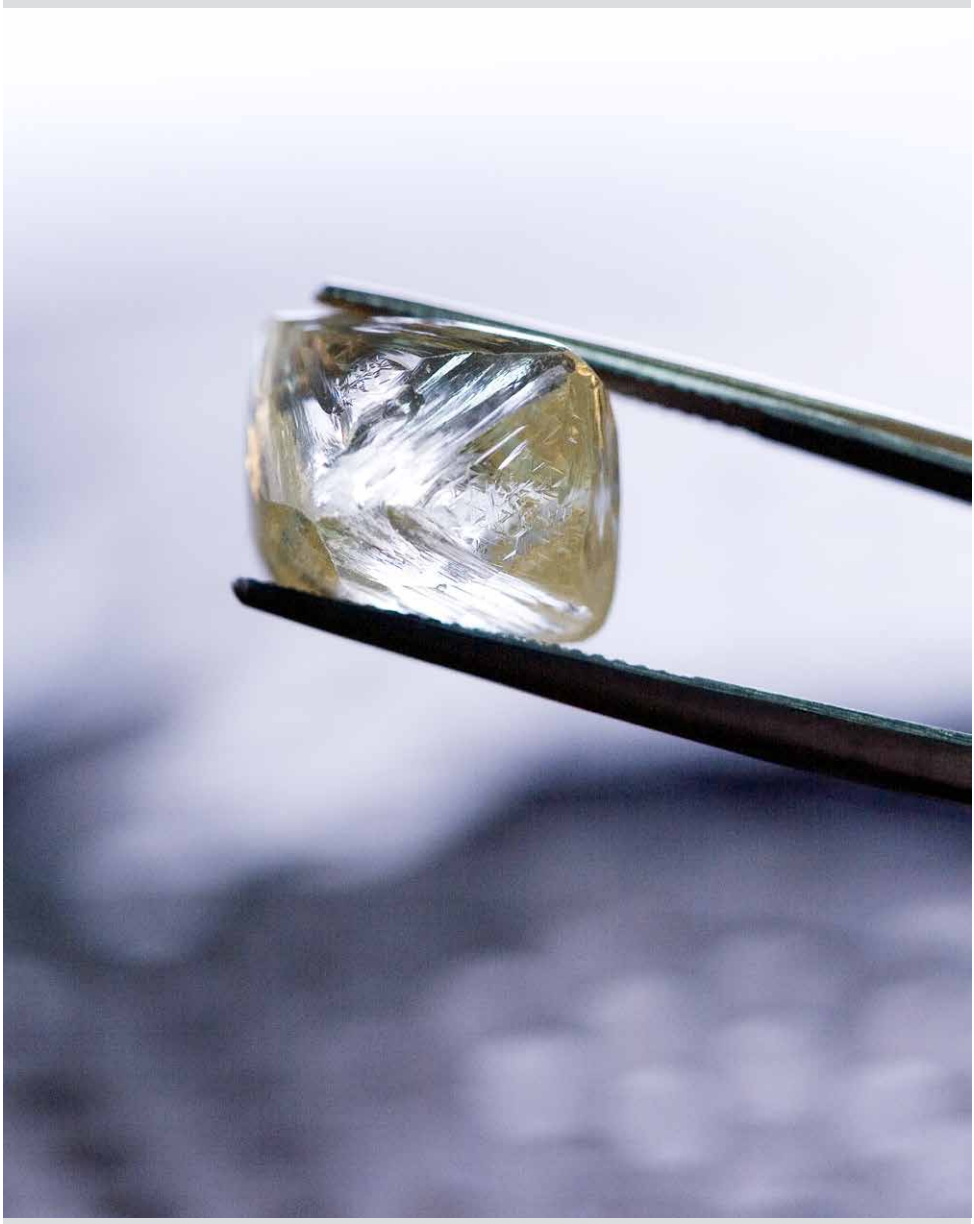
41. SUMMARISED FINANCIAL INFORMATION ON SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

41.1 West Coast Resources (Pty) Ltd

	Consolidated	
	2018 R'000	2017 R'000
SUMMARISED STATEMENT OF FINANCIAL POSITION		
Non-current assets	**618 014**	647 036
Current assets	**61 277**	40 422
Total assets	**679 291**	687 459
Non-current liabilities	**(313 722)**	(335 682)
Current liabilities	**(152 994)**	(122 878)
Capitalised interest	**(4 176)**	(2 875)
Total liabilities	**(470 892)**	(461 435)
Total net assets	**208 399**	226 024
SUMMARISED STATEMENT OF COMPREHENSIVE INCOME		
Revenue	**302 491**	172 102
Loss before taxation	**(24 476)**	(247 378)
Income tax	**6 852**	69 240
Loss attributable to ordinary shareholders	**(17 624)**	(178 138)
Other comprehensive income/(expenses)	**–**	–
Total comprehensive loss	**(17 624)**	(178 138)
SUMMARISED STATEMENT OF CASH FLOWS		
Cash generated by/(utilised in) operations	**73 773**	(14 412)
Taxation paid	**–**	–
Net cash generated by/(utilised in) operating activities	**73 773**	(14 412)
Net cash flows from investment activities	**(27 926)**	(14 513)
Net cash flows from financing activities	**(45 566)**	14 757
Net increase/(decrease) in cash and cash equivalents	**281**	(14 168)
Cash and cash equivalents at beginning of year	**715**	14 883
Cash and cash equivalents at end of year	**996**	715

The information above reflects amounts before inter-company eliminations.




SAFE WORKING LOAD
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SHAREHOLDER INFORMATION

5

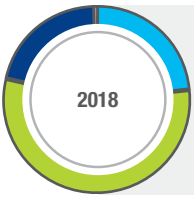
NON-PUBLIC/PUBLIC SHAREHOLDERS AND SHAREHOLDERS SPREAD

Non-public/public shareholders

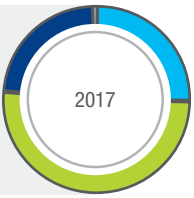
Pursuant to the Listings Requirements of the JSE Limited ("**JSE**") and to the best knowledge of the Directors, after reasonable enquiry, the spread of shareholders at 30 March 2018 appears below:

	2018 %	2017 %
Cream Magenta 140 (Pty) Ltd	**23,47**	25,50
Directors and associates*	**55,18**	51,13
Public shareholders	**21,05**	23,04
Trans Hex Group Share Trust	**0,30**	0,33

* *Refer to Note 23 of the financial statements in section 4 of this Integrated Annual Report (see page 122) for more information regarding the Directors' direct and indirect interest in the Group.*



23,47	Cream Magenta 140 (Pty) Ltd	25,50
55,18	Directors and associates*	51,13
21,05	Public shareholders	23,04
0,30	Trans Hex Group Share Trust	0,33



Shareholder spread

Shareholder type	Number of share-holdings	% of total share-holdings	Shares held	% held
Non-public shareholders	6	0,11	91 182 245	78,95
Directors and associates of the Company	3	0,05	63 725 381	55,18
Strategic holders >10%	1	0,02	27 100 400	23,47
Share schemes	1	0,02	352 328	0,30
Own holdings	1	0,02	4 136	0,00
Public shareholders	5 553	99,89	24 658 196	21,05
Total	5 559	100,00	115 488 133	100,00

ADDITIONAL SHAREHOLDER INFORMATION

Major shareholders as at 31 March 2018

Trans Hex's ordinary shares are quoted on the JSE and trades on the JSE's **Basic Resources – Mining** sector under the share code: TSX.

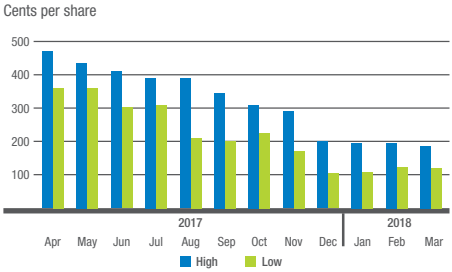
According to information available to the Directors, shareholders beneficially holding (either directly or via nominee companies) in excess of 3% of the issued share capital, were as follows:

Shareholder	Number of shares	%
RECM and Calibre Ltd	36 474 981	31,58
Cream Magenta 140 (Pty) Ltd	27 100 400	23,47
Metcap 14 (Pty) Ltd	27 100 400	23,47
Investec	5 828 274	5,05
Total	96 504 055	83,57

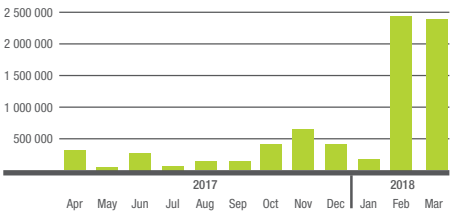
According to information available to the Directors, shareholders (by group) holding in excess of 3% of the issued share capital, were as follows:

Shareholder	Number of shares	%
RECM and Calibre Ltd	36 474 981	31,58
Cream Magenta 140 (Pty) Ltd	27 100 400	23,47
Metcap 14 (Pty) Ltd	27 100 400	23,47
Investec Asset Management	9 094 021	7,87
Total	99 769 802	85,27

MONTHLY VOLUMES TRADED FOR 2017/18

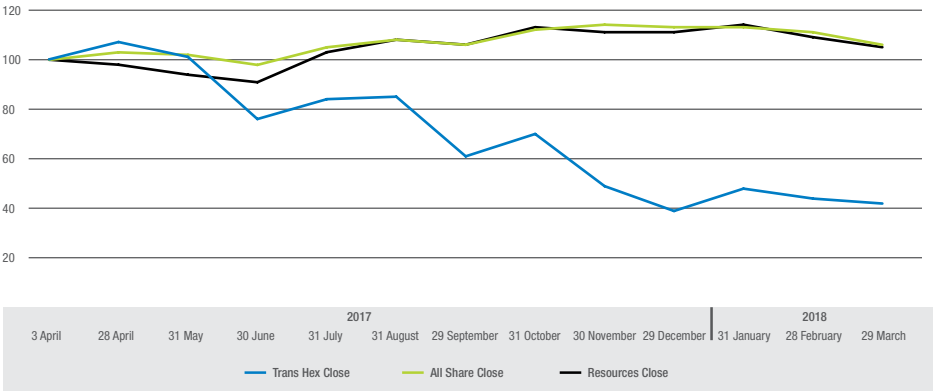


MONTHLY VOLUMES TRADED FOR 2017/18



ADDITIONAL SHAREHOLDER INFORMATION CONTINUED

TSX CLOSE VS ALL SHARE INDEX CLOSE VS RESOURCES INDEX CLOSE



General statistics and ratios		2018	2017
Total number of shares in issue at year-end*		**115 488 113**	106 051 275
Weighted average number of shares in issue		**107 198 499**	105 698 947
Total shares traded		**7 380 452**	80 204 796
Volume traded as a percentage of shares in issue	(%)	**6,39**	75,63
Closing price as at 31 March	(cents)	**170**	407
Volume weighted average annual price per share	(cents)	**221**	398
Price/earnings ratio as at 31 March		**(0,5)**	84,79
Earnings yield as at 31 March	(%)	**(200,65)**	1,18
Dividend yield as at 31 March	(%)	**–**	–
Market capitalisation at 31 March	(Rm)	**124**	432
Headline loss per share	(cents)	**(216,5)**	(114,6)
Interim dividend	(cents)	**–**	–
Final dividend	(cents)	**–**	–
Net asset value per share	(cents)	**218**	337

** During the period, Trans Hex acquired a further 27,2% shareholding in West Coast Resources (Pty) Ltd from RAC Investment Holdings (Pty) Ltd for a total purchase consideration of approximately R18,4 million, settled through the issue of approximately 9,4 million new Trans Hex Shares to RECM and Calibre Ltd.*

Shareholder categories as at 30 March 2018

Distribution of shareholders	Number of share-holdings	% of total share-holdings	Shares held	% held
Private companies	150	2,70	93 026 889	80,55
Collective investment schemes	7	0,13	8 580 644	7,43
Retail shareholders	4 911	88,34	7 991 718	6,92
Investment partnerships	29	0,52	2 670 230	2,31
Trusts	313	5,63	1 357 452	1,18
Retirement benefit funds	8	0,14	675 420	0,58
Custodians	28	0,50	390 525	0,34
Share schemes	2	0,04	356 464	0,31
Stockbrokers and nominees	39	0,70	164 911	0,14
Close corporations	36	0,65	145 051	0,13
Foundations and charitable funds	10	0,18	110 267	0,10
Unclaimed scrip	13	0,23	15 993	0,01
Managed funds	1	0,02	1 331	0,00
Control accounts	3	0,05	677	0,00
Scrip lending	5	0,09	227	0,00
Public companies	3	0,05	168	0,00
Assurance companies	1	0,02	146	0,00
Total	5 559	100,00	115 488 113	100,00

Shareholding analysis as at 30 March 2018

Shareholder spread	Number of share-holdings	% of total share-holdings	Shares held	% held
1 – 1 000 shares	4 913	88,38	506 714	0,44
1 001 – 10 000 shares	478	8,60	1 619 235	1,40
10 001 – 100 000 shares	130	2,34	3 524 821	3,05
100 001 – 1 000 000 shares	30	0,54	8 315 722	7,20
1 000 001 shares and over	8	0,14	101 521 621	87,91
Total	5 559	100,00	115 488 113	100,00

IMPORTANT SHAREHOLDER DATES

FINANCIAL YEAR-END	31 March
ANNUAL GENERAL MEETING	17 August 2018
FINANCIAL REPORTS	
Announcement of half-year interim results	November
Announcement of annual results	June
Annual financial statements	June

CONTACT DETAILS AND WEBSITE

REGISTERED OFFICE

405 Voortrekker Road, Parow 7500
PO Box 723, Parow 7499
Incorporated in the Republic of South Africa
Registration number: 1963/007579/06
JSE share code: TSX
ISIN: ZAE000018552
("**Trans Hex**" or the "**Company**" or the "**Group**")

COMPANY WEBSITE

www.transhex.co.za

JSE SPONSOR

One Capital Sponsor Services (Pty) Ltd
www.onecapital.co.za

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
www.computershare.com/za/

COMPANY SECRETARY

Statucor (Pty) Ltd
www.statucor.co.za

DIRECTORATE

MVZ Wentzel (Chairman), AG Rhoda,
PG Viljoen, AJ Marais, JL Gurney (Alternate),
L Delport (Chief Executive Officer),
IP Hestermann (Financial Director)

www.transhex.co.za

TRANS HEX GROUP