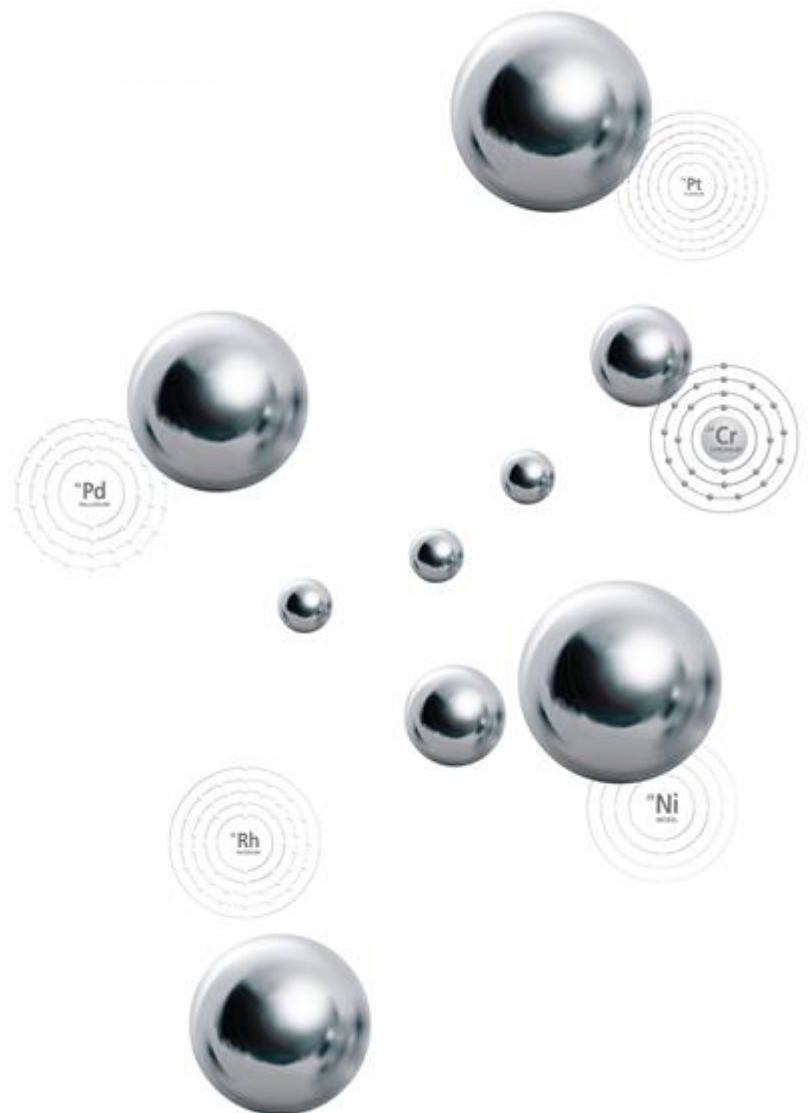


tharisa

DISCOVER DEVELOP **DELIVER** DIVERSIFY



**Audited Condensed Consolidated
Financial Statements**

for the year ended 30 September 2019

28 November 2019

Tharisa plc

(Incorporated in the Republic of Cyprus with limited liability)

(Registration number HE223412)

JSE share code: THA

LSE share code: THS

A2X share code: THA

ISIN: CY0103562118

LEI: 213800WW4YWMVVZIJM90

('Tharisa' or the 'Company')

Salient features for the year ended 30 September 2019

- PGMs recovery at 82.1% with production of 139.7 koz
- Chrome recovery at 62.0% with chrome production at 1 290.0 kt
- PGM price of US\$1 081/oz, chrome price received US\$162/t
- Revenue of US\$ 342.9 million
- EBITDA US\$ 51.6 million
- Profit before tax US\$11.2 million
- Net cash generated from operations of US\$69.9 million
- Proposed total dividend US 0.75 c (includes interim distribution of US 0.5 c)

Chief Executive Officer's FY2019 Review

The year under review saw Tharisa position itself to deliver on our strategy to increase production of both PGMs and chrome concentrates from the Tharisa mine. At the same time, we have also made significant progress with our exploration assets in Zimbabwe.

We are immensely proud that we came through the year safely. I am pleased to report on another fatality free year, in which we achieved 3 million fatality free shifts. As members of the Minerals Council, we are participating in the Council's recently launched 'Khumbul'ekaya' 'remember home' safety initiative to ensure that our industry becomes fatality free.

2019 saw curtailed production at the Tharisa mine, as we embedded our owner miner approach at the asset and redesigned the mining operation with investment in training and machinery to support the long-term production goals.

Despite the curtailed operational output, we managed to generate cash at the Tharisa mine, which is testimony to both the engineering and operational skills, as well as the co-product business model, coupled with the owner-mining operating model utilising a high skill set.

In Zimbabwe our efforts to develop a significant new PGM and chrome complex were given a major boost with the granting of Special Economic Zone status post financial year end. This will add momentum to our strategy as we now have the key fiscal framework in place to guide development of the project. We have also progressed studies on the Salene chrome asset after receiving approvals from the Environmental Management Authority ('EMA').

Tharisa has set itself high performance targets and Vision 2020 is one of these. It is the drive to attain the maximum value out of the non-renewable resource that we mine that delivers these ambitions. We have spent the last 15 months reconfiguring the open pit to allow us to access more ore. The pit has progressed well in finalising hauling access ensuring smoother transport routes that lead to longer benches, allowing more controlled blasting, all with the aim of achieving the economies of scale and mining efficiencies required to attain Vision 2020, with production of 2 million tonnes of chrome concentrate and 200 000 ounces of PGMs on an annualised basis.

Challenges remain for mining companies, and these are more pronounced in emerging markets. In South Africa, the precarious situation facing the state-owned electricity provider, Eskom, not just operationally, but also financially, is having a stunting effect on the revival of the economy. Tharisa is a relatively modest user of power and given the modular nature of our processing plants, we have ensured we have been able to reduce our electricity demand at times when other users required power more urgently during times of load-shedding. We have installed stand-by generator capacity that can sustain level 4 load shedding allowing us to continue operations.

In Zimbabwe, we have taken a proactive approach and are looking at developing two large scale solar power plants as part of our investment drive into the country. The aim is not to generate the power exclusively for our mining operations, but to feed it directly into the grid to benefit the country.

Tharisa has always been at the forefront of innovation in methods of extracting maximum value out of the ore body we mine. We have pushed the limits of PGM recoveries, and we have achieved a step change in chrome recovery at the Tharisa mine. Not content with this

progress, our research team in Arxo Metals has proven our proprietary fine chrome recovery technology in a demonstration scale environment. This led to the Company approving an investment of US\$54.2 million on constructing our new Vulcan Plant, which will increase production of chrome concentrate by some 25%, while lowering unit costs.

We firmly believe that technology and technological innovation are major enablers of our success. Although the concepts of mining and technology may seem inherently diametrically opposed to some, we have been advancing and sometimes leapfrogging existing status quos. Technology is central to our strategic drive and will be central to our future as we further explore vertical integration.

A key aspect of Tharisa's approach has been to create value throughout the commodity value chain – with an important contribution to the business made by our processing, logistics and marketing operations.

The innovative, modern approach Tharisa has taken when developing its projects is one of our key success factors. I am confident that our growth ambitions, fulfilled by both external options and our innovative approach to organic growth via our chrome and platinum recovery projects, will be successful. Our established reputation as an ethical operator with a strong social conscience has guided our approach, and we will continue to add value to all our stakeholders as we deepen our commitment to the critical areas of ESG impacting our business, ultimately ensuring that we are well placed to achieving our ultimate goal of *"Engineering the mining company of the future"*.

Chief Finance Officer's FY2019 Review

With an operating environment of volatile commodity prices, and the requirement for sustaining investment in both the mining fleet and processing optimisation at the Tharisa mine, together with us investing in external growth opportunities, a strong focus during this year remained on the determination and implementation of the Company's capital requirements and matching those with the internally generated cash and external forms of capital available to the Company.

Tharisa's growth has been measured by and aligned with the above financial strategy, creating a business that is cash generative, with a development pipeline that sees both internal growth projects and external diversification projects being implemented within managed risk and return parameters.

Balancing the above growth aspirations is the commitment to capital discipline and to provide returns to shareholders. Tharisa has a stated dividend policy of returning a minimum of 15% of consolidated net profit after tax (NPAT) to shareholders. The Board has proposed paying a dividend for the third successive year, comprising the interim dividend of US\$ 0.5 cent per share and a US\$ 0.25 cent per share final dividend, being 23.7% of NPAT. This dividend demonstrates our commitment to capital discipline notwithstanding the capital opportunities being pursued including as part of Vision 2020.

The financial results of the Group once again benefited from the co-product business model for both PGMs and chrome concentrates, with prices for our key commodities reflecting vastly opposing trends. The PGM basket price on a 6E basis increased by 17.1% to US\$1 081/oz (2018: US\$923/oz), as palladium (16.7%) and rhodium (9.8%) showed robust price increases based on strong market fundamentals. The metallurgical grade chrome concentrate price, however, decreased by 12.9% to US\$162/t (2018: US\$186/t).

The Group's commodities are priced in US\$ and the base cost currency for the Group's South African mining operation, is mainly in ZAR. The ZAR exchange rate remained volatile on the back of global markets suffering from 'trade wars', a weak South African economy and a possible sovereign downgrade by Moody's to sub investment grade, with the ZAR depreciating on average against the US\$ by 9.9% to ZAR14.4 (2018: ZAR13.1).

Group revenue totalled US\$342.9 million (2018: US\$406.3 million) of which US\$130.1 million (2018: US\$117.4 million) was derived from the sales of PGM concentrate and US\$177.9 million (2018: US\$250.4 million) derived from the sale of chrome concentrates. The agency and trading segment contributed US\$34.9 million (2018: US\$38.5 million). Overall, revenue decreased by 15.6%, as a result of lower sales volumes and a decrease in the chrome price compared to FY2018.

As a co-producer of PGMs and chrome concentrates, the shared costs of production for segmental reporting purposes are based on the relative contribution to revenue on an ex-works basis, allocated 55% to the PGM segment and 45% to the chrome segment. This is in accordance with the accounting policy of the Group and IFRS. The comparable period allocations were equally to the PGM and chrome segments. The change to the basis of allocation of the shared costs is, in effect, a 10% increase in respect of the allocation to the PGM segment and a 10% decrease in respect of the allocation to the chrome segment.

Gross profit amounted to US\$60.4 million (2018: US\$108.5 million) with a gross profit margin of 17.7% (2018: 26.7%). The major factors contributing to the reduced gross margin were the lower production levels with the embedded fixed cost component and an increase in the stripping ratio moving 0.7% more waste while producing 5.1% fewer ROM tonnes.

Overall inflationary pressures in South Africa as measured by the PPI were well contained at 4.1% (2018: 6.2%), there were however a number of above inflation pricing pressures such as diesel and electricity. Diesel consumption comprises 14.3% of the on-mine cost of

production with an increase in the average price per litre of diesel from ZAR12.7 to ZAR14.25. Electricity costs, while not being a significant input cost at 6.4% of the on-mine cost of production, increased by 6.8% per kilowatt hour.

On a unit cost basis, the reef mining cost per tonne increased by 17.6% from US\$21.0/t to US\$24.7/t. This cost per reef tonne was incurred on a stripping ratio of 8.3 (m³ waste: m³ reef). On a per cube mined basis i.e. including both waste and reef, the cost increased by 11.0% from US\$8.2/m³ to US\$9.1/m³ (2018 stripping ratio was 7.9).

Selling costs incurred with the transport of the metallurgical grade chrome concentrate from the mine to the customer at China main ports increased marginally by 1.6% from US\$62.0/t to US\$63.0/t.

Administrative expenses decreased from US\$39.2 million to US\$37.3 million. After accounting for administrative expenses, the Group achieved an operating profit of US\$24.2 million (2018: US\$72.5 million).

The consolidated cash cost per tonne milled (i.e. including mining but excluding transport and freight) increased by 11.6% from US\$37.5/t to US\$41.9/t.

EBITDA amounted to US\$51.6 million (2018: US\$101.9 million).

Finance costs (totalling US\$8.8 million) principally relate to the term loan and various OEM financing facilities due by Tharisa Minerals for the funding of mining fleet additions, the trade finance facilities of Arxo Resources and the limited recourse discounting of the PGM receivables.

The Group generated a profit before tax of US\$11.2 million compared to the comparable period of US\$65.0 million.

The tax charge amounted to US\$2.8 million, an effective rate of 24.9%. The cash tax paid amounted to US\$4.4 million. The Group has fully utilised its tax losses however, as at the year end, the Group had unredeemed capex for tax purposes available for offset against taxable mining income of US\$100.2 million. The net deferred tax liability amounted to US\$25.0 million.

Basic earnings per share and headline earnings per share for the year amounted to US 4 cents (2018: US 19 cents) with headline earnings per share of US 5 cents (2018: US 19 cents). Diluted earnings per share were US 4 cents (2018: US 18 cents), with diluted headline earnings per share of US 5 cents (2018: US 19 cents).

The Group generated net cash from operations of US\$69.9 million (2018: US\$89.8 million) and after taking into account the capex, a free cash flow of US\$26.0 million (2018: US\$49.3 million). Cash on hand amounted to US\$59.2 million (2018: US\$66.8 million). The total debt amounted to US\$71.2 million, resulting in a debt to total equity ratio of 24.7% and a net debt to total equity ratio of 4.2%.

The current capex spend focused on stay in business capex, mining fleet additions to optimise the fleet and ongoing projects aimed at improving recoveries of both PGMs and chrome concentrates. Additions to property, plant and equipment for the year amounted to US\$43.9 million of which US\$27.5 million related to additions to the mining fleet. The depreciation charge amounted to US\$27.2 million (2018: US\$29.9 million).

In FY2018 Tharisa acquired 26.8% of the shares in Karo Mining Holdings Limited for a total cash consideration of US\$4.5 million. An amount of US\$2.5 million was paid to Leto Settlement in the prior financial year, with an amount of US\$2.0 million paid during the period under review. This investment is equity accounted.

The Company has an option to acquire a shareholding in Salene Chrome Zimbabwe (Private) Limited. It has a commitment to fund the exploration spend of up to US\$3.2 million. This investment is accounted for as other financial asset at the cost of the exploration spend.

There is continued focus on working capital management, with the current ratio at 1.6 times.

Dividend

In accordance with Tharisa's dividend policy of distributing at least 15% of annual net profit after tax, the Board has proposed a final dividend of US 0.25 cent per ordinary share subject to the necessary shareholder approval. The Company declared an interim cash dividend during the year of US 0.5 cent per share.

By order of the Board

P Pouroulis *Chief Executive Officer* **MG Jones** *Chief Finance Officer*

28 November 2019

PREPARATION AND APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the year ended 30 September 2019 have been extracted from the audited financial statements of the Group but have not been audited. The auditor's report on the audited financial statements does not report on all of the information contained herein. Shareholders are therefore advised that in order to obtain a full understanding of the financial position and results of the Group, these condensed consolidated financial statements should be read together with the full audited financial statements and full audit report.

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

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

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

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

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

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

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

The consolidated annual financial statements have been approved by the Board on 26 November 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 September 2019

	Notes	2019 US\$'000	2018 US\$'000
Revenue	5	342 885	406 268
Cost of sales	6	(282 461)	(297 782)
Gross profit		60 424	108 486
Other income		687	2 432
Net foreign exchange gain		354	852
Administrative expenses	7	(37 252)	(39 232)
Results from operating activities		24 213	72 538
Finance income		1 437	1 279
Finance costs		(8 812)	(10 189)
Changes in fair value of financial assets at fair value through profit or loss		312	1 262
Changes in fair value of financial liabilities at fair value through profit or loss		(4 343)	155
Share of loss of investment accounted for using the equity method		(1 652)	(62)
Profit before tax		11 155	64 983
Tax	8	(2 779)	(14 011)
Profit for the year		8 376	50 972
Other comprehensive income			
<i>Items that may be classified subsequently to profit or loss:</i>			
Foreign currency translation differences for foreign operations, net of tax		(13 985)	(10 663)
Other comprehensive income, net of tax		(13 985)	(10 663)
Total comprehensive income for the year		(5 609)	40 309
Profit for the year attributable to:			
Owners of the company		10 616	48 433
Non-controlling interest		(2 240)	2 539
		8 376	50 972
Total comprehensive income for the year attributable to:			
Owners of the company		1 835	41 790
Non-controlling interest		(7 444)	(1 481)
		(5 609)	40 309
Earnings per share			
Basic earnings per share (US\$ cents)	9	4	19
Diluted earnings per share (US\$ cents)	9	4	18

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2019

	Notes	2019 US\$'000	2018 US\$'000
Assets			
Non-current assets			
Property, plant and equipment	10	263 980	264 311
Goodwill		750	804
Investment accounted for using the equity method	11	8 781	4 438
Other financial assets	12	6 080	5 012
Deferred tax assets	13	1 013	1 880
Total non-current assets		280 604	276 445
Current assets			
Inventories	14	36 334	23 043
Trade and other receivables	15	73 857	86 202
Contract assets		1 039	2 229
Other financial assets	12	1 390	986
Current taxation		926	228
Cash and cash equivalents	16	59 201	66 791
Total current assets		172 747	179 479
Total assets		453 351	455 924
Equity and liabilities			
Share capital and premium	17	285 193	280 806
Other reserve	17	47 245	47 245
Foreign currency translation reserve	17	(88 985)	(80 204)
Retained earnings	17	79 318	77 025
Equity attributable to owners of the Company		322 771	324 872
Non-controlling interests	17	(33 982)	(26 538)
Total equity		288 789	298 334
Non-current liabilities			
Provisions	18	13 101	12 634
Borrowings	19	19 903	27 281
Deferred tax liabilities	13	25 984	29 892
Total non-current liabilities		58 988	69 807
Current liabilities			
Borrowings	19	51 313	50 138
Other financial liabilities		2 384	1 000
Current taxation		60	1 013
Trade and other payables	20	50 778	33 403
Contract liabilities		1 039	2 229
Total current liabilities		105 574	87 783
Total liabilities		164 562	157 590
Total equity and liabilities		453 351	455 924

The consolidated financial statements were authorised for issue by the Board of Directors on 26 November 2019.

Phoevos Pouroulis
Director

Michael Jones
Director

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2019

	Note	Attributable to owners of the Company						Non-controlling interest US\$'000	Total equity US\$'000
		Share capital US\$'000	Share premium US\$'000	Other reserve US\$'000	Foreign currency translation reserve US\$'000	Retained earnings US\$'000	Total US\$'000		
Balance at 1 October 2017		260	280 082	47 245	(73 561)	42 862	296 888	(25 057)	271 831
Total comprehensive income for the year									
Profit for the year		-	-	-	-	48 433	48 433	2 539	50 972
<i>Other comprehensive income:</i>									
Foreign currency translation differences		-	-	-	(6 643)	-	(6 643)	(4 020)	(10 663)
Total comprehensive income for the year		-	-	-	(6 643)	48 433	41 790	(1 481)	40 309
Transactions with owners of the Company									
<i>Contributions by and distributions to owners</i>									
Dividends paid	26	-	-	-	-	(18 214)	(18 214)	-	(18 214)
Issue of ordinary shares	17	1	463	-	-	-	464	-	464
Equity-settled share based payments		-	-	-	-	3 638	3 638	-	3 638
Deferred tax on equity-settled share based payments	13	-	-	-	-	306	306	-	306
Contributions by owners of the Company		1	463	-	-	(14 270)	(13 806)	-	(13 806)
Total transactions with owners of the Company		1	463	-	-	(14 270)	(13 806)	-	(13 806)
Balance at 30 September 2018		261	280 545	47 245	(80 204)	77 025	324 872	(26 538)	298 334

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2019

	Note	Attributable to owners of the Company						Non-controlling interest US\$'000	Total equity US\$'000
		Share capital US\$'000	Share premium US\$'000	Other reserve US\$'000	Foreign currency translation reserve US\$'000	Retained earnings US\$'000	Total US\$'000		
Balance at 1 October 2018		261	280 545	47 245	(80 204)	77 025	324 872	(26 538)	298 334
Total comprehensive income for the year									
Profit for the year		-	-	-	-	10 616	10 616	(2 240)	8 376
<i>Other comprehensive income:</i>									
Foreign currency translation differences		-	-	-	(8 781)	-	(8 781)	(5 204)	(13 985)
Total comprehensive income for the year		-	-	-	(8 781)	10 616	1 835	(7 444)	(5 609)
Transactions with owners of the Company									
<i>Contributions by and distributions to owners</i>									
Dividends paid	26	-	-	-	-	(6 594)	(6 594)	-	(6 594)
Issue of ordinary shares	17	6	4 381	-	-	-	4 387	-	4 387
Equity-settled share based payments		-	-	-	-	(859)	(859)	-	(859)
Deferred tax on equity-settled share based payments	13	-	-	-	-	(870)	(870)	-	(870)
Contributions by owners of the Company		6	4 381	-	-	(8 323)	(3 936)	-	(3 936)
Total transactions with owners of the Company		6	4 381	-	-	(8 323)	(3 936)	-	(3 936)
Balance at 30 September 2019		267	284 926	47 245	(88 985)	79 318	322 771	(33 982)	288 789

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2019

	Notes	2019 US\$'000	2018 US\$'000
Cash flows from operating activities			
Profit for the year		8 376	50 972
Adjustments for:			
Depreciation of property, plant and equipment	10	27 236	29 858
Loss on disposal of property, plant and equipment	7	33	37
Gain on bargain purchase		-	(1 884)
Share of loss of investment accounted for using the equity method	11	1 652	62
Impairment loss and net realisable value write down of inventory	14	114	117
Impairment and write off of property, plant and equipment	10	4 141	3 897
Changes in fair value of financial assets at fair value through profit or loss		(312)	(1 262)
Changes in fair value of financial liabilities at fair value through profit or loss		4 343	(155)
Net foreign exchange gain		(354)	(852)
Interest income		(1 437)	(1 279)
Interest expense		8 812	10 189
Tax		2 779	14 011
Equity-settled share based payments		3 583	4 019
		58 966	107 730
Changes in:			
Inventories		(15 207)	(2 456)
Trade and other receivables and contract assets		8 607	(18 639)
Trade and other payables and contract liabilities		21 734	2 979
Provisions		250	5 614
Cash from operations		74 350	95 228
Income tax paid		(4 408)	(5 457)
Net cash flows from operating activities		69 942	89 771
Cash flows from investing activities			
Interest received		1 333	1 172
Additions to property, plant and equipment	10	(43 881)	(40 454)
Net cash outflow from business combination		-	(21 840)
Proceeds from disposal of property, plant and equipment		403	119
Additions to investments accounted for using the equity method	11	(7 995)	(2 500)
Additions to other financial assets		(2 277)	(4 008)
Refund of long term deposits		-	7 110
Net cash flows used in investing activities		(52 417)	(60 401)
Cash flows from financing activities			
Net (payment of)/proceeds from bank credit facilities	19	(14 347)	114
Advances received	19	28 476	68 220
Repayment of borrowings	19	(19 024)	(48 503)
Lease payments	19	(6 647)	(6 463)
Dividends	26	(6 594)	(18 214)
Interest paid		(4 665)	(6 619)
Net cash flows used in financing activities		(22 801)	(11 465)
Net (decrease)/increase in cash and cash equivalents		(5 276)	17 905
Cash and cash equivalents at the beginning of the year		66 791	49 742
Effect of exchange rate fluctuations on cash held		(2 314)	(856)
Cash and cash equivalents at the end of the year	16	59 201	66 791

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

1. REPORTING ENTITY

Tharisa plc ('the Company') is a company domiciled in Cyprus. These condensed consolidated financial statements of the Company for the year ended 30 September 2019 comprise the Company and its subsidiaries (together referred to as 'the Group'). The Group is primarily involved in platinum group metals (PGM) and chrome mining, processing, trading and the associated logistics. The Company is listed on the main board of the Johannesburg Stock Exchange and has a secondary standard listing on the main board of the London Stock Exchange and a secondary listing on the A2X Exchange in South Africa.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with the Listings Requirements of the Johannesburg Stock Exchange and as a minimum, contain the information required by International Accounting Standards 34: Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to obtain an understanding of the changes in the financial position and performance of the Group since the last consolidated financial statements as at and for the year ended 30 September 2018. These condensed consolidated financial statements do not include all the information required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards ('IFRS'). The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 30 September 2019, which have been prepared in accordance with IFRS and the Cyprus Companies Law, Cap.113.

These condensed consolidated financial statements were approved by the Board of Directors on 26 November 2019.

Use of estimates and judgements

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

In preparing these condensed consolidated financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements at and for the year ended 30 September 2019.

Functional and presentation currency

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

Going concern

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

2. BASIS OF PREPARATION

Standards and interpretations adopted in the current year

The Group early adopted IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases with effect from 1 October 2017 and the consolidated financial statements for the year ended 30 September 2018 were prepared in accordance with these standards.

The Group has adopted the following new and/or revised standards and interpretations which became effective for the year ended 30 September 2019:

IFRIC 22 – Foreign Currency Transaction and Advance Consideration

IFRS 2 – Classification and Measurement of Share Based Payment Transactions (Amendment)

Standards and interpretations issued but not yet effective

A number of standards, amendments to standards and interpretations have been issued but are not yet effective for annual periods beginning on 1 October 2018. Other than IFRS 16: Leases, the Group has elected not to early adopt any of these standards, amendments to standards and interpretations. Those that are relevant to the Group are presented below.

IFRIC 23 – Uncertainty over Income Tax Treatment (effective for reporting periods beginning on or after 1 January 2019)

IAS 23 – Borrowing Costs (Amendment) (effective for reporting periods beginning on or after 1 January 2019)

IFRS 3 – Business Combinations (Amendment) (effective for reporting periods beginning on or after 1 January 2020)

IAS1 and IAS 8 – Definition of material (Amendment) effective for reporting periods beginning on or after 1 January 2020)

The Group will adopt these standards and interpretations as they become effective.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 30 September 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

4. OPERATING SEGMENTS

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

- PGM segment
- Chrome segment
- Agency and trading segment

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

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

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

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

	PGM US\$'000	Chrome US\$'000	Agency and trading US\$'000	Total US\$'000
2019				
Revenue	130 064	177 881	34 940	342 885
Cost of sales				
Manufacturing costs	(100 735)	(88 861)	(17 061)	(206 657)
Selling costs	(899)	(41 302)	(10 012)	(52 213)
Freight services	-	(17 910)	(5 681)	(23 591)
	(101 634)	(148 073)	(32 754)	(282 461)
Gross profit	28 430	29 808	2 186	60 424
2018				
Revenue	117 381	250 351	38 536	406 268
Cost of sales				
Manufacturing costs	(87 745)	(106 485)	(21 695)	(215 925)
Selling costs	(399)	(48 343)	(9 711)	(58 453)
Freight services	-	(19 836)	(3 568)	(23 404)
	(88 144)	(174 664)	(34 974)	(297 782)
Gross profit	29 237	75 687	3 562	108 486

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

4. OPERATING SEGMENTS (continued)

The shared costs relating to the manufacturing of PGM and chrome concentrates are allocated to the relevant operating segments based on the relative sales value per product on an ex-works basis. During the year ended 30 September 2019, the relative sales value of PGM concentrate increased compared to the relative sales value of chrome concentrates and consequently the allocation basis of shared costs was amended to 55.0% for PGM concentrate and 45.0% for chrome concentrates. Shared costs were allocated equally in the comparative year.

Cost of sales includes a charge for the write off/impairment of property, plant and equipment totalling US\$4.1 million (2018: US\$3.6 million) which mainly relates to mining equipment. The write off/impairment has been allocated to the PGM and chrome segments in accordance with the allocation basis of shared costs as described in the preceding paragraph.

Geographical information

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

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

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

Revenue from external customers

	PGM US\$'000	Chrome US\$'000	Agency and trading US\$'000	Total US\$'000
2019				
South Africa	130 064	40 320	695	171 079
China	-	53 070	3 558	56 628
Singapore	-	10 046	30 182	40 228
Hong Kong	-	67 106	-	67 106
Other countries	-	7 339	505	7 844
	130 064	177 881	34 940	342 885
	PGM US\$'000	Chrome US\$'000	Agency and trading US\$'000	Total US\$'000
2018				
South Africa	117 381	62 464	969	180 814
China	-	86 866	9 894	96 760
Singapore	-	10 942	17 088	28 030
Hong Kong	-	89 733	9 453	99 186
Other countries	-	346	1 132	1 478
	117 381	250 351	38 536	406 268

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

4. OPERATING SEGMENTS (continued)

	2019 Segment	US\$'000	2018 Segment	US\$'000
Customer 1	PGM	110 209	PGM	101 560
Customer 2	Chrome	42 582	Chrome	62 583
Customer 3	Chrome	41 858	Chrome	46 186
Customer 4	Chrome	39 769	Chrome	24 372
			2019 US\$'000	2018 US\$'000
Specified non-current assets				
South Africa			264 627	264 933
Zimbabwe			8 781	4 438
Cyprus			103	73
			273 511	269 444

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

5. REVENUE

	PGM US\$'000	Chrome US\$'000	Agency and trading US\$'000	Total US\$'000
2019				
Revenue recognised at a point in time				
Variable revenue based on initial results	118 188	118 604	28 891	265 683
Quantity adjustments	1 788	1 048	64	2 900
Revenue based on fixed selling prices	-	40 319	304	40 623
Revenue recognised over time				
Freight services	-	17 910	5 681	23 591
Revenue from contracts with customers	119 976	177 881	34 940	332 797
Fair value adjustments	10 088	-	-	10 088
Total revenue	130 064	177 881	34 940	342 885
2018				
Revenue recognised at a point in time				
Variable revenue based on initial results	110 619	169 092	33 957	313 668
Quantity adjustments	254	(1 041)	42	(745)
Revenue based on fixed selling prices	-	62 464	915	63 379
Revenue recognised over time				
Freight services	-	19 836	3 622	23 458
Revenue from contracts with customers	110 873	250 351	38 536	399 760
Fair value adjustments	6 508	-	-	6 508
Total revenue	117 381	250 351	38 536	406 268

During the year ended 30 September 2019, revenue from freight services of US\$2.2 million was recognised which was classified as a contract liability at 30 September 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

5. REVENUE (continued)

	2019 US\$'000	2018 US\$'000
Variable revenue recognised:		
PGM revenue recognised in preceding year based on initial results	(29 352)	(28 994)
PGM revenue based on final results	28 957	30 823
PGM revenue adjustment recognised in current year	(395)	1 829
Chrome revenue recognised in preceding year based on initial results	(45 805)	(41 197)
Chrome revenue based on final results	45 618	41 177
Chrome revenue adjustment recognised in current year	(187)	(20)

The period ended 30 September 2019 includes PGM revenue of US\$39.9 million and chrome revenue of US\$37.7 million that was based on provisional results as final prices and surveys were not yet available at the date of this report.

6. COST OF SALES

	2019 US\$'000	2018 US\$'000
Mining	109 526	105 376
Salaries and wages	13 906	15 124
Utilities	11 586	10 319
Diesel*	640	650
Materials and consumables	12 335	11 174
Re-agents	4 267	4 471
Steel balls	5 168	6 715
Overhead	3 067	4 117
State royalties	4 267	2 916
Depreciation – property, plant and equipment	26 420	29 008
Cost of commodities	22 391	18 644
Impairment and write off of property, plant and equipment	4 141	3 630
Change in inventories – finished products and ore stockpile	(11 057)	3 781
Total cost of sales excluding selling costs	206 657	215 925
Selling costs	52 213	58 453
Freight services	23 591	23 404
Cost of sales	282 461	297 782

* Not relating to mining activities

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

7. ADMINISTRATIVE EXPENSES

	2019 US\$'000	2018 US\$'000
Directors and staff costs		
Non-Executive Directors	629	612
Employees: salaries	15 234	15 459
bonuses	1 518	3 262
pension fund, medical aid and other contributions	1 836	1 707
	19 217	21 040
Audit – external audit services	353	490
Audit – other services *	6	90
Consulting	2 678	2 376
Corporate and social investment	198	157
Depreciation	816	850
Discount facility and related fees	759	701
Equity-settled share based payment expense	3 583	4 019
Internal audit	60	206
Listing fees and investor relations	180	461
Health and safety	1 132	1 019
Impairment and write off of property, plant and equipment	-	267
Insurance	743	697
Legal and professional	600	634
Loss on disposal of property, plant and equipment	33	37
Office administration, rent and utilities	985	1 296
Research and development	351	235
Security	1 443	1 776
Telecommunications and IT related	2 331	1 374
Training	505	504
Travelling and accommodation	702	410
Sundry	577	593
	37 252	39 232
	2019	2018
Number of employees	1 872	1 758

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

8. TAX

	2019 US\$'000	2018 US\$'000
Corporate income tax for the year		
Cyprus	1 243	2 913
South Africa	1 488	3 002
	2 731	5 915
Special contribution for defence in Cyprus	3	5
Deferred tax		
Originating and reversal of temporary differences (note 13)	45	7 933
Dividend withholding tax	-	158
Tax charge	2 779	14 011

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

8. TAX (continued)

	2019 US\$'000	2018 US\$'000
Reconciliation between tax charge and accounting profit at applicable tax rates:		
Profit before tax	11 155	64 983
Add share of loss of investment accounted for using the equity method	1 652	62
Tharisa plc and subsidiary companies' profit before tax	12 807	65 045
Notional tax on profit before tax, calculated at the Cypriot income tax rate of 12.5% (2018: 12.5%)	1 601	8 131
Tax effects of:		
Different tax rates from the standard Cypriot income tax rate	860	4 978
Tax exempt income		
Gain on bargain purchase	-	(230)
Interest received	(2)	(12)
Non-deductible expenses		
Investment related	146	856
Interest paid	8	5
Capital expenses	76	63
Other	13	152
Recognition of deemed interest income for tax purposes	77	68
Tax charge	2 779	14 011

Tax is recognised on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the year.

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

The Group's consolidated effective tax rate for the year ended 30 September 2019 was 24.9% (2018: 21.6%).

At 30 September 2019, the Group's unredeemed capital balance available for offset against future mining taxable income in South Africa amounted to US\$100.2 million (2018: US\$111.1 million).

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

9. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share and headline and diluted headline per share have been based on the profit attributable to the ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding. Treasury shares are excluded from the weighted average number of ordinary shares outstanding. Vested Share Appreciation Rights ('SARS') issued to employees at award prices lower than the current share price, results in a potential dilutive impact on the weighted average number of issued ordinary shares and have been included in the calculation of dilutive weighted average number of issued ordinary shares. The average market value of the Company's shares for the purposes of calculating the potential dilutive effect of SARS was based on quoted market prices for the year during which the options were outstanding.

	2019	2018
Profit for the year attributable to ordinary shareholders (US\$'000)	10 799	48 433
Weighted average number of issued ordinary shares for basic earnings per share ('000)	263 131	260 329
Weighted average number of issued ordinary shares for diluted earnings per share ('000)	264 877	264 531

Earnings per share

Basic (US\$ cents)	4	19
Diluted (US\$ cents)	4	18

Headline and diluted headline earnings per share

	2019	2018
Headline earnings for the year attributable to ordinary shareholders (US\$'000)	13 023	49 134
Weighted average number of issued ordinary shares for basic headline earnings per share ('000)	263 131	260 329
Weighted average number of issued ordinary shares for diluted headline earnings per share ('000)	264 877	264 531

Headline earnings per share

Basic (US\$ cents)	5	19
Diluted (US\$ cents)	5	19

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

9. EARNINGS PER SHARE (continued)

Reconciliation of profit to headline earnings

				2019	2018
	Gross US\$'000	Tax US\$'000	Non- controlling interest US\$'000	Net US\$'000	Net US\$'000
Profit attributable to ordinary shareholders	-	-	-	10 799	48 433
Adjustments:					
Gain on bargain purchase	-	-	-	-	(1 394)
Impairment of property, plant and equipment	4 140	(1 159)	(775)	2 206	2 076
Loss on disposal of property, plant and equipment	33	(9)	(6)	18	19
Headline earnings				13 023	49 134

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings US\$'000	Mining assets and infrastructure US\$'000	Mining fleet US\$'000	Right-of-use asset: mining fleet US\$'000	Motor vehicles US\$'000	Computer equipment and software US\$'000	Office equipment and furniture, community and site office improvements US\$'000	Right-of-use asset: buildings US\$'000	Total US\$'000
30 September 2019									
Cost									
Balance at 30 September 2018	14 861	276 345	36 872	14 182	651	7 223	771	2 296	353 201
Additions	918	12 620	27 474	-	715	2 061	93	-	43 881
Lease agreements entered into	-	-	-	5 854	-	-	-	70	5 924
Transfers	-	3 528	1 622	(1 622)	-	(3 528)	-	-	-
Disposals	-	(86)	(1 278)	-	-	(2)	(3)	-	(1 369)
Re-measurement	-	407	-	2	-	-	-	-	409
Impairment and write offs	-	(26)	(2 781)	(733)	-	(26)	(7)	(77)	(3 650)
Exchange differences on translation	(1 048)	(19 442)	(3 824)	(1 140)	(82)	(390)	(47)	(181)	(26 154)
Balance at 30 September 2019	14 731	273 346	58 085	16 543	1 284	5 338	807	2 108	372 242
Accumulated depreciation									
Balance at 30 September 2018	740	72 390	8 274	2 732	341	3 340	541	532	88 890
Charge for the year	185	12 691	8 763	3 273	85	1 732	86	421	27 236
Transfers	-	-	682	(682)	(1)	1	-	-	-
Disposals	-	(39)	(889)	-	-	(2)	(3)	-	(933)
Impairment	-	(16)	955	(346)	-	(25)	(5)	(72)	491
Exchange differences on translation	(60)	(5 543)	(1 066)	(303)	(27)	(305)	(33)	(85)	(7 422)
Balance at 30 September 2019	865	79 483	16 719	4 674	398	4 741	586	796	108 262

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

10. PROPERTY, PLANT AND EQUIPMENT (continued)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	2019 US\$'000	2018 US\$'000
Net book value		
Freehold land and buildings	13 866	14 121
Mining assets and infrastructure	193 863	203 955
Mining fleet	41 366	28 598
Right-of-use mining fleet	11 869	11 450
Motor vehicles	886	310
Computer equipment and software	597	3 883
Office equipment and furniture, community and site office improvements	221	230
Right-of-use buildings and premises	1 312	1 764
	263 980	264 311

Included in additions to mining assets and infrastructure are additions to the deferred stripping asset of US\$0.2 million (2018: US\$1.3 million).

The estimated economically recoverable proved and probable mineral reserve was reassessed at 1 October 2018 which gave rise to a change in accounting estimate. The remaining reserve that management had previously assessed was 97.0 Mt (at 1 October 2017) and at 1 October 2018 was assessed to be 92.9 Mt.

As a result, and taking into account depletion of the reserve during the year ended 30 September 2018 (4.9 Mt), the expected useful life of the plant increased. The impact of the change on the actual depreciation expense, included in cost of sales, is a reduced depreciation charge of US\$0.1 million. The change in estimate was recognised prospectively.

Included in mining assets and infrastructure are projects under construction of US\$14.8 million (2018: US\$20.5 million).

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

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

Capital commitments

At 30 September 2019, the Group's capital commitments for contracts to purchase property, plant and equipment amounted to US\$17.9 million (2018: US\$6.0 million).

Securities

At 30 September 2019, the majority of the Group's mining fleet was pledged as security against the equipment loan facility.

Impairment

During the year ended 30 September 2019, the Group impaired and scrapped individual assets totalling US\$4.1 million (2018: US\$3.9 million). The impairment during the year relate to yellow fleet equipment identified as no longer fit for use and premature component failures.

The impairment during the previous year relate to costs that were capitalised to the construction of a plant and to yellow fleet equipment identified as no longer fit for use. The Group decided not to proceed with the construction of the plant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

11. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

During the year ended 30 September 2018, the Group acquired 26.8% of the issued share capital of Karo Mining Holdings Limited ('Karo Holdings'), a company incorporated in Cyprus, for a total cash consideration of US\$4.5 million from the Leto Settlement, a related party.

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

Karo Holdings' principal place of business is in Cyprus. The functional and presentation currency of Karo Holdings and its subsidiaries is the US\$. The table below details Karo Holdings' interest in subsidiaries as at 30 September 2019 and 30 September 2018.

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

* In terms of the Investment Project Framework Agreement, 50% of the shareholding in this company is required to be transferred to an investment entity owned by the Republic of Zimbabwe, the communities and employees.

** In terms of the Investment Project Framework Agreement, 25% of the shareholding in this company is required to be transferred to an investment entity owned by the Republic of Zimbabwe, the communities and employees.

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

	2019 US\$'000	2018 US\$'000
Investment in Karo Holdings		
Opening balance	4 438	-
Shares acquired	-	4 500
Loan receivable	5 995	-
Share of total comprehensive loss	(1 652)	(62)
	8 781	4 438
Total share of comprehensive loss from joint venture	(1 652)	(62)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

11. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (continued)

	2019 US\$'000	2018 US\$'000
Summarised consolidated financial information of Karo Holdings		
Summarised statement of financial position		
Non-current assets	574	122
Current assets	27	3
Non-current liabilities	(5 995)	(264)
Current liabilities	(1 000)	(91)
Net deficit (100%)	(6 394)	(230)
Summarised statement of comprehensive income		
Operating expenses	(6 106)	(290)
Tax	(60)	60
Total comprehensive loss	(6 166)	(230)
Carrying amount of investment in joint venture		
Opening carrying amount	4 438	-
Group's share of net deficit (26.8%)	(1 652)	(62)
Loan receivable	5 995	-
Purchase consideration	-	4 500
Carrying amount	8 781	4 438

Contingencies and commitments

The Group has undertaken to provide funding up to US\$8.0 million to Karo Holdings as a repayable debt facility. This will be utilised to undertake initial geological exploration and sampling work to determine a compliant mineral resource which will enhance the value of the investment in Karo Holdings. At 30 September 2019, US\$6.0 million had been advanced to Karo Holdings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

12. OTHER FINANCIAL ASSETS

		2019 US\$'000	2018 US\$'000
	<i>Fair value hierarchy</i>		
<i>Non-current assets:</i>			
Investments in money markets, current accounts, cash funds and income funds	Level 2	6 080	5 012
<i>Current assets:</i>			
Investments in equity instruments	Level 1	23	40
Forward exchange contracts	Level 2	-	804
Prepaid investment in Salene Chrome Zimbabwe (Private) Limited	Amortised cost	1 367	142
		1 390	986

Investments in money markets, current accounts, cash funds and income funds – fair value through profit or loss

Investment in money market and current accounts totalling US\$4.8 million (2018: US\$3.8 million) is managed by Centriq Insurance Company Limited ('Centriq'). The investment serves as security for the guarantee issued by Centriq to the Department of Mineral Resources (DMR) for the rehabilitation provision. The guarantee issued by Centriq has a fixed cover period from 1 December 2014 to 30 November 2020.

Investment in cash funds and income funds of US\$1.3 million (2018: US\$1.2 million) managed by Stanlib Collective Investments. The investment is ceded to Lombard Insurance Group ('Lombard') against a ZAR12.0 million (2018: ZAR12.0 million) guarantee issued by Lombard on behalf of Arxo Logistics Proprietary Limited to Transnet Freight Rail, a division of Transnet SOC Limited.

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

Investments in equity instruments – fair value through profit or loss

Investments at fair value through profit or loss are valued based on quoted market prices at the end of the reporting period without any deduction for transaction costs. The investment represents shares in the Bank of Cyprus Public Co Limited.

Forward exchange contracts – fair value through profit or loss

The Group entered into a number of forward exchange contracts to hedge certain aspects of the foreign exchange risk associated to the conversion of the US\$ to the ZAR. At 30 September 2018 the net exposure of these contracts was US\$28.6 million with various expiries no later than 20 December 2018 (refer to note 28).

Prepaid investment in Salene Chrome Zimbabwe (Private) Limited

The Company has been granted a call option to acquire a 90.0% shareholding in Salene Chrome Zimbabwe (Private) Limited ('Salene') a company incorporated in Zimbabwe from the Leto Settlement, a related party (refer to note 34). Salene has been awarded special grants under the Zimbabwe Mines and Minerals Act covering an area of approximately 9 500 hectares (95 km²) on the eastern and western sides of the Great Dyke in Zimbabwe, which entitles it to mine the minerals thereon including illuvial chrome, being at surface chrome fines generated from seams as a result of weathering. The call option is exercisable upon completion of an initial exploration programme. In consideration of the call option, the Group will undertake the initial exploration programme including the costs thereof up to an amount of US\$3.2 million. The decision to exercise the call option is at the Group's election. At the date of this report, the call option has not yet been exercised.

At the date of this report, insufficient information was available to accurately determine the fair value of the call option, more specifically the value of the net assets of the special grants or the profits attributable thereto. The Group believes that the fair value as at 30 September 2019 may only be possible to be determined once the initial exploration programme has been completed. At 30 September 2019, the Group has invested US\$1.4 million (2018: US\$0.1 million) in Salene which represents the costs of exploration activities. The exploration costs incurred will be capitalised to the cost of investment upon the exercise of the call option.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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13. DEFERRED TAX

	2019 US\$'000	2018 US\$'000
Deferred tax assets	1 013	1 880
Deferred tax liabilities	(25 984)	(29 892)
Net deferred tax liability	(24 971)	(28 012)
Deferred tax assets		
Property, plant and equipment	(7)	(35)
Unrealised foreign currency exchange losses	-	610
Accrued leave	188	165
Share based payments	741	1 040
Other	91	100
	1 013	1 880
Deferred tax liabilities		
Property, plant and equipment	(34 153)	(63 212)
Tax losses not utilised	3 144	28 755
Provisions	4 567	3 573
Share based payments	393	782
Other	65	210
	(25 984)	(29 892)
Reconciliation of deferred tax liability		
Balance at the beginning of the year	(28 012)	(21 864)
Temporary differences recognised in profit or loss and equity in relation to:		
Capital allowances on property, plant and equipment	(3 722)	(8 470)
Provisions	472	440
Tax losses utilised/available for future set off against profits	2 062	(79)
Currency losses	2 722	-
Share based payments	(962)	-
Other	744	482
	1 316	(7 627)
Exchange differences	1 725	1 479
Balance at the end of the year	(24 971)	(28 012)
Amounts recognised in:		
Profit and loss (note 8)	(45)	(7 933)
Equity		
Share based payments	(870)	306
Foreign currency translation reserve: tax impact of currency movements relating to intergroup funding arrangements	2 231	-
	1 316	(7 627)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

13. DEFERRED TAX (continued)

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

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

14. INVENTORIES

	2019 US\$'000	2018 US\$'000
Finished products	16 436	7 199
Ore stockpile	3 158	1 338
Consumables	16 854	14 623
	36 448	23 160
Impairment of consumables	(114)	(117)
Total carrying amount	36 334	23 043

Inventories are stated at the lower of cost or net realisable value. The Group impaired certain consumables and spares as the operational use became doubtful with no anticipated recoverable amount or value in use. The balance of the impaired consumables is allocated 55.0% and 45.0% respectively to the PGM and chrome operating segments) (2018: allocated equally to the PGM and chrome operating segments).

PGM finished products were written down to the net realisable value during the year ended 30 September 2019. The net realisable write down amounted to US\$0.2 million (2018: no net realisable value write down) and is allocated to the PGM segment.

Inventories serve as collateral for the bank credit facilities, refer to note 19.

15. TRADE AND OTHER RECEIVABLES

	2019 US\$'000	2018 US\$'000
Trade receivables	26 119	38 645
PGM receivable	33 686	25 355
Total trade receivables	59 805	64 000
Other receivables – related parties (note 22)	342	417
Deposits, prepayments and other receivables	3 757	1 000
Accrued income	1 659	5 088
Value added tax receivable (VAT)	8 294	14 577
Provision for royalty tax	-	1 120
	73 857	86 202

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

15. TRADE AND OTHER RECEIVABLES (continued)

Trade and other receivables of the Group are expected to be recoverable within one year from each reporting date. Trade receivables terms vary from 0 to 120 days (2018: 0 to 120 days). No impairment of trade receivables was recognised during the year ended 30 September 2019 (2018: no impairment).

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

	2019 US\$'000	2018 US\$'000
Current	58 714	61 674
Less than 90 days past due but not impaired	164	2 143
Greater than 90 days past due but not impaired	927	183
	59 805	64 000

Included in VAT is an amount of US\$5.4 million (ZAR82.3 million) (2018: US\$10.0 million (ZAR141.3 million)) that relates to diesel rebates receivable from the South African Revenue Service ('SARS') in respect of the mining operations. SARS has rejected the Group's claim to the refund. The Group is strongly of the view that it fully complied with all the regulations to be entitled to this refund. The Group's recourse is to appeal to the High Court of South Africa before May 2020.

Based on current observable data, available credit quality information of clients and client's past default experience, management believes that no impairment allowance (2018: no impairment allowance) is required in respect of the trade and other receivables as balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

16. CASH AND CASH EQUIVALENTS

	2019 US\$'000	2018 US\$'000
Bank balances	55 409	55 433
Short-term bank deposits	3 792	11 358
	59 201	66 791

The amounts reflected above approximate fair value.

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

At 30 September 2019, an amount of US\$1.3 million (2018: US\$1.6 million) was provided as security for a bank guarantee issued in favour of a trade creditor of a subsidiary of the Group and US\$0.3 million (2018: US\$0.3 million) was provided as security against certain credit facilities of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

17. SHARE CAPITAL AND RESERVES

Share capital

	2019		2018	
	Number of Shares	US\$'000	Number of Shares	US\$'000
Authorised – ordinary shares of US\$0.001 each				
As at 30 September	10 000 000 000	10 000	10 000 000 000	10 000
Authorised – convertible redeemable preference shares of US\$1 each				
As at 30 September	1 051	1	1 051	1
Issued				
Ordinary shares				
Balance at the beginning of the year	265 000 000	265	261 000 000	261
Issued to treasury shares	5 000 000	5	4 000 000	4
Balance at the end of the year	270 000 000	270	265 000 000	265
Treasury shares				
Balance at the beginning of the year	4 097 571	4	987 274	1
Issued	5 000 000	5	4 000 000	4
Transferred as part of management share award plans	(5 707 893)	(6)	(889 703)	(1)
Balance at the end of the year	3 389 678	3	4 097 571	4
Issued and fully paid	266 610 322	267	260 902 429	261

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

17. SHARE CAPITAL AND RESERVES (continued)

Share premium	2019		2018	
	Number of Shares	US\$'000	Number of Shares	US\$'000
Balance at the beginning of the year	260 902 429	280 545	260 012 726	280 082
Shares issued	5 707 893	4 381	889 703	463
Balance at the end of the year	266 610 322	284 926	260 902 429	280 545
Total share capital and premium		285 193		280 806

Share capital

Allotments during the year were in respect of 5 000 000 (2018: 4 000 000) ordinary shares issued as treasury shares to satisfy the vesting of Conditional Awards and potential future settlement of Appreciation Rights of the participants' of the Tharisa Share Award Plan.

During the year ended 30 September 2019, 5 707 893 (2018: 889 703) ordinary shares were transferred from treasury shares to satisfy the exercise of Appreciation Rights by the participants of the Tharisa Share Award Plan.

At 30 September 2019, 3 389 678 (2018: 4 097 571) ordinary shares were held in treasury.

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

Share premium

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

During the years ended 30 September 2019 and 30 September 2018, the increases in the share premium account related to the issue and allotment of ordinary shares granted in terms of the Share Award Plan.

Other reserve

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

Foreign currency translation reserve

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

Retained earnings

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

18. PROVISIONS

Provision for rehabilitation	Restoration US\$'000	2019 Decommissioning US\$'000	Total provision US\$'000	Restoration US\$'000	2018 Decommissioning US\$'000	Total provision US\$'000
Opening balance	5 921	6 713	12 634	3 962	2 961	6 923
Recognised in profit and loss	415	-	415	1 693	-	1 693
(Reversal of)/capitalised to mining assets and infrastructure	-	(166)	(166)	-	3 922	3 922
Business combination	-	-	-	76	57	133
Unwinding of discount	536	604	1 140	529	212	741
Exchange differences	(448)	(474)	(922)	(339)	(439)	(778)
Closing balance	6 424	6 677	13 101	5 921	6 713	12 634

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

The table below illustrates the movement in the provision as a result of mining operations and changes in variables. During the year ended 30 September 2018 the Group adopted commercial rates in comparison to the previously used Department of Mineral Resources rates.

	Opening balance US\$'000	Mining operations US\$'000	Changes in variables US\$'000	Commercial rates US\$'000	Exchange differences US\$'000	Closing Balance US\$'000
2019						
Provision for restoration	5 921	3 057	(2 106)	-	(448)	6 424
Provision for decommissioning	6 713	162	276	-	(474)	6 677
	12 634	3 219	(1 830)	-	(922)	13 101
2018						
Provision for restoration	3 962	1 839	882	(423)	(339)	5 921
Provision for decommissioning	2 961	(597)	368	4 420	(439)	6 713
	6 923	1 242	1 250	3 997	(778)	12 634

The current estimated rehabilitation cost to be incurred mostly at the end of the life of mine taking escalation factors into account is US\$25.6 million (2018: US\$21.8 million). The estimate was calculated by an independent external expert.

In determining the amounts attributable to the rehabilitation provisions at 30 September 2019, management used a discount rate of 9.0% (2018: 9.4%) which represents the rate associated to a 10-year and longer daily average yield based on South African government bonds (2018: 10-year and longer daily average yield based on South African government bonds), estimated rehabilitation timing of 15 years (2018: 15 years) and an inflation rate of 5.5% (2018: 6.3%).

An insurance company has provided a guarantee to the Department of Mineral Resources to satisfy the legal requirements with respect to environmental rehabilitation and the Group has pledged as collateral its investments in interest-bearing instruments to the insurance company to support this guarantee.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

19. BORROWINGS

	2019 US\$'000	2018 US\$'000
<i>Non-current</i>		
Facilities	4 279	13 711
Equipment loan facility	7 901	1 931
Finance leases	5 873	7 505
Loan	1 850	4 134
	19 903	27 281
<i>Current</i>		
Facilities	25 000	9 104
Equipment loan facility	3 698	5 564
Finance leases	5 707	4 299
Loan	2 008	1 928
Bank credit facilities	14 900	29 243
	51 313	50 138

Facilities

Effective 28 March 2018, the Group concluded the US\$52.8 million (ZAR800 million) Facilities which comprises of:

- a three year senior secured amortising term loan of US\$26.4 million (ZAR400 million) ('Term loan'),
- a three year secured committed revolving facility of US\$19.8 million (ZAR300 million) ('Revolving facility'); and
- an overdraft facility of US\$6.6 million (ZAR100 million) ('Overdraft').

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

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

The Facilities contains the following financial covenants for Tharisa Minerals Proprietary Limited:

- Debt to equity ratio of less than 0.67 times;
- Net debt to EBITDA of less than 2.0 times; and
- EBITDA to interest of greater than 3.0 times.

During the year ended 30 September 2019, the EBITDA to interest financial covenant was reduced from greater than 4.0 times to greater than 3.0 times.

At 30 September 2019, Tharisa Minerals Proprietary Limited complied with all financial covenants.

The Term loan was utilised, *inter alia*, to settle the secured bank borrowings at 29 March 2018 and in part to settle the bridge loan at 31 March 2018. The unutilised facilities at 30 September 2019 amounted to US\$9.9 million (ZAR150 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

19. BORROWINGS (continued)

Equipment loan facility

During the year ended 30 September 2018, Tharisa Minerals Proprietary Limited entered into an equipment loan facility of US\$25 million with Caterpillar Financial Services Corporation for the funding of certain Caterpillar mining equipment. The funding was partially utilised for the purchase of existing mining equipment acquired from MCC Contracts Proprietary Limited as well as replacement parts and new mining equipment. The loan is structured in three tranches and repayment of each tranche varies between twenty-four and forty-eight equal monthly instalments, payable in arrears. Interest is calculated on the three month US\$ Libor plus between 350 and 400 basis points.

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

The equipment loan facility contains the following Group financial covenants:

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

At 30 September 2019, the Group complied with all financial covenants.

Finance leases

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

Lease expenses of US\$0.1 million (2018: US\$ US\$0.2 million) and US\$0.1 million (2018: US\$0.1 million) were included in cost of sales and administrative expenses respectively for the year ended 30 September 2019.

The duration of leases relating to buildings and premises are for a period of five years, payments are due at the beginning of the month escalating annually on average by 8.0%. At 30 September 2019, the remaining term of these leases vary between four and four and a half years. These leases are secured by cash deposits varying from one to three times the monthly lease payments.

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

	2019 US\$'000	2018 US\$'000
Minimum lease payments due:		
Within one year	6 682	5 284
Two to five years	6 491	8 930
	13 173	14 214
Less future finance charges	(1 593)	(2 410)
Present value of minimum lease payments due	11 580	11 804
 Present value of minimum lease payments due:		
Within one year	5 687	4 293
Two to five years	5 893	7 511
	11 580	11 804

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

19. BORROWINGS (continued)

Loan

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

Bank credit facilities

The bank credit facilities relate to pre-shipment finance and discounting of the letters of credit by the Group's banks following performance of the letter of credit conditions by the Group, which results in funds being received in advance of the normal payment date. Interest on these facilities at the reporting date varied between US Libor plus 1.6% pa and US Libor plus 3.0% pa (2018: US Libor plus 1.6% pa).

	Facilities US\$'000	Equipment loan facility US\$'000	Finance leases US\$'000	Bank credit facilities US\$'000	Loan US\$'000	Total borrowings US\$'000
Balance 30 September 2018	22 815	7 495	11 804	29 243	6 062	77 419
Changes from financing cash flows						
Advances: bank credit facilities	-	-	-	151 626	-	151 626
Repayment: bank credit facilities	-	-	-	(165 973)	-	(165 973)
Net repayment of bank credit facilities	-	-	-	(14 347)	-	(14 347)
Advances received	17 426	11 050	-	-	-	28 476
Repayment of borrowings	(9 294)	(7 831)	-	-	(1 899)	(19 024)
Lease payments	-	-	(6 647)	-	-	(6 647)
Repayment of interest	(2 549)	(602)	-	(524)	(570)	(4 245)
Changes from financing cash flows	5 583	2 617	(6 647)	(14 871)	(2 469)	(15 787)
Foreign currency translation differences	(1 986)	(764)	(821)	-	(305)	(3 876)
Liability-related changes						
Lease agreements entered into	-	-	5 924	-	-	5 924
Interest expense	2 867	759	1 320	528	570	6 044
Revaluation of foreign denominated loan	-	1 492	-	-	-	1 492
Total liability-related changes	2 867	2 251	7 244	528	570	13 460
Balance at 30 September 2019	29 279	11 599	11 580	14 900	3 858	71 216
Non-current borrowings	4 279	7 901	5 873	-	1 850	19 903
Current borrowings	25 000	3 698	5 707	14 900	2 008	51 313
Total borrowings	29 279	11 599	11 580	14 900	3 858	71 216

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

19. BORROWINGS (continued)

	Facilities US\$'000	Equipment loan facility US\$'000	Finance leases US\$'000	Bank credit facilities US\$'000	Loan US\$'000	Secured bank borrowings US\$'000	Guardrisk loan US\$'000	Bridge loan US\$'000	Total borrowings US\$'000
Balance at 1 October 2017	-	-	3 549	29 072	-	17 754	231	-	50 606
Changes from financing cash flows									
Advances: bank credit facilities	-	-	-	192 834	-	-	-	-	192 834
Repayment: bank credit facilities	-	-	-	(192 720)	-	-	-	-	(192 720)
Net repayment of bank credit facilities	-	-	-	114	-	-	-	-	114
Advances received	29 523	12 694	-	-	6 883	-	-	19 120	68 220
Repayment of borrowings	(5 099)	(5 295)	-	-	(326)	(18 424)	(239)	(19 120)	(48 503)
Lease payments	-	-	(6 463)	-	-	-	-	-	(6 463)
Repayment of interest	(1 464)	(528)	-	(395)	(62)	(1 088)	(7)	(889)	(4 433)
Changes from financing cash flows	22 960	6 871	(6 463)	(281)	6 495	(19 512)	(246)	(889)	8 935
Foreign currency translation differences	(1 865)	(612)	(982)	-	(495)	661	8	-	(3 285)
Liability-related changes									
Lease agreements entered into	-	-	7 656	-	-	-	-	-	7 656
Business combination	-	-	7 003	-	-	-	-	-	7 003
Interest expense	1 720	708	1 086	452	62	1 097	7	889	6 021
Revaluation of foreign denominated loan	-	528	(45)	-	-	-	-	-	483
Total liability-related changes	1 720	1 236	15 700	452	62	1 097	7	889	21 163
Balance at 30 September 2018	22 815	7 495	11 804	29 243	6 062	-	-	-	77 419
Non-current borrowings	13 711	1 931	7 505	-	4 134	-	-	-	27 281
Current borrowings	9 104	5 564	4 299	29 243	1 928	-	-	-	50 138
Total borrowings	22 815	7 495	11 804	29 243	6 062	-	-	-	77 419

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

20. TRADE AND OTHER PAYABLES

	2019 US\$'000	2018 US\$'000
Trade payables	34 381	18 363
Accrued expenses	11 670	8 314
Leave pay accrual	3 990	3 738
Value added tax payable	436	794
Other payables – related parties (note 22)	27	2 175
Other payables	274	19
	50 778	33 403

The amounts above are payable within one year from the reporting period. The amounts reflected above approximate fair value.

21. FINANCIAL RISK MANAGEMENT

	Fair value level	2019 US\$'000	2018 US\$'000
30 September 2018			
Financial assets measured at fair value			
Investments in equity instruments	Level 1	23	40
Investments in money markets, current accounts, cash funds and income funds	Level 2	6 080	5 012
Forward exchange contracts	Level 2	-	804
Trade and other receivables measured at fair value			
PGM receivable	Level 2	33 686	25 355
Financial liabilities measured at fair value			
Discount facility	Level 2	2 085	1 000
Forward exchange contracts	Level 2	299	-
Financial assets at amortised cost			
Trade and other receivables		26 119	38 645
Prepaid investment in Salene Chrome Zimbabwe (Private) Limited		1 367	142
Contract assets		1 039	2 229
Cash and cash equivalents		59 201	66 791
Financial liabilities at amortised cost			
Borrowings		71 216	77 419
Contract liabilities		1 039	2 229
Trade and other payables		34 381	18 363

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

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

Fair value hierarchy

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

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments (highest level).

Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation methodologies in which all significant inputs are directly or indirectly based on observable market data.

Level 3: fair values measured using valuation methodologies in which any significant inputs are not based on observable market data.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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22. RELATED PARTY TRANSACTIONS AND BALANCES

In the normal course of the business, the Group enters into various transactions with related parties. Related party transactions exist between shareholders, joint ventures, directors, directors of subsidiaries and key management personnel. Outstanding balances at the year-end are unsecured and settlement occurs in cash. All intergroup transactions have been eliminated on consolidation.

	2019 US\$'000	2018 US\$'000
Trade and other receivables (note 15)		
The Tharisa Community Trust	4	1
Rocasize Proprietary Limited	13	71
Karo Mining Holdings Limited	-	20
Karo Zimbabwe Holdings (Private) Limited	26	254
Karo Platinum (Private) Limited	18	40
Karo Power Generation (Private) Limited	2	-
Salene Chrome Zimbabwe (Private) Limited	264	12
Salene Technologies Proprietary Limited	-	4
Salene Mining Proprietary Limited	15	15
	342	417
Trade and other payables (note 20)		
The Leto Settlement	-	2 000
Karo Mining Holdings Limited	5	-
Karo Platinum (Private) Limited	21	-
Rocasize Proprietary Limited	1	31
	27	2 031
Amounts due to Directors		
A Djakouris	-	22
JD Salter	-	31
OM Kamal	-	16
C Bell	-	25
R Davey	-	20
J Ka Ki Chen	-	11
ZL Hong	-	19
	-	144
Total other payables	27	2 175
Acquisition of 26.8% of Karo Mining Holdings Limited from:		
The Leto Settlement	-	4 500
Loan receivable		
Karo Mining Holdings Limited	5 995	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

22. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Transactions and balances with related parties: (continued):

	2019 US\$'000	2018 US\$'000
Cost of sales		
Rocasize Proprietary Limited	393	234
Other income		
Karo Zimbabwe Holdings (Private) Limited	42	-
Karo Platinum (Private) Limited	37	-
Karo Power Generation (Private) Limited	3	-
Rocasize Proprietary Limited	9	-
Salene Chrome Proprietary Limited	2	-
Consulting fees received		
Rocasize Proprietary Limited	15	32
Salene Chrome Proprietary Limited	43	-
Karo Platinum (Private) Limited	189	-
Karo Power Generation (Private) Limited	59	-
Karo Zimbabwe Holdings (Private) Limited	213	128
Consulting fees paid		
Rocasize Proprietary Limited	-	234
Salene Mining Proprietary Limited	-	17
Donations paid		
The Music for the Children Foundation	12	4
Interest expense		
Arti Trust	-	514
Ditodi Trust	-	47
Makhaye Trust	-	47
The Phax Trust	-	93
The Rowad Trust	-	47
MJ Jacquet-Briner	-	47
	-	795

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22. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation to key management:

2019	Salary and fees US\$'000	Expense allowances US\$'000	Share based payments US\$'000	Provident fund and risk benefits US\$'000	Bonus US\$'000	Total US\$'000
Non-Executive Directors	629	-	-	-	-	629
Executives Directors	1 590	8	1 178	76	219	3 071
Other key management *	1 196	29	907	129	190	2 451
	3 415	37	2 085	205	409	6 151

* four employees

2018	Salary and fees US\$'000	Expense allowances US\$'000	Share based payments US\$'000	Provident fund and risk benefits US\$'000	Bonus US\$'000	Total US\$'000
Non-Executive Directors	612	-	-	-	-	612
Executives Directors	1 361	9	760	83	700	2 913
Other key management *	932	31	1 222	107	420	2 712
	2 905	40	1 982	190	1 120	6 237

* three employees

Awards to key management in the period under review are as follows:

2019 Ordinary shares	Opening balance	Inclusion of additional employee	Allocated	Vested	Forfeited	Total
LTIP – executive directors	1 605 423	-	881 262	(743 524)	(116 201)	1 626 960
LTIP – key management	1 099 439	286 656	587 838	(619 289)	(108 398)	1 246 246

2017 Ordinary shares

LTIP – executive directors	1 808 316	-	697 206	(900 099)	-	1 605 423
LTIP – key management	1 202 153	-	483 348	(586 062)	-	1 099 439

2019 Ordinary shares	Opening balance	Inclusion of additional employee	Allocated	Vested	Forfeited	Total
SARS – executive directors	1 118 547	-	881 262	(595 643)	(174 302)	1 229 864
SARS – key management	765 744	221 868	587 838	(499 821)	(162 597)	913 032

2017 Ordinary shares

SARS – executive directors	1 362 327	-	697 206	(940 986)	-	1 118 547
SARS – key management	924 136	-	483 348	(641 740)	-	765 744

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

22. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Relationships between parties:

The Tharisa Community Trust and Rocasize Proprietary Limited

The Tharisa Community Trust is a shareholder of Tharisa Minerals Proprietary Limited and owns 100% of the issued ordinary share capital of Rocasize Proprietary Limited.

The Music for the Children Foundation

A Director of the company is a Trustee of the non-profit organisation.

Arti Trust, Phax Trust and Rowad Trust

A Director of the Company is a beneficiary of these trusts.

Ditodi Trust and Makhaye Trust

Certain of the non-controlling shareholders of Tharisa Minerals Proprietary Limited are beneficiaries of these trusts.

MJ Jaquet-Briner

MJ Jaquet-Briner is a director of Tharisa Minerals Proprietary Limited and is a shareholder in the non-controlling interest of Tharisa Minerals Proprietary Limited.

The Leto Settlement

The beneficial shareholder of Medway Developments Limited, a material shareholder in the Company.

Salene Chrome Zimbabwe (Private) Limited

This company is a wholly owned subsidiary of the Leto Settlement, the beneficial shareholder of Medway Developments Limited, a material shareholder in the Company.

Salene Mining Proprietary Limited

A Director of the Company is a director.

Karo Mining Holdings Limited, Karo Zimbabwe Holdings (Private) Limited, Karo Platinum (Private) Limited and Karo Power Generation (Private) Limited

The Company owns 26.8% of the issued share capital of Karo Mining Holdings Limited. Karo Mining Holdings Limited owns 100% of the issued share capital of Karo Zimbabwe Holdings (Private) Limited, Karo Platinum (Private) Limited and Karo Power Generation (Private) Limited.

23. CONTINGENT LIABILITIES

As at 30 September 2019, there is no litigation (2018: no litigation), current or pending, which is considered likely to have a material adverse effect on the Group. Refer to note 24 for guarantees.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

24. CAPITAL COMMITMENTS AND GUARANTEES

	2019	2018
	US\$'000	US\$'000
Capital commitments		
Authorised and contracted	17 062	4 929
Authorised and not contracted	805	1 091
	17 867	6 020

The above commitments are with respect to property, plant and equipment and are outstanding at the respective reporting period. All contracted amounts will be funded through existing funding mechanisms within the Group and cash generated from operations. Balances denominated in currencies other than the US\$ were converted at the closing rates of exchange ruling at 30 September 2019.

The Company has made a commitment to Karo Mining Holdings Limited to fund the initial exploration programme, feasibility study and development of the projects in Zimbabwe not exceeding US\$8.0 million. Refer to note 16.

Guarantees

The Company issued a guarantee to ABSA Bank Limited and Nedbank Limited amounting to US\$52.8 million (ZAR800 million) (2018: ZAR800 million) for the Facilities entered into with Tharisa Minerals Proprietary Limited.

Tharisa Minerals Proprietary Limited entered into an equipment loan facility of US\$25.0 million with Caterpillar Financial Services Corporation. The equipment loan facility is secured by a first notarial bond over the equipment and is guaranteed by the Company.

The Company issued a guarantee to ABSA Bank Limited which guarantees the payment of certain liabilities of Arxo Logistics Proprietary Limited to Transnet totalling US\$1.3 million (ZAR19.4 million) (2018: ZAR19.4 million).

The Company guarantees performance of payment due from time to time between a third party supplier and Tharisa Minerals Proprietary Limited for the supply and sale of mining materials.

The Company issued guarantees limited to US\$12.5 million (2018: US\$12.5 million) and US\$20.0 million (2018: US\$20.0 million) as securities for trade finance facilities provided by two banks to Arxo Resources Limited.

A guarantee was issued to Lombard Insurance Company Limited which guarantees the payment of certain liabilities of Arxo Logistics Proprietary Limited to Transnet totalling US\$0.8 million (ZAR12.0 million) (2018: ZAR12.0 million).

The Company and Arxo Metals Proprietary Limited jointly indemnify a third party for any claims which may result from negligence or breach in terms of the plant operating agreement between Arxo Metals Proprietary Limited and the third party.

The Company holds an indirect 100% equity interest in Tharisa Fujian Industrial Co., Limited, the registered capital of which is US\$10.0 million. Up to 30 September 2019, US\$6.0 million has been paid up. The remaining US\$4.0 million needs to be paid up by 14 February 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

25. EVENTS AFTER THE REPORTING PERIOD

Effective 1 October 2019, the Company acquired 100.0% of the issued share capital of a company that manufactures equipment used in the mining industry for a total purchase consideration of US\$2.6 million (ZAR40.0 million). Of the total purchase consideration, US\$1.8 million (ZAR27.5 million) was settled in cash on the effective acquisition date while US\$0.8 million (ZAR12.5 million) will be settled in cash after one year from the acquisition date. Settlement of the US\$0.8 million is subject to the company achieving certain profit targets which represents a contingent consideration. The Company has recognised the total contingent consideration as a liability at 1 October 2019.

The following summarises the initial fair value of the company's assets and liabilities at the acquisition date:

	Fair value recognised on acquisition US\$'000
Assets	
Property, plant and equipment	1 420
Deferred tax	39
Inventories	580
Trade and other receivables	332
Cash and cash equivalents	116
	2 487
Liabilities	
Borrowings	(660)
Other financial liabilities	(22)
Trade and other payables	(189)
	(871)
Total identifiable net assets at fair value	1 616
Goodwill arising on acquisition	1 022
Purchase consideration	2 638

The purchase consideration was funded by existing cash resources of the Group. The transaction cost is anticipated to be US\$0.1 million.

Management is currently in the process of finalising the fair value of the company's assets and liabilities. The goodwill recognised is attributed to existing relationships with customers, industry knowledge and technical expertise relating to the manufacture of the mining equipment.

On 26 November 2019, the Board has proposed a final dividend of US\$ 0.5 cents per share, subject to the necessary shareholder approval at the Annual General Meeting.

The Board of Directors are not aware of any matter or circumstance arising since the end of the financial year that will impact these financial results.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2019

26. DIVIDENDS

During the year ended 30 September 2019, the Company declared and paid a final dividend of US\$ 0.25 cents per share in respect of the year ended 30 September 2018. In addition, an interim dividend of US\$ 0.5 cents per share was declared and paid in respect of the financial year ended 30 September 2019.

During the year ended 30 September 2018, a final dividend of US\$ 5 cents per share was declared and paid in respect of the financial year ended 30 September 2017. In addition, an interim dividend of US\$ 2 cents per share was declared and paid in respect of the financial year ended 30 September 2018.

The full audited Annual Financial Statements and the results presentation will be available for download in the Investor Relations section of the website on 28 November 2019.

Further details about the dividend distribution to shareholders will be announced in due course via SENS/RNS.

CORPORATE INFORMATION

THARISA PLC

Incorporated in the Republic of Cyprus with limited liability
Registration number: HE223412
JSE share code: THA
LSE share code: THS
A2X share code: THA
ISIN: CY0103562118
LEI: 213800WW4YWMVVZIJM90

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Phoevos Pouroulis (*Chief Executive Officer*)
Michael Gifford Jones (*Chief Finance Officer*)
John David Salter (*Lead independent non-executive director*)
Antonios Djakouris (*Independent non-executive director*)
Omar Marwan Kamal (*Independent non-executive director*)
Carol Bell (*Independent non-executive director*)
Roger Davey (*Independent non-executive director*)
Joanna Ka Ki Cheng (*Non-executive director*)
Zhong Liang Hong (*Non-executive director*)

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1096 Nicosia
Cyprus

Computershare Investor Services Proprietary Limited
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Rosebank Towers
15 Bierman Avenue
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South Africa

Computershare Investor Services PLC
Registration number: 3498808
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England United Kingdom

JSE SPONSOR

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