

AUDITED RESULTS

for the year ended 31 March 2008

AND CASH DIVIDEND DECLARATION



TRANS HEX

TRANS HEX GROUP LIMITED

AUDITED CONSOLIDATED INCOME STATEMENT

	2008	2007
	R'000	R'000
Continuing operations		
Sales revenue	880 900	984 862
Cost of goods sold	(702 934)	(728 864)
Gross profit	177 966	255 998
Royalties: Namaqualand Diamond Fund Trust	(31 386)	(34 168)
Selling and administration costs	(76 899)	(76 126)
Mining income	69 681	145 704
Exploration costs	(39 345)	(52 267)
Other gains/(losses) – net	5 660	2 554
Finance income	23 014	14 569
Finance costs	(5 963)	(8 701)
Reversal of impairment of assets	19 513	24 286
Impairment of available-for-sale investment	(26 360)	–
Share of results of associated companies	(7)	(10)
Profit before income tax	46 193	126 135
Income tax	(47 683)	(74 353)
(Loss)/profit for the year from continuing operations	(1 490)	51 782
Discontinued operations		
Loss for the year from discontinued operations	(16 972)	(10 059)
(Loss)/profit for the year	(18 462)	41 723
(Loss)/earnings per share for continuing operations		
• Basic	(1.4)	48.9
• Diluted	(1.4)	48.8
Loss per share for discontinued operations		
• Basic	(16.1)	(9.5)
• Diluted	(16.1)	(9.5)
Dividend per share (cents)		
• Interim	5.0	5.0
• Final	5.0	15.0
	10.0	20.0
Total number of shares in issue ('000)	106 051	89 955
Weighted average issued shares ('000)	105 643	89 880

HEADLINE EARNINGS PER SHARE (cents)

	2008	2007
• Continuing operations	8.6	31.2
• Discontinued operations	(16.1)	(9.5)

ABRIDGED AUDITED CONSOLIDATED BALANCE SHEET

	2008	2007
	R'000	R'000
Assets		
Property, plant and equipment	656 262	679 571
Goodwill	37 096	37 096
Financial assets	270 176	209 707
Deferred income tax assets	–	5 408
Current assets	428 160	479 619
Inventory	112 720	115 223
Trade and other receivables	57 051	82 384
Financial assets	11 588	–
Current income tax	24 401	1 867
Cash and cash equivalents	222 400	280 145
Non-current assets classified as held for sale	153 595	97 599
	1 545 289	1 509 000
Equity and liabilities		
Total shareholders' interest	994 472	1 009 435
Long-term borrowings	22 489	18 157
Deferred taxation	203 819	159 561
Provisions	54 844	45 211
Current liabilities	261 427	271 948
Short-term borrowings	30 088	52 481
Bank overdraft	28 248	30 875
Other	203 091	188 592
Liabilities directly associated with non-current assets classified as held for sale	8 238	4 688
	1 545 289	1 509 000
Net asset value per share (cents)	9.11	1.22

ABRIDGED AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	2008	2007
	R'000	R'000
Balance at 1 April	1 009 435	961 373
Net (loss)/profit attributable to ordinary shareholders	(18 462)	41 723
Dividends paid	(17 996)	(13 492)
Translation differences on foreign subsidiaries	(3 699)	19 259
Fair value adjustment on available-for-sale financial assets	26 360	561
Share-based payments	48	(1 062)
Treasury shares held by group	(1 816)	–
Issue of share capital	602	1 073
Balance at end of year	994 472	1 009 435

ABRIDGED AUDITED CONSOLIDATED CASH FLOW STATEMENT

	2008	2007
	R'000	R'000
Cash available from operating activities	151 619	198 696
Movements in working capital	45 485	32 909
Taxation paid	(51 043)	(66 030)
Dividend paid	(17 996)	(13 492)
Cash retained from operations	128 065	152 083
Cash employed	(183 183)	(62 198)
Fixed assets		
• Replacement	(137 283)	(27 257)
• Additional	(29 180)	(68 729)
Borrowings	(18 061)	35 583
Investments, loans and issue of capital	1 341	(1 795)
Net (decrease)/increase in cash and cash equivalents	(55 118)	89 885

NOTES

	2008	2007			
	R'000	R'000			
1. Other gains/(losses) – net					
Other gains/(losses) consist mainly of the following principal categories:					
• Net foreign exchange profit	8 871	4 193			
• Loss on other financial assets at fair value through profit and loss	(912)	–			
• Rehabilitation provision – unwinding of discount	(2 299)	(1 639)			
	5 660	2 554			
2. Reversal of impairment of assets					
During 2006, the group reviewed the carrying value of its investment in the Tirisano Mine near Ventersdorp. The review indicated impairment to the value of this investment and the value of this investment was reduced during the 2006 financial year.					
Due to the subsequent sale of the Tirisano Mine (September 2007) the value of the operation was reassessed, resulting in an impairment reversal in the current period of R19.5 million.					
During the comparative period, the Middle Orange River operations disposal was concluded (March 2007), resulting in an impairment reversal of R17.2 million.					
Details of reversal of net assets are as follows:					
Mining plant and equipment	4 462	11 970			
Mining rights	12 064	12 316			
Net current assets	2 987	–			
Net asset impairment reversal before taxation	19 513	24 286			
Deferred taxation	–	(7 042)			
Net asset impairment reversal	19 513	17 244			
3. Impairment of available-for-sale investment	(26 360)	–			
In light of a significant and prolonged decline in the fair value of the shares held in Diamond Fields International Ltd, the cumulative loss previously recognised in equity, has been reclassified to the income statement.					
4. Loss for the year from discontinued operations	(16 972)	(10 059)			
The group has resolved on 7 March 2008 to discontinue the deep water marine operations as a result of continued losses sustained. These operations consist of two mining vessels and various options regarding the disposal of these vessels are being actively pursued.					
5. Reconciliation of headline earnings					
Continuing operations					
(Loss)/profit for the year	(1 490)	51 782			
Loss/(profit) on sale of assets	3 141	(2 172)			
Reversal of impairment of assets	(19 513)	(24 286)			
Impairment of available-for-sale investments	26 360	–			
Taxation impact	596	7 672			
Headline earnings	9 091	32 996			
Headline earnings per share (cents)	8.6	31.2			
Discontinued operations					
Loss for the year	(16 972)	(10 059)			
Taxation impact	–	–			
Headline earnings	(16 972)	(10 059)			
Headline earnings per share (cents)	(16.1)	(9.5)			
6. Capital commitments					
(including amounts authorised, but not yet contracted)	161 937	229 833			
These commitments of the group will be financed from its own resources or borrowed funds.					
7. Segment information					
Primary segments					
	Continuing	Discontinued			
	South Africa	Angola	Liberia	Total	Namibia
	R'000	R'000	R'000	R'000	R'000
2008					
Revenue	791 891	89 009	–	880 900	48 255
Operating income/(loss)	226 220	(37 425)	–	188 795	(20 308)
Depreciation	(82 282)	(36 832)	–	(119 114)	(7 197)
Mining income/(loss)	143 938	(74 257)	–	69 681	(27 505)
Net financial income/(expense)	31 917	(9 206)	–	22 711	–
Exploration costs	(4 691)	(25 900)	(8 754)	(39 345)	(2 472)
Reversal of impairment of assets	19 513	–	–	19 513	–
Share of associates' results	(7)	–	–	(7)	–
Profit/(loss) before taxation	190 670	(109 363)	(8 754)	72 553	(29 977)
Impairment of available-for-sale investment (other)	–	–	–	(26 360)	–
	190 670	(109 363)	(8 754)	46 193	(29 977)
Assets	1 014 779	358 057	5 234	1 378 070	13 624
Non-current assets classified as held-for-sale	96 675	542	6 558	103 775	49 820
Liabilities	401 619	147 440	–	549 059	1 758
Capital expenditure	177 607	5 454	–	183 061	–
2007					
Revenue	893 874	90 988	–	984 862	50 949
Operating income/(loss)	301 739	(32 059)	–	269 680	(12 986)
Depreciation	(84 723)	(39 253)	–	(123 976)	(7 963)
Mining income/(loss)	217 016	(71 312)	–	145 704	(20 949)
Net financial income/(expense)	12 492	(4 070)	–	8 422	–
Exploration costs	(4 330)	(35 082)	(12 855)	(52 267)	–
Reversal of impairment of assets	24 286	–	–	24 286	–
Share of associates' results	(10)	–	–	(10)	–
Profit/(loss) before taxation	249 454	(110 464)	(12 855)	126 135	(20 949)
Assets	955 740	359 061	12 221	1 327 022	84 379
Non-current assets classified as held for sale	96 675	924	–	97 599	–
Liabilities	382 576	114 980	–	497 556	2 009
Capital expenditure	87 624	41 522	9 856	139 002	211

8. The accounting policies

are consistent with those applied in the previous year in accordance with International Financial Reporting Standards, including IAS 34.

9. Report of independent auditor

The results have been audited by PricewaterhouseCoopers Inc. (Stellenbosch). A copy of their unqualified report is available for inspection at the company's registered office.

SALIENT FEATURES

- Second-half headline earnings of R41 million compared to first-half headline loss of R32 million
- Extended life of mine achieved at Bloeddrif and Baken
- Costs driven down – achieved 2.4% reduction in cost per cubic metre at South African land operations

- Production at Luarica increased by 16%
- Operational responsibility achieved at Fucauma
- Bulk sampling at Luana proves 10.4 million carat resource
- Operations conducted by deepwater mining vessels discontinued

FINANCIAL SUMMARY

Continuing operations
Total rough diamond sales for the financial year amounted to US\$122.2 million, a reduction of 14% over those of the 2007 financial year. Rand revenue at R880.9 million was 11% lower than the prior year.

A loss of R1.5 million was made compared to a profit of R51.8 million for the prior year, with a loss per share of 1.4 cents compared to a profit per share of 48.9 cents in the prior year. Headline earnings per share was 8.6 cents (2007: 31.2 cents), with second-half headline earnings of R41 million compared to the first-half loss of R32 million. The decline in earnings was primarily due to the temporary decommissioning of the Bloeddrif plant, which has now been successfully recommissioned, as well as lower grades at Baken during the last quarter, which have subsequently recovered to anticipated levels.

Cost of sales decreased by 3.6% to R703 million, whilst cubic metres of gravel treated remained constant. Operating costs remain a key focus area as well as improvements in operational effectiveness, which have resulted in a 2.4% reduction in cost per cubic metre at the South African land operations despite severe inflationary pressures.

An impairment of R26.4 million resulting from a decrease in value of the investment in Diamond Fields International Limited, gained as part of the group's Benguela acquisition in 2000, has impacted profits. The share price (which at acquisition was CAD1.66 per share) was trading on 31 March 2008 at CAD0.085 per share. This decline is considered to be of a permanent nature and therefore the cumulative loss has been reclassified from equity to the income statement.

Cash flow from operations remains positive at R128 million (2007: R152 million). Despite self-funded capital expenditure of R181 million primarily for the earthmoving equipment replacement cycle at the South African land operations, year-end cash balances were strong at R194 million (2007: R249 million).

Discontinued operations

The operations conducted by the two deepwater mining vessels have been discontinued at financial year-end. The after-tax loss for the year was R17.0 million (2007: R10.1 million).

Operations

SOUTH AFRICA

Carat production in the second half was 7% higher (55 444 carats) than the first half (51 861 carats) totalling 107 305 carats (2007: 129 950 carats). The year-on-year decrease in total carats was mainly due to the decommissioning of the Bloeddrif plant and the lower than anticipated grades at Baken, both of which have now been addressed.

Baken produced 71 856 carats (2007: 83 224 carats) with an average stone size of 1.03 carats per stone (2007: 1.16 carats per stone). The average grade realised was 1.63 carats/100 m³ (2007: 1.95 carats/100 m³). The primary cause of the decline in grade was due to the calcareous layers experienced in the overburden during the last quarter, which negatively impacted access to planned high-grade gravel. This was a temporary occurrence and, as previously reported, Baken's average reserve grade (1.7 carats/100 m³) is expected to stabilise over the remaining life of the mine. The achievement of lower unit cost and higher diamond prices, as well as further exploration work, resulted in the life of mine remaining at eight years.

The **Bloeddrif** plant was successfully recommissioned during November 2007 with full production achieved towards financial year-end. The gravel treated has been significantly increased from pre-shutdown levels of 28 000 m³ to 40 000 m³ per month. Operating costs have been driven down from a high of R129/m³ (R51/tonne) to R70/m³ (R28/tonne) and further reductions are expected to bring costs to a sustainable R60/m³ (R24/tonne) level. This, in combination with a higher diamond price, has resulted in a large percentage of previously uneconomical resource being reclassified as probable reserves. With the current installed capacity the life of mine is in excess of 20 years which allows for a large-volume, low-cost mining operation.

The **balance of the Richtersveld operations** achieved 23 159 carats (2007: 16 376 carats) at an average stone size of 1.60 carats per stone.

Shallow-water operations

Combined production from the two marine shallow-water operations was 11 366 carats (2007: 13 731 carats). A research and development project utilising a combination of various mining technologies has been completed which will enable access to previously unmined areas in the surf zones.

ANGOLA

Production at **Luarica**, in which Trans Hex has a 35% interest, increased by 16% to 88 500 carats (2007: 76 000 carats) with the average grade of 12.6/100 m³ remaining stable year on year. The lack of availability of machinery continues to be addressed and an increase in carat production was achieved with the operating loss decreasing by 40%. The exploration activities conducted by Luarica Association has resulted in the addition of 510 000 carats to the inferred resource and significant upside exists to expand and upgrade this resource in the future.

The **Fucauma** project, in which Trans Hex has a 32% interest, achieved 41 800 carats (2007: 73 000 carats) with the average grade of 12.4/100 m³ remaining stable year on year. As announced on 7 May 2008, the members of the Fucauma Association have granted to Trans Hex the operational responsibility of the Fucauma project for a period of four years.

A comprehensive recovery plan for the project is now being implemented which will enable Trans Hex to deploy and utilise its considerable expertise in alluvial diamond mining operations at Fucauma.

Exploration

SOUTH AFRICA

The regional kimberlite exploration programme utilising airborne gradiometer technology is continuing. In total, 114 anomalies have been evaluated by means of a combination of target sampling, ground geophysics and drilling. Several small kimberlite pipes and fissures have been identified and their evaluation is ongoing. Fifty nine new prospecting rights have been issued to date and the evaluation of these prospects is continuing.

ANGOLA

Results of further samples indicated exceptional potential at our Luana concession and development of a mine is now a high priority. Bulk sampling is progressing well, with 27 of the 30 planned trenches on the west bank of the Luana River

completed. Results of the central trenches were better than expected with average grades in excess of 25 carats/100 m³ being achieved. Pilot production will be undertaken on the west bank after completion of the three remaining trenches. A pre-feasibility study is currently under way. An updated resource statement based on these results indicates a total of 2.3 million carats in Indicated Resources and 8.1 million carats in Inferred Resources for this project. A reserve of 1.9 million carats at a grade of 30.7 carats/100m³ has been established at Luana.

LIBERIA

Bulk sampling of five of the six known kimberlites on the Kpo joint venture with Stellar Diamonds Liberia has been completed. Initial financial analysis indicates that the pipes are not currently economically mineable. Exploration for new kimberlites is continuing.

The rough diamond market

Total sales for the period were US\$128.8 million, with US\$109.7 being attributed to the group's South African operations. The period has been characterised by a strong demand for large good quality rough diamonds, and increasing price levels for these stones were experienced throughout the financial year. Three gem quality stones in excess of 50 carats in weight and thirty six stones in excess of 20 carats in weight were sold during the year. Included in these was Trans Hex's highest dollar-value stone on record which achieved US\$2.96 million for a 78 carat stone.

Diamond-related legislation

In terms of the recent amendments to the Diamond Act, all producers are required to sell 10% of their South African production to the State Diamond Trader (SDT). Negotiations are currently under way with the SDT to finalise a producer agreement and sales to the SDT are expected to commence during the second half of calendar 2008.

In addition, the Diamond Export Levy Act, which is due for enactment in the near future, provides for producers to be granted an exemption on the payment of a 5% export duty, provided that 15% by value of Trans Hex's South African production is sold to South African licence holders for local beneficiation.

Consultations with key stakeholders continue and developments are being closely monitored in respect of the Mineral and Petroleum Resources Royalty Bill.

OUTLOOK

The significant progress which has been made towards implementing operational efficiencies at the group's production facilities, as well as a marked improvement in operating costs at the South African land operations, is expected to continue.

The Bloeddrif mine will be operated under current low-cost structure in order to lay the foundation for a high-volume, low-cost mine.

A significant milestone in the recovery of the Angolan operations by achieving operational responsibility of Fucauma has been attained and the process of implementing an extensive recovery plan which is expected to drive improved production and reduce costs, is under way.