



TRANS HEX

2011

ANNUAL REPORT



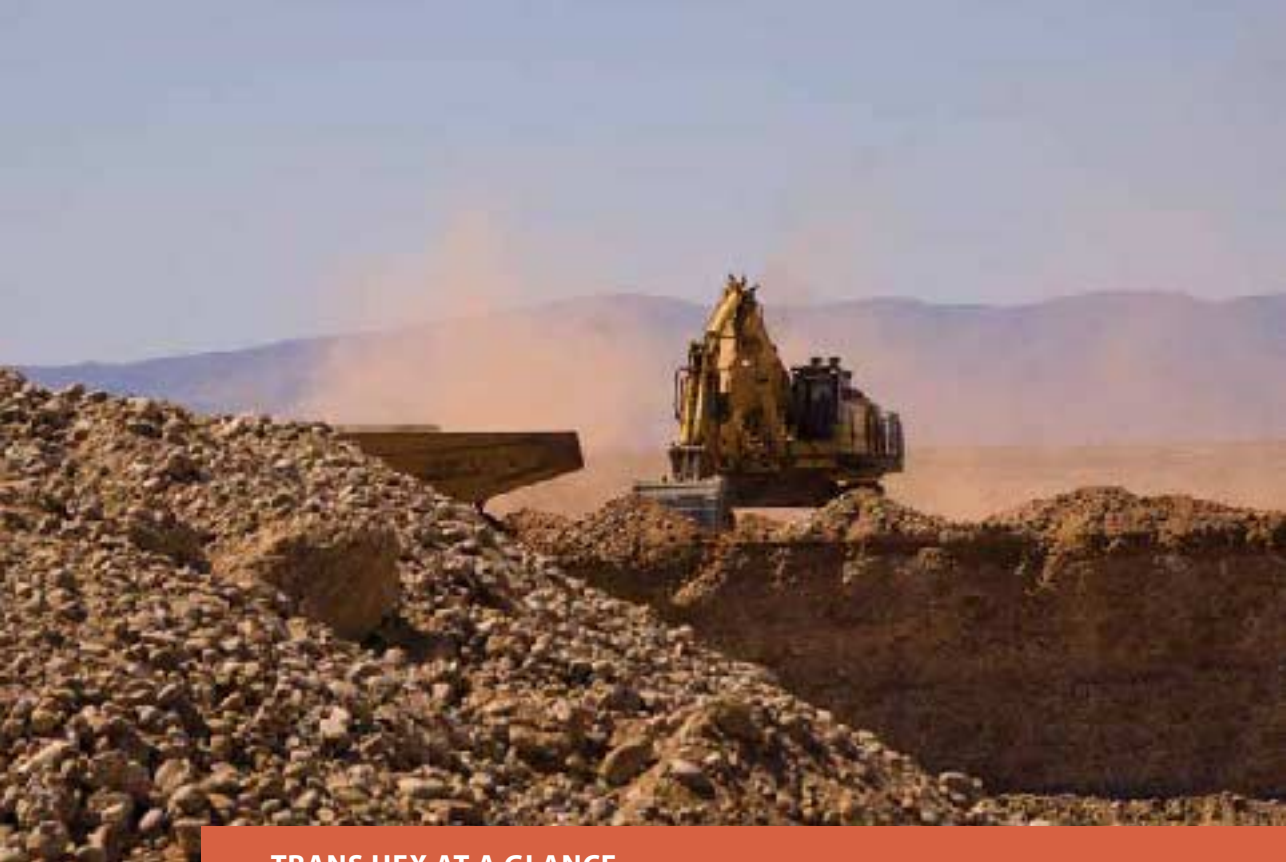
CONTENTS

Salient features	1
Trans Hex at a glance	2
Five-year consolidated financial review	7
Board of directors	8
Executive team	10
Chairman's letter to stakeholders	11
Chief executive officer's report	14
Operational review	19
Sustainability and mining charter report	28
Kimberley process: Non-financial verification opinion report	45
Value added statement	46
Corporate governance	47
Board of directors	47
Audit and risk committee report	49
Remuneration and nomination committee	54
Contents to the annual financial statements	61
Non-public/public shareholders and shareholder spread	117
Additional shareholder information	118
Contact details and website	IBC
Important dates for shareholders	IBC

- ◇ Sales revenue down to R658,0 million (2010: R715,7 million) primarily as a result of grade under-performance and the decision to temporarily suspend stripping at the Baken operations, but also affected by stronger diamond prices in the second half and a strong rand.
- ◇ South African operations generated a profit before tax of R116,0 million during the second six months compared to a loss before tax of R101,4 million in the first six months resulting in profit before tax for the year of R14,6 million.
- ◇ Group loss after tax of R45,1 million, against a profit of R21,6 million in 2010 financial year.
- ◇ Net cash generated during the reporting period was R21,9 million (2010: R40,2 million generated) resulting in the group's net cash position being R267,5 million (2010: R245,6 million).
- ◇ Headline loss per share amounted to 45,6 cents compared to earnings per share of 19,4 cents in 2010.
- ◇ Somilwana sales of US\$19,3 million (2010: US\$0,0 million), of which US\$3,5 million repaid to Trans Hex.

SALIENT FEATURES

	2011 R'000	2010 R'000
Revenue – continuing operations	657 998	715 667
Average US\$ exchange rate (R/US\$)	7,26	7,85
Mining (loss)/profit	(20 172)	51 980
Exploration costs	5 699	4 046
(Loss)/profit for the year – continuing operations	(44 092)	25 149
(Loss)/profit for the year	(45 099)	21 606
Headline (loss)/earnings	(48 188)	20 538
– Continuing operations	(47 638)	23 313
– Discontinued operations	(550)	(2 775)
(Loss)/earnings per share (cents)		
– Basic	(42,7)	20,4
– Diluted	(42,7)	20,4
– Headline	(45,6)	19,4
Total dividend per share (cents)	–	–
Total assets	922 561	1 008 363
Net asset value per share (cents)	292	308



TRANS HEX AT A GLANCE

This annual report covers the Trans Hex Group financial year from 1 April 2010 to 31 March 2011. It reports on the operational, financial and governance events linked to Trans Hex's activities during this time.

The report aims to enable shareholders and potential investors, as well as government and industry authorities, and other interested stakeholders to make informed assessments of Trans Hex's performance and future prospects.

Trans Hex fully supports the intent of the King Report on Governance for South Africa, 2009 (King III), the Integrated Reporting Committee (IRC) discussion paper released on 25 January 2011 and the Global Reporting Initiative (GRI) guidelines. At the time of compiling and publishing this annual report, our internal process and reporting structures have not yet been fully aligned with these various requirements. We recognise that getting to fully integrated reporting is a journey rather than a few steps – and we are committed to processes that will enable fully integrated reporting in terms of those requirements in future.

The mineral resource and mineral reserve information provided in this annual report is compiled in accordance with the South African Code for Reporting of Exploration Results, Mineral Reserves and Mineral Resources (SAMREC). This information has been reviewed and confirmed by the Competent Persons defined by SAMREC.

The annual financial statements included in this report were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, the South African Companies Act, the Company Laws Amendment Act, the Listings Requirements of the JSE Limited and the King III guidelines.

VISION

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

VALUES

- ◇ Honesty, integrity, dignity and reliability in all our dealings
- ◇ A safe and healthy working environment
- ◇ The sanctity of human rights, equality and non-discrimination
- ◇ Respect for the cultural diversity of each community and country in which we operate
- ◇ Cultivating an environmental conscience which begins with each individual project and extends to the greater planet

MISSION

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



TRANS HEX AT A GLANCE (continued)

Trans Hex has been engaged in the exploration, mining and marketing of diamonds for nearly 50 years. The company is renowned for consistently producing the highest quality diamonds available in the South African market. Mining operations are presently focused in South Africa and Angola. Rough production is sold into the open market, the State Diamond Trader, Trans Hex's joint venture beneficiation BEE polishing factory based in Johannesburg and to Sodiam, the Angolan state run marketing company.

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

Trans Hex is always actively seeking new opportunities locally and elsewhere in Africa.

THE TRANS HEX BUSINESS MODEL





MINING OPERATIONS

SOUTH AFRICA	Baken and environs	Baken mine – 100% owned Freid Diggings – contracting agreement with an external party
	Richtersveld Operations	Bloeddrift – 100% owned Gariep – 50% owned empowerment JV Nxodap plant – 100% owned
	Shallow water	Contracting agreement with external parties
ANGOLA		Luarica project – 35% interest* Fucauma project – 32% interest* Somiluana mine – 33% ownership

**Luarica and Fucauma are both under care and maintenance programmes.*

TRANS HEX AT A GLANCE (continued)

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

Prices for the group's product reached record highs during the financial year and are expected to stabilise at or around current levels.

The group's established South African operations will be considerably bolstered by the acquisition of the Namaqualand Mines and, in Angola, the Somilua mine is showing exceptional promise.

Trans Hex has an experienced executive team which is continuing to reduce production costs, spin off unprofitable assets and implement sustainable performance improvements at all levels.

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

THE CASE FOR INVESTMENT



FIVE-YEAR CONSOLIDATED FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION

	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
ASSETS					
Property, plant and equipment	408 678	498 252	526 198	656 262	679 571
Goodwill	–	–	–	37 096	37 096
Investments in associates	108	120	132	142	154
Financial assets	93 591	43 342	40 065	270 034	209 553
Deferred income tax assets	–	–	–	–	5 408
Current assets	420 184	464 605	415 179	428 160	479 619
Non-current asset classified as held for sale	–	2 044	3 111	153 595	97 599
Total assets	922 561	1 008 363	984 685	1 545 289	1 509 000
EQUITY AND LIABILITIES					
Stated capital	206 276	206 276	206 276	206 276	207 490
Reserves	103 117	120 731	(19 978)	788 196	801 945
Non-current liabilities	216 696	279 647	415 573	281 152	218 948
Current liabilities	396 472	401 709	382 814	261 427	275 929
Liabilities directly associated with non-current assets classified as held for sale	–	–	–	8 238	4 688
Total equity and liabilities	922 561	1 008 363	984 685	1 545 289	1 509 000
Net asset value per share (cents)	292	308	176	941	1 122

INCOME STATEMENT

	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
Net operating (loss)/profit	(15 695)	66 541	(256 440)	59 010	110 560
Finance costs	(20 828)	(29 636)	(23 188)	(5 963)	(8 701)
Share of results of associated companies	(10)	(9)	(7)	(7)	(10)
Net impairment of assets	–	–	(539 346)	(6 847)	24 286
(Loss)/profit before income tax	(36 533)	36 896	(818 981)	46 193	126 135
Income tax	(7 559)	(11 747)	58 596	(47 683)	(74 353)
(Loss)/profit for the year from continuing operations	(44 092)	25 149	(760 385)	(1 490)	51 782
Loss for the year from discontinued operations	(1 007)	(3 543)	(37 188)	(16 972)	(10 059)
(Loss)/profit for the year	(45 099)	21 606	(797 573)	(18 462)	41 723
Earnings per share (cents)					
– Basic	(42,7)	20,4	(754,6)	(17,5)	39,4
– Diluted	(42,7)	20,4	(754,6)	(17,5)	39,3
– Headline	(45,6)	19,4	(602,3)	(7,5)	21,7
Dividend per share (cents)	–	–	–	10,0	20,0
Dividend cover	–	–	–	(0,75)	1,09



From left: Llewellyn Delpont, Bernard van Rooyen, Theunis de Bruyn, Ian Hestermann, Mervyn Carstens, Alwyn Martin.

BOARD OF DIRECTORS

BERNARD VAN ROOYEN (77)

Non-executive Chairman
(appointed October 1993)
BA LLB (Wits)
Other directorships include
Mvelaphanda Resources Limited,
Banro Corporation and Northam
Platinum Limited.
Representation on Trans
Hex committees: audit and
remuneration.

LLEWELLYN DELPORT (49)

Chief Executive Officer
(appointed July 2004)
BSc (Chem Eng), MBA (UCT)
Chief Executive Officer
(appointed 2004).

THEUNIS DE BRUYN (42)

Non-executive Director
(appointed May 2008)
CA(SA)
Other directorships include
ELB Group, RECM & Calibre Limited
and various unlisted
private companies.
Representation on Trans
Hex committees: audit and
remuneration.

IAN HESTERMANN (44)

Executive Director: Finance
(appointed May 2010)
*BAcc Honours (Stell), BComm
Honours (Taxation) (Stell), CA(SA)*

ALWYN MARTIN (73)

Independent Non-executive Director
(appointed November 1997)
BComm (UCT), CA(SA)
Other directorships include
Datacentrix Holdings Limited,
Northam Platinum Limited and
Petmin Limited.
Representation on Trans
Hex committees: audit and
remuneration.

MERVYN CARSTENS (47)

Executive Director:
SA Land Operations
(November 2007 to April 2011)
*National Diploma: Human Resources
(Vaal), IRDP (Stell)*

EXECUTIVE TEAM



ROSALINO CAETANO (54)
Country Manager:
Trans Hex Angola Ltd
B Mining Eng (Agostinho Neto University, Luanda)



BERTUS CILLIERS (42)
Group Manager:
New Business
MSc (Stell)



HERMAN HENNING (50)
General Manager:
Baken
*NHD (Met Mining)
BEng (Mining), MBA*



TIM LEE (45)
Group Manager:
Marketing
MBA (Newcastle)



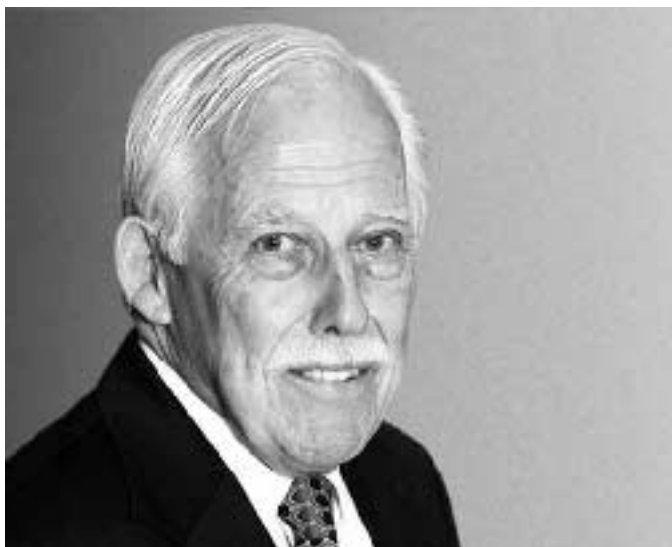
VINCENT MADLELA (40)
Group Manager:
Legal and Stakeholder Relations
LLB (UOFS)



STAN TURKETTI (56)
Group Risk Manager
National Diploma in Police Administration



GREG VAN HEERDEN (49)
General Manager:
Corporate Affairs
BA (Unisa)



BERNARD VAN ROOYEN, CHAIRMAN

The past year has seen Trans Hex Group overcome a series of challenges to position itself for sustainable profits. Remgro Limited unbundled its stake in Trans Hex, the group refocused its Baken mining operations, obtained agreements in principle to exit the Luarica and Fucauma projects in Angola and began the process of making a strategic acquisition in South Africa.

These key events and decisions, together with the continued vigorous recovery of the diamond sector after the 2008 recession, have helped to position Trans Hex in a manner that I am confident will enable it to grow from strength to strength.

The Remgro unbundling in October 2010 infused Trans Hex with fresh energy as shareholder numbers more than quadrupled, while the board and executive are now in a position to react quickly to market events and opportunities. An example of this is the proposed acquisition of Namaqualand Mines from De Beers Consolidated Mines which will appreciably consolidate and enhance the group's South African operations.

At Baken mine, a turnaround strategy was successfully implemented after a very disappointing first half of the financial year. The suspension of costly stripping operations in the light of grade under-performance and unfavourable exchange rates, together with a focus on processing existing stockpiles, brought a dramatic improvement in the second half of the year.

In Angola, the Somiluana mine is now delivering high quality rough diamonds at excellent values and further development to increase production is well underway. The Luarica and Fucauma projects remain under care and

CHAIRMAN'S LETTER TO STAKEHOLDERS (continued)

maintenance, as reported last year. I am pleased to record that no further funds have been sent to Angola since May 2010 and that US\$3,5 million has been repaid to the group against the outstanding investment loan amount. I congratulate our executive team on the progress made in a tough market which many investors have abandoned empty-handed. The lessons learnt, albeit expensive at times, will be well worth it in the coming years.

FINANCIAL RESULTS

Trans Hex recorded a financial year of two halves. The first six months were characterised by disappointing results at Baken mine which led to significant operating losses.

In the second half of the financial year, diamond prices continued to strengthen, while Baken mine was restored to profitability by implementing a new mining plan and cutting production costs. As a result, the South African operations were able to produce a profit of R116 million, compared to a loss of R101 million in the first six months of the year. The operations processed 17% more gravels in the period compared to the previous year, while reducing unit costs by 8%.

Overall, the group recorded a loss of R45,1 million for the year, compared to a profit of R21,6 million in the previous financial year. Sales revenue declined to R658,0 million from R715,7 million, but net cash of R21,9 million was generated for the year, improving the group's net cash position at the end of the financial year to R267,5 million (2010: R245,6 million).

MARKET CONDITIONS AND TRANS HEX SUSTAINABILITY

In this past year, diamond prices continued their surge from the lows of 2008 to new record highs. Prices are now expected to stabilize, with demand continuing to be driven by the expanding Chinese and Indian markets. Trans Hex is renowned for the quality of its alluvial diamonds, which are a highly sought after commodity with 95% used for jewellery and high-end consumer goods.

The group's South African mining portfolio will be considerably bolstered by the acquisition of Namaqualand Mines, while the Somilwana mine in Angola has the promise to deliver an expanding supply of high value stones.

Most importantly, Trans Hex has an experienced executive team which is continuing to work hard to reduce production costs, spin off unprofitable assets and implement sustainable performance improvements at all levels.

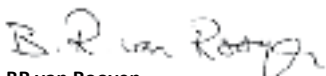
The group's South African mining portfolio will be considerably bolstered by the acquisition of Namaqualand Mines, while the Somiluana mine in Angola has the promise to deliver an expanding supply of high value stones.

In the next financial year I expect Trans Hex to continue to build upon the foundations laid over the past few years and, in particular, the key developments of 2011. I have confidence that the group will work successfully through the challenges ahead as it continues to strive to deliver a "flawless gem" to its stakeholders.

This integrated annual report reflects Trans Hex's growing focus on sustainability in the spirit of the King III guidelines. We do not view these new reporting requirements as an obstacle to be negotiated or a check-list to be ticked off, but embrace them as a means to continually improve the group in the short, medium and long term. This report is another step in the journey to ensuring that Trans Hex remains sustainable for the ongoing benefit of all its stakeholders.

STAKEHOLDER APPRECIATION

On the behalf of the board, I thank each and every shareholder, executive, employee and stakeholder for standing by Trans Hex through a testing but transformative year. I'm sure that your faith, invaluable inputs and hard work will be well rewarded as Trans Hex enters into an exciting future.



BR van Rooyen
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT



LLEWELLYN DELPORT, CHIEF EXECUTIVE OFFICER

The financial year that ended on 31 March 2011 was a year of highs and lows for Trans Hex. A major disappointment for us was the low grade of ore at Baken mine during the first six months of the year, which led to the South African operations recording a pre-tax loss of R101 million for that period.

In the second half of the year however, a major turnaround was achieved. The implementation of a new mining plan at Baken, together with increased volumes of gravels treated, reduced unit costs and strong diamond prices resulted in the South African operations posting a pre-tax profit of R116 million for the second period.

In Angola, the first nine months of production from the Somiluana mine (in which Trans Hex has a 33% shareholding as well as the operating contract) delivered very promising results, with US\$3,5 million being repaid against Trans Hex's investment account. No further funds have been sent to Angola since May 2010 and the steady expansion of Somiluana's production capacity is currently being funded through cash generated from its own sales.

On a further positive note, the groundwork was laid during the financial year for the signing of an agreement in May 2011 between Trans Hex, through its 50% joint venture company Emerald Panther Investments, and De Beers Consolidated Mines for the acquisition of the Namaqualand Mines. This deal has the potential to add significant value to the company, in terms of more than 1,6 million economically mineable carats as well as offering valuable synergies with existing Trans Hex assets in the region.

We practice good corporate governance because it is the right thing to do and because of the impact it will have on our bottom line in the long term.

INTEGRATED REPORTING AND KING III

The King III governance framework has brought corporate sustainability to the fore. This annual report is a first phase and our first attempt at using the King III and Global Reporting Initiative (GRI) models to inform and report on Trans Hex's short, medium and long-term planning and operations. I am mindful that the lifespan of our current South African operations is measured in years rather than decades; therefore our future sustainability will be prioritised.

The King III and GRI frameworks offer a logical and transparent planning mechanism for the Trans Hex board and management, as well as for our stakeholders. We support these initiatives and we practice good corporate governance because it is the right thing to do and because of the impact it will have on our bottom line in the long term.

GROUP OPERATIONS

SOUTH AFRICA

Our South African operations consist of Baken Mine, the Richtersveld Operations (Bloeddrift, Nxodap and the Gariep joint venture) and small-scale contractor-operated shallow water operations along the West coast.

South African production fell from 92 904 carats in 2010 to 69 508 carats in 2011, primarily as a result of grade under-performance at Baken during the first six months of the year and the subsequent decision to suspend stripping operations at the mine.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)

The operations did however achieve an increase of 17% in the volume of gravels treated during the year and an 8% reduction in the unit cost of production.

South African carat prices rose appreciably to average US\$1,162 per carat for the year (2010: US\$957). This was despite fewer carats originating from the Richtersveld Operations, which traditionally fetch higher prices than those from other operating areas.

During the second half of the year the average price achieved was US\$1,394 per carat, with some significant high value large stones being recovered, which augurs well for the 2012 financial year.

South African
carat prices rose
appreciably
to average
US\$1,162 per carat
for the year.

ANGOLA

Our Angolan projects consist of the Somiluana mine; in which Trans Hex owns a 33% share and has the operating contract; and the Luarica and Fucauma projects, both of which are under care and maintenance.

Somiluana commenced full production in June 2010. By the financial year-end a total of 27 662 carats averaging 0,46 carats per stone had been produced. Total sales during the period amounted to US\$19,3 million at an average price of US\$351 per carat, of which US\$3,5 million was repaid to Trans Hex against our investment capital.

Trans Hex and its Angolan partners are currently financing the expansion of Somiluana's production capacity through cash generated from operations; therefore Trans Hex is no longer injecting any capital from South Africa. Finance for future growth will be provided by each of the shareholders relative to their shareholding or raised externally in accordance with the shareholders' agreements.

Projects Luarica and Fucauma remain under care and maintenance until Trans Hex exits these operations. Negotiations with our partners are continuing and, whilst in principle agreements have been reached, final details still need to be resolved.

NAMIBIA

The last remaining marine mining vessel was sold during the reporting period and our Namibian operations have ended.

More detailed information about all our operations can be found in the Operational Review on pages 19 to 27.

ACQUIRING NAMAQUALAND MINES FROM DE BEERS CONSOLIDATED MINES

On 6 May 2011, Trans Hex's 50% held joint-venture company, Emerald Panther Investments 78 (Pty) Limited (EPI) signed an agreement with De Beers Consolidated Mines Limited (DBCM) to acquire the assets and liabilities of Namaqualand Mines.

This deal represents a major strategic acquisition for Trans Hex and, if successfully concluded, will have a significant impact on the future prospects of the company.

The other partners in EPI are RECM and Calibre Limited with 34% and Dinoka Investment Holdings (Pty) Limited with 11%. Members of Trans Hex's management team hold all of the issued shares of Dinoka, with the majority being held by historically disadvantaged South Africans. The remaining 5% interest in EPI has been allocated to broad-based historically disadvantaged groups of persons, the precise nature of which is now being determined. Certain aspects relating to the shareholding of the purchaser have not yet been finalized and the structure is therefore subject to change.

Namaqualand Mines has about 10 million carats remaining (source: DBCM), of which between 1,6 million and 1,9 million carats can be economically mined in present market conditions and using current technologies. Trans Hex also owns the shallow water marine diamond mining concessions offshore of Namaqualand Mines and, if successfully concluded, the deal would offer additional value to Trans Hex in that it will enable direct access to those shallow water concession areas.

The transaction is subject to several conditions precedent, including approval by the shareholders of both Trans Hex and De Beers, the competition authorities and other regulatory bodies.

FINANCIAL PERFORMANCE

A remarkable turnaround from the South African operations was achieved during the second six months of the reporting year. Profit before tax of R116,0 million was generated compared to a loss before tax of R101,4 million in the first six months.

South African sales revenue dropped 8% year-on-year to R658,0 million (2010: R715,7 million) primarily as a result of grade under-performance and the decision to temporarily suspend stripping at the Baken operations, but also affected by the strength of the rand against the US dollar. Stronger diamond prices did however have a positive effect.

Net cash generated during the period was R21,9 million (2010: R40,2 million generated) resulting in the Group's net cash position at the end of the reporting period being R267,5 million (2010: R245,6 million).

Good progress was made in Angola, with Somiluana achieving sales of US\$19,3 million (2010: US\$0,0 million), of which US\$3,5 million was repaid to Trans Hex against the outstanding investment amount.

Overall, the group posted a loss of R45,1 million for the year, compared to a profit of R21,6 million in fiscal 2010. This result reflects a loss per share of 42,7 cents (2010: earnings per share of 20,4 cents) and a headline loss per share of 45,6 cents (2010: headline earnings per share of 19,4 cents).

LOOKING AHEAD

This past year certainly offered its share of challenges, but it also enabled Trans Hex to tackle fundamental issues that could impact our future sustainability.

The repercussions of global events such as the recent economic recession remain beyond our control, but we strive to manage our business in all

The proposed acquisition of the Namaqualand Mines promises to considerably extend the reserves and the lifespan of Trans Hex's South African operations.

macro-economic environments by focusing on the key issues, such as adapting our mining plans, achieving continued cost reductions and pursuing new business opportunities, all of which have been addressed with energy and commitment.

We have re-orientated our South African production to deliver acceptable margins and in Angola we are moving towards exiting unsustainable operations whilst unlocking the exceptional potential offered by Somiluana mine. In 2012 we expect to produce 86 000 carats in South Africa and 42 000 carats in Angola.

The strength in the market seems likely to continue given demand levels, but pricing levels are expected to show greater stability in the longer term after a sustained period of increases.

The proposed acquisition of the Namaqualand Mines promises to considerably extend the reserves and the lifespan of Trans Hex's South African operations.

Lastly, we have learned the lessons of operating in tough environments and we are always open to new opportunities both inside and outside of South Africa's borders.

With these fundamentals in place, I am confident that the future sustainability of Trans Hex is assured.

THANKS

I would like to record my thanks to the board of directors, the executive team and all members of staff for your support and for your efforts throughout the year. I look forward to growing this business with you over the coming years.



Llewellyn Delport
Chief executive officer

OPERATING PERFORMANCE

2011 STATISTICS

	Average grade per 100 m ³	Carats produced	Average carats per stone	Average price per carat achieved (US\$)
SOUTH AFRICA				
Baken – own operation	1,23	44 095	1,02	1 106
Baken – contractor	0,97	2 255	1,09	1 579
Baken – total	1,21	46 350	1,02	1 121
Richtersveld operations	1,41	15 503	1,89	1 714
Shallow water	–	7 655	0,27	366
ANGOLA				
Fucauma*	–	–	–	–
Luarica*	–	–	–	–
Somiluana	18,36	27 662	0,46	351

2010 STATISTICS

	Average grade per 100 m ³	Carats produced	Average carats per stone	Average price per carat achieved (US\$)
SOUTH AFRICA				
Baken – own operations	1,90	58 760	1,10	921
Baken – contractor	–	–	–	–
Baken – total	1,90	58 760	1,10	921
Richtersveld Operations	2,67	24 436	1,64	1 228
Shallow water	–	9 708	0,29	306
ANGOLA				
Fucauma*	–	–	–	–
Luarica*	–	–	–	–
Somiluana	33,91	20 510	0,41	–

* Fucauma and Luarica were under care and maintenance during the 2010 and 2011 financial years.



OPERATIONAL REVIEW

SOUTH AFRICA

South African production during the reporting period amounted to 69,508 carats (2010: 92,904 carats). Whilst total gravels treated increased by 17% over the corresponding reporting period in 2010 and the unit cost of production was reduced by 8%, the average grade achieved decreased from 2,07 carats/100 m³ to 1,27 carats/100 m³. The year on year reduction in grade was also due the decision to temporarily suspend stripping at the Baken operations given current exchange rates.

Total sales attributable to the South African operations marginally decreased to US\$90,6 million (2010: US\$91,2 million), at an average price of US\$1,162 per carat (2010: US\$957). The average price per carat increased despite fewer carats sold originating from the Richtersveld Operations which achieved a significantly higher price per carat than those from other operating areas. The average price per carat achieved during the second six months of the reporting year was US\$1,394 per carat. In Rand terms, revenue was down by 7,9% to R658,0 million (2010: R714,3 million).

ANGOLA

Production commenced at Somiluana mine in June 2010. In the 10 months to 31 March 2011, Somiluana produced 27 662 carats at an average of 0,46 carats per stone. Total sales were US\$19,3 million at an average price of US\$351 per carat.

The Luarica and Fucauma projects remain under care and maintenance.

OPERATIONAL REVIEW: MINE OVERVIEW

NAMIBIA

Trans Hex's last remaining vessel was sold in May 2010 and operations in Namibia have been discontinued.

BAKEN

OVERVIEW

Baken mine is situated on the banks of the lower Orange River about 60 km from Alexander Bay and has been Trans Hex's flagship operation for many years. This operation mines the Baken paleo channel. The channel is an ancient buried riverbed containing alluvial diamonds washed downstream from kimberlite pipes (diamond-bearing volcanic rock) millions of years ago. The site also contains lower-grade meso terraces, which could be mined should diamond prices stabilise at higher levels or processing technologies improve.

Baken mine provides processing and infrastructure support to the Bloeddrift, Nxodap (Reuning) and Gariep projects further upstream the Orange River in the Richtersveld region. The Baken Central Plant has a 1 350 tons/hour processing capacity.



OPERATIONAL REVIEW (continued)

Further cost control measures were implemented and significant productivity improvements were achieved during the year.

OPERATIONS REPORT

In the first half of the financial year, grade under-performance at Baken mine led to significant losses being recorded by the group. As a result, and in the light of prevailing unfavourable exchange rates, overburden stripping was suspended in October 2010 and the mine changed focus to processing remaining open gravels and existing stockpiles, using in-field screening. Further cost control measures were implemented and significant productivity improvements were achieved during the second half of the year.

OUTLOOK

At present, existing stockpiles are being processed and more intensive sampling of Baken mine's reserve has been included in the 2012 operational budget. Baken's present known reserves allow for a further six years of profitable mining, given stable diamond prices and current mining technology. Continued sampling may uncover further resources that could be added to the reserve. Plans for 2012 include improving production capacity by recommissioning the grease plant and acquiring additional processing equipment. Stripping operations will be resumed as soon as economically viable.

BLOEDDRIFT

OVERVIEW

Bloeddrift mine was recommissioned in November 2007. Due to its size, the mine makes use of small mobile processing plants and considerably less infrastructure and is therefore able to profitably mine lower grade deposits.





OPERATIONAL REVIEW (continued)

Whilst the diamonds at Bloeddrift and the other Richtersveld operations are found in lower volumes than at Baken mine, they are generally larger and usually achieve better prices per carat.

OPERATIONS REPORT AND OUTLOOK

Bloeddrift embarked on a bulk sampling programme early in 2011 through the erection of a rotary pan processing plant for sampling of the meso terraces. The Bloeddrift site contains substantial reserves of over 40 million cubic metres, although much of this is in the lower grade meso beds, as opposed to the higher-grade and more ancient proto layers.

Depending on prevailing diamond prices and subject to vigilant control of production costs, the Bloeddrift reserve still offers many years of profitable diamond extraction.

NXODAP OVERVIEW

The Nxodap plant is in the Reuning area adjacent to the Orange River. The plant treats in situ gravel from the Nxodap deposit and has been in operation since 2005.



OPERATIONAL REVIEW (continued)

OPERATIONS REPORT AND OUTLOOK

The Nxodap plant has been performing consistently since its inception and is producing good quality diamonds at an average stone size of 1,6 carats per stone. It is expected that Nxodap production will be maintained at current levels for the foreseeable future.

GARIEP OVERVIEW

This mining venture was established as an empowerment joint venture (JV) with members of the local community in 1992.

OPERATIONS REPORT AND OUTLOOK

The Gariep JV is a low-cost diamond producer and continues to mine the lower-grade remnants in the Bloeddrift area. The business is well positioned to take advantage of the huge volumes of lower-grade meso terraces in the Bloeddrift area.

SOMILUANA (ANGOLA) OVERVIEW

The Somiluana mine is located about 1 000 km north-east of Luanda in the diamond-rich but undeveloped province of Lunda-Norte. Trans Hex is the mine operator and a 33% shareholder. The company's Angolan partners in this operation are the state diamond company, Endiama (39%), and three local companies.

OPERATIONS REPORT

Somiluana commenced production in June 2010 after mining-phase agreements were concluded between Trans Hex and its partners. The mine's known resources exceed 10 million carats, with probable reserves of 1,4 million carats.

From June 2010 to 31 March 2011, Somiluana produced 27 662 carats at an average of 0,46 carats per stone. Total sales were US\$19,3 million at an average price of US\$351 per carat. For the full year, this resulted in US\$3,5 million being repaid to Trans Hex against the outstanding investment amount.

Somiluana is currently self-funding, with infrastructure development and the acquisition of mining plant and equipment being funded by cash flow from diamond sales. Trans Hex estimates that a further US\$10 million is required to fully develop the mine's current operations on the west bank of the Luana river and to develop the river's east bank, which shows equal promise. A bridge has been built for drilling equipment to be moved across to the east of the river for sampling on that side.

Trans Hex is in talks with its Angolan partners to provide or secure funding for future expansion in accordance with the principle that each party will contribute proportionate to their shareholding.

OUTLOOK

Although operational for just one year, the Somiluana project offers immense promise. Having already mined over 27 000 carats in nine months, production for the 2012 financial year is anticipated to grow to 42 000 carats.

As Somiluana expands its production capacity and further explores its reserves, it is expected to make a significant contribution to the group.

DIAMOND RESERVES AND RESOURCES

LAND DIVISION

31 March 2011

DIAMOND RESERVES

Project name	PROBABLE		
	Ore (m ³ x 1 000)	Grade (cts/100 m ³)	Carats (cts)
Baken	14 670	1,19	173 963
Bloeddrift	7 964	1,01	80 262
Reuning	1 532	1,57	23 999
Luarica*	0	0,00	0
Fucauma*	0	0,00	0
Somiluana*	8 177	17,39	1 421 917
Total	32 343	5,26	1 700 141

DIAMOND RESOURCES

Project name	INDICATED			INFERRED		
	Ore (m ³ x 1 000)	Grade (cts/100 m ³)	Carats (cts)	Ore (m ³ x 1 000)	Grade (cts/100 m ³)	Carats (cts)
Baken	20 722	1,13	234 140	62 497	0,61	378 319
Bloeddrift	29 131	0,51	148 383	20 829	0,58	120 767
Reuning	6 778	0,74	50 231	29 062	0,55	158 615
Remhoogte	0	0,00	0	7 501	1,19	89 377
Luarica*	2 222	22,15	492 190	5 880	17,61	1 035 541
Fucauma*	2 264	17,17	388 669	7 177	14,07	1 009 608
Somiluana*	10 569	19,37	2 047 829	50 602	15,74	7 967 036
Total	71 686	4,69	3 361 442	183 548	5,86	10 759 263

Notes:

Diamond resources are quoted inclusive of diamond reserves.

All resources are quoted as recoverable grades at a bottom screen cutoff of 2 mm for South African and 1,6 mm for Angolan projects.

* Total project reserves and resources are shown for Angola; THG share of these projects are: Luarica 35%, Fucauma 32% and Luana 33%.

Diamond Reserve grades for Angolan projects are quoted as ROM grades, i.e. bulked and diluted.

All other diamond grades are quoted as in situ grades.

MARINE DIVISION

31 March 2011

DIAMOND RESOURCES

Concession	INDICATED			INFERRED		
	Area (m ²)	Grade (cts/m ²)	Carats (cts)	Area (m ²)	Grade (cts/m ²)	Carats (cts)
2b	515 210	0,21	108 194	1 043 000	0,11	114 730
3b	550 000	0,07	38 500	460 000	0,05	20 700
6b				5 838 711	0,02	99 258
11b	83 000	0,04	3 320			
13b	72 169	0,05	3 608			
Total	1 220 379	0,18	153 622	7 341 711	0,03	234 688

Notes:

No marine resources are stated for the shallow-water areas (< 25 m water depth).

In these areas the mineralisation is generally erratic and the lack of suitable technology to sample this zone has prevented definitive resource delineation.

NOTES TO THE RESOURCE RESERVE STATEMENT

I. COMPETENT PERSON AND GENERAL COMPLIANCE

The group's Diamond Resources and Diamond Reserves have been prepared under the guidance of the company's Competent Person, Mr LM Cilliers (MSc, Pri Sci. Nat. 400135/00, GSSA 963975), who is duly registered with the South African Council for Natural Scientific Professions ("SACNASP") as required by South African Law. This ensures that the Mineral Resource statements are compliant with the South African Mineral Resource Code ("SAMREC"). The company's Competent Person has taken into account the definitions included in the SAMREC, and the Diamond Resource and Diamond Reserve quantities reported here are considered to be fully compliant in all material respects with the requirements of the SAMREC.

II. GENERAL NOTES:

A total of 44 095 carats were depleted from the **Baken** Reserve through mining activities during the past year at an average grade of 1,23 cts/100 m³. The total carats in reserve reduced by 30% or 74 830 carats year on year as a result of a 16% reduction in volume of gravels and a 17% reduction in estimated grade to 1,19 cts/100 m³. A review of the estimated resource grades utilising past sampling information and recent mining information resulted in lower grade estimations for portions of the deep channel and certain gravel stockpiles.

At **Bloeddrift** a total of 5 072 carats were recovered during the year mainly from the B2 palaeochannel, at an average grade of 1,28 cts/100 m³. Higher estimated diamond prices for the coming year resulted in an increase in reserve carats of 83% or 36 416 carats from last year. The estimated gravel volume in reserve increased by 133% and the estimated grade reduced by 21%.

A total of 7 967 carats were depleted from the **Reuning** Reserve through mining activities during the past year at an average grade of 1,97 cts/100 m³. The total carats in reserve remained largely unchanged as a result of over-performance of the reserve in terms of grade and volume during the last year and the addition of new volumes identified through ongoing mining activities and exploration sampling.

In Angola, mining operations at **Luarica** and **Fucauma** remain under care and maintenance.

Somiluana commenced production activities in June 2010 and has produced 27 662 carats at an average grade of 18,4 cts/100 m³ and an average stone size of 0,46 carats per stone. Actual mine grades realised from certain portions of the Calonda gravel reserves proved to be lower than estimations based on bulk sample results. Grade adjustments based on this new information resulted in a 36% reduction in reserve carats and a roughly 30% reduction in resource carats. Reverse Circulation drilling has recommenced, with the main target being the further delineation of the inferred resources on the east bank.

The Marine resources remained unchanged.



SUSTAINABILITY AND MINING CHARTER REPORT

Trans Hex views sustainability as protecting and growing shareholder value for the benefit of all stakeholders, while working to eliminate any negative impacts from our operations on these constituencies.

The revised King Code and Report on Governance for South Africa (King III) states that sustainability of a company means conducting operations in a manner that meets existing needs without compromising the ability of future generations to meet their needs. It means having regard to the impact that the business operations have on the economic life of the community in which it operates. Sustainability includes environmental, social and governance issues.

Trans Hex views sustainability as protecting and growing shareholder value for the benefit of all stakeholders, while working to eliminate any negative impacts from our operations on these constituencies.

The group makes funding, expertise and business skills available to protect and develop the economic, social and natural environments in which we conduct business. We do this by:

- ◊ Working to integrate economic, social and environmental concerns and opportunities within decision-making forums at all levels and applying these factors to the group's overall strategy
- ◊ Being an efficient, ethical and value-creating business
- ◊ Creating meaningful employment in safe and healthy environments
- ◊ Reducing our environmental impact and contributing to biodiversity management
- ◊ Innovation, technology and process improvement
- ◊ Creating social partnerships to address societal problems such as HIV/Aids and lack of rural development
- ◊ Updating our values and practices to reflect international norms and meet community and social expectations

THE SOUTH AFRICAN MINING CHARTER

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

Participative structures are in place to ensure the implementation of all aspects of the mining charter, as reported below.

ENVIRONMENT

ENVIRONMENTAL POLICY

Trans Hex manages the environmental aspects of its operations through its environmental policy, which sets out group standards. This policy also includes legislative requirements and in particular makes provision for the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (MPRDA). Site-specific tools have been developed to implement group environmental policy.

ENVIRONMENTAL MANAGEMENT

Trans Hex operations use environmental management programmes (EMPs) that were approved in terms of the Minerals Act, No. 50 of 1991. These EMPs are aligned with the MPRDA and are constantly revised to remain in line with current prospecting and mining operations. A group environmental implementation

SUSTAINABILITY AND MINING CHARTER REPORT (continued)

system provides for regular monitoring of the activities that have potential environmental impacts. The Trans Hex Safety, Health and Environment Group Standards (SHEGS) protocol sets standards and minimum requirements for:

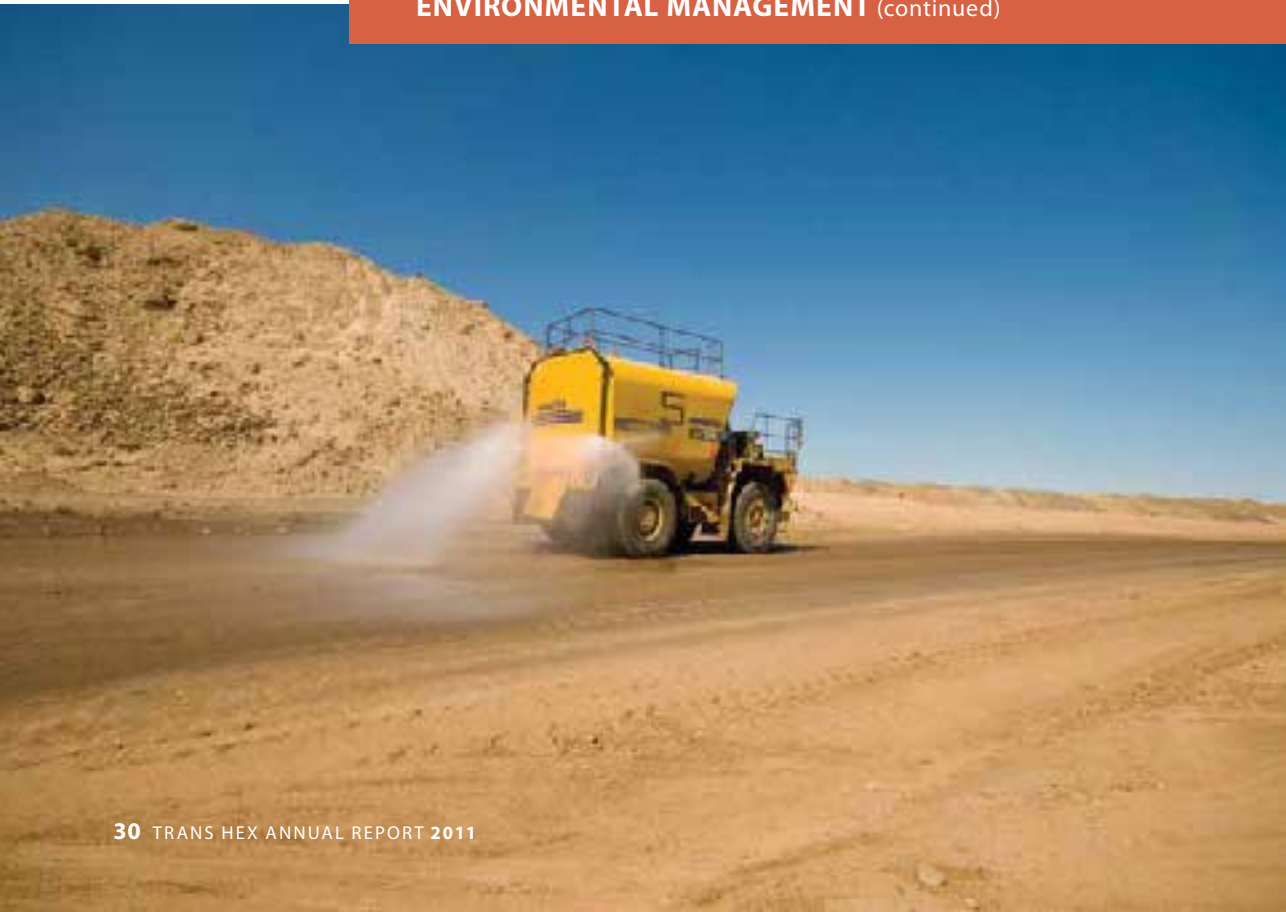
- ◇ Risk assessment
- ◇ Projects and resources
- ◇ Personnel and medicals
- ◇ Operational activities and contractor management
- ◇ Emergency preparedness and incident investigation
- ◇ Performance and compliance auditing

The general rehabilitation process is that removed topsoil is set aside and the “backfill method” is used to rehabilitate mined areas. This means that overburden stripped ground is returned to excavated areas, covered with topsoil and re-vegetated.

EXTERNAL ENVIRONMENTAL PERFORMANCE AUDITING

We conduct regular internal and bi-annual external audits at our mines to assess compliance with the commitments set out in the EMPs. These audits also measure how relevant EMPs are to current mining operations. Other aspects include how to integrate corrective actions into daily operations and identify areas of improvement.

ENVIRONMENTAL MANAGEMENT (continued)



Environmental impact assessments are done and communicated to relevant authorities and stakeholders on any operational changes to the mining operations and introduction of new mining equipment.

WASTE MANAGEMENT

Trans Hex has a comprehensive waste management programme that addresses a number of issues at the various sites at which we operate.

General waste is disposed of at licensed general waste disposal sites. Hazardous waste, which includes batteries, used oil lubricants, oil filters and oily rags is collected and disposed of. Used batteries are generally collected and disposed of by suppliers of new batteries.

We are also in the process of compiling a comprehensive waste management plan for waste minimisation, recycling and disposal. This includes the removal of all identified scrap at various accumulated areas and encompasses the following:

- i. Identifying salvage areas for plant and engineering re-use;
- ii. Allocating recycling bins to ensure separation of different types of waste;
- iii. The collection of the general waste and immediate covering after disposal thereof of the general waste by the mine; and
- iv. The collection of hazardous waste and storage thereof at specific areas before collection by an approved contractor at regular intervals.

As part of the recycling initiative, we are in discussions to find alternative ways of disposing of rubber and plastic waste and to recycle all cardboard.

Hydrocarbon rehabilitation and soil remediation is performed in line with the minimum requirements of the Department of Water Affairs and the Environment. This is done to prevent water pollution and to ensure that disturbed areas are properly rehabilitated.

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

ENERGY, CARBON AND EMISSIONS MANAGEMENT

Trans Hex has instituted water and waste management plans, as well as an environmental rehabilitation strategy. Water recycling strategies with a target of at least 70% are being implemented. Annual energy consumption strategies are being looked at to ensure that energy efficiency is improved by at least 10%.



HEALTH AND SAFETY

OCCUPATIONAL HEALTH AND SAFETY

A comprehensive medical surveillance programme is fully implemented as per the revised Mandatory Code of Practice for Minimum Standards of Fitness to perform work at a mine, in terms of the Mine and Health Safety Act (No. 26 of 1996). Trans Hex Health and Safety aims to:

- Improve the occupational health and safety awareness and well-being of all employees
- Improve and maintain the health and safety management system
- Enhance legal compliance
- Minimise or eliminate risk to employees
- Prevent injuries to employees and damage to company property
- Encourage safe behaviour

HEALTH AND SAFETY MANAGEMENT SYSTEMS

Two internal audits on the Trans Hex Safety Management System were conducted during the first and fourth quarters of the 2011 financial year to ensure compliance and to highlight shortcomings. Corrective actions are monitored by means of proper action lists.

Continuous inspections, follow-ups and observations are used to assess safety behaviour and ensure compliance. Key elements such as risk assessments, planned inspections, task observations and communications are integral to day-to-day safety management.

Health and safety officers oversee this portfolio at Nxodap, Baken and Bloeddrift. This ensures better control over the health and safety system and more effective communication. A full-time health and safety representative has been appointed for the South African land operations. Health and safety representatives have been elected and appointed per work area.

A risk-based external audit was conducted during April 2010 (Safety Legal compliance), to provide a baseline to prepare for ISO 14001 and OHSAS 18001 accreditation.

This Legal Compliance and Risk Assessment concluded that:

Trans Hex Group has proven that a lot of positive work has already been done to ensure compliance with South African Legislation and regulations. The group is particularly strong on the administrative and managerial activities, including the establishment of the safety committee, the selection and training of safety representatives and consultation with the workforce. Accident and incident reporting is also a strong point. In many cases the progress to improve health and safety in the organization could be observed.

Consistency in the application of the requirements and programmes implemented by the organization needs some attention. The involvement of supervisory staff, especially at the lower levels needs to improve. Foremen rely heavily on the safety representatives to ensure compliance, as well as during incident investigations.

The work done at the Gariep joint venture site has improved the health and safety on the site.

It is recommended that the procedural documents in accordance with the requirements of the OHS 18001 standard are drawn up. If necessary, consultation could be provided.

Training for supervisory staff may be beneficial to make them aware of their roles and responsibilities, including in health and safety issues, as well as management techniques pertaining specifically to that level of management in the organization, which is very demanding on the persons involved.

Trans Hex Group is to be commended for a strong management effort to establish the Health and Safety System for the organization.

Responsibility for health and safety training has been decentralised to line managers to simplify the system and make it more audit friendly.

IMPLEMENTING A HEALTH AND SAFETY CULTURE

Trans Hex continually pursues a health and safety culture within the organisation. Ongoing methods include the daily five-minute Safety Talk and communicating of Safety News Flashes. At every shift change the entire team discusses a safety topic, with records being kept of these discussions.

The group health and safety culture is further promoted by highly successful team-building workshops for all health and safety officers. This multi-level approach involving every employee is delivering dividends in terms of health and safety results. Management also re-pledged their commitment to health, safety and environment. This is to enhance health, safety and environment compliance and to enforce accountability.

In 2009, Trans Hex (South African operations) instituted a new health and safety competition – divided into three categories, namely the

1. Individual Safety Incentive Scheme,
2. Trans Hex LOR Safety Shield Competition, and
3. Annual Safety Competition – with prizes and shields being awarded annually.

SUSTAINABILITY AND MINING CHARTER REPORT (continued)

These prizes and shields were awarded at the second Annual Safety Day on 8 November 2010.

The objective of this competition is to enhance a health and safety culture, build health and safety management systems and to recognise individual and section safety performance in the LOR operations. A similar competition is envisaged for 2011.

RISK ASSESSMENTS

The continuous risk assessment method in the Safety Management System is fully implemented.

ACCIDENT INVESTIGATIONS

Every incident has the potential for severe consequences. Health and safety officials investigate all events to identify repetitive behaviour and take remedial actions to prevent events from recurring.

ACCIDENT RECORD AND STATISTICS

Primary objectives are to minimise all types of injuries and maintain an LTIFR (lost time injury frequency rate) of less than 0,5 as well as:

- Reducing absenteeism to minimise safety risks
- Encourage 'near miss' reporting
- Eliminate property damage
- Encourage team performance

Accident rate calculations are based on the 200 000 man-hours worked norm, as per the NOSA formula. Frequency rates are calculated for four categories, i.e. fatal injuries (FIFR), reportable injuries (RIFR), disabling injuries (DIFR) and minor injuries (MIFR), all expressed on a financial-year basis.

Trans Hex Group safety performance – financial year on year

	2007	2008	2009	2010	2011
Number of disabling injuries	7	1	2	1	0
Disabling injury frequency rate (DIFR)	0,39	0,25	0,3	0,09	0
Change (year on year) %	56	(36)	20	(70)	(100)

Statistics for 2007 include Saxendrift and Marine Vessels. Current statistics include Lower Orange and Shallow Water Projects



HUMAN RESOURCES DEVELOPMENT

STAFF COMPLEMENT

As at 31 March 2011, direct employment in South Africa totalled 630 employees and additional employment through joint ventures and contractors amounted to 471 people. In Angola, the respective employment figures were 10 and 260.

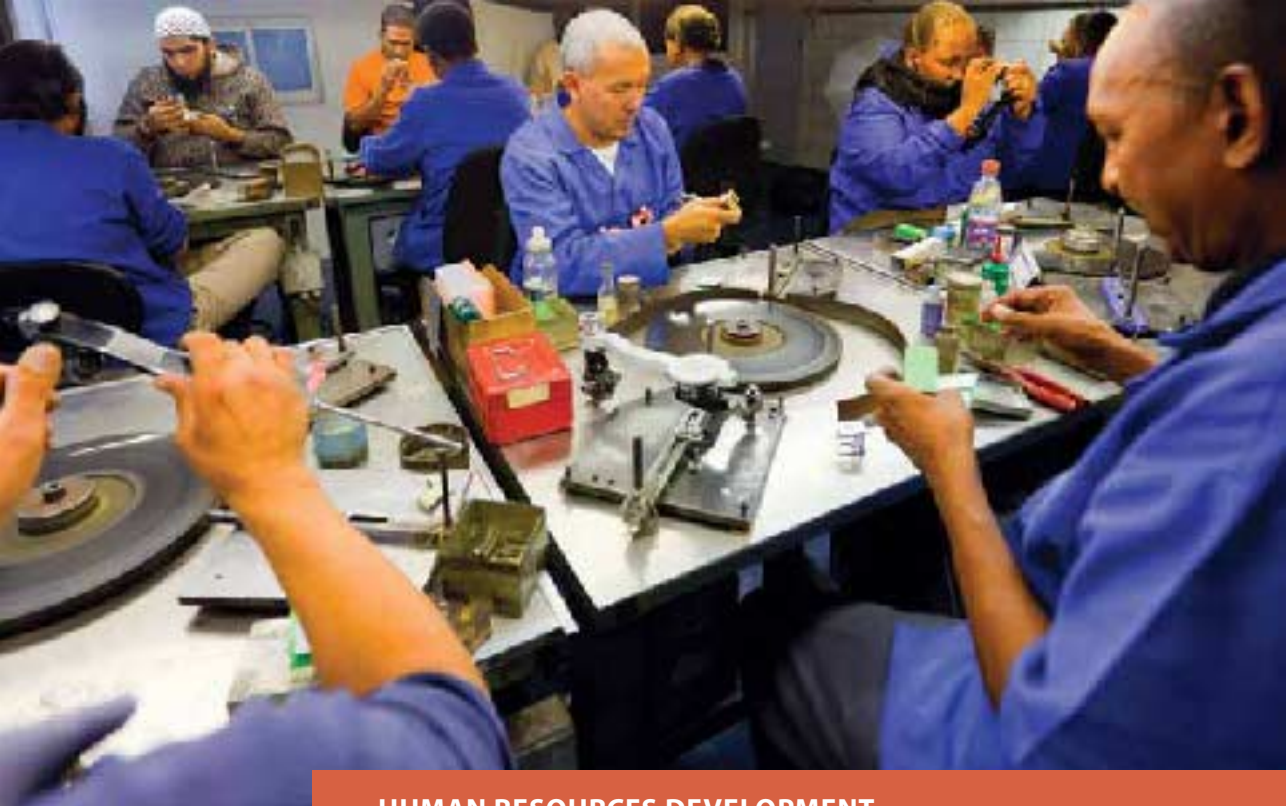
EQUAL OPPORTUNITIES

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

RECRUITMENT POLICY

Trans Hex recruits employees within the parameters of a recruitment policy based on best human resources practices. Vacancies are filled with the best available candidates, without unfair discrimination on any grounds.

The group does not employ migrant labour and the majority of its employees are sourced from local communities. Wherever possible, preference is given to black people, women and people with disabilities to ensure that the workforce is representative of the various regions in which Trans Hex operates.



HUMAN RESOURCES DEVELOPMENT

EMPLOYER/EMPLOYEE RELATIONS

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

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

STAFF TRAINING AND DEVELOPMENT

Trans Hex is committed to promoting continuous learning and development. Various training and development programmes are implemented in order to meet the group's strategic objectives and improve its operational performance.

The group submits its Workplace Skills Plan and Annual Training Report, in consultation with the NUM (National Union of Mineworkers), to the MQA (Mining Qualifications Authority) each year.

Skills development planning encompasses training that supports the requirements of employees' current positions as well as accelerated development for career path opportunities in line with the group's employment equity strategies.

All training and development programmes are offered through SAQA (South African Qualifications Authority) accredited service providers and are aligned to the NQF (National Qualifications Framework). Programmes include ABET (adult basic education and training), on-the-job training, learnerships, short courses, skills programmes, RPL programmes (recognised prior learning), certificate courses, diploma and degree programmes.

In the 2011 financial year a total of 522 employees benefited from training interventions, at a cost of R1,5 million.

Training and development programmes attended during the year included:

- ◊ Basic and Elementary Surveying Skills
- ◊ Introduction to Environmental Management
- ◊ Health and Safety Representative Course
- ◊ Coaching and Mentoring Programme
- ◊ Artisans' short courses
- ◊ National Certificate: Human Resource Management
- ◊ National Certificate: Occupational Directed Education, Training and Development
- ◊ National Diploma: Human Resource Management
- ◊ Senior Management Development Programme
- ◊ Learnership: Millwright (Open Cast)
- ◊ Learnership: Instrumentation Mechanician

In addition various computer courses, driver's licence courses and in-house mining and plant operator training and refresher courses were attended by employees.

BURSARY SCHEME

Financial assistance towards tertiary education is provided to employees' children through the Trans Hex Bursary Scheme.

A Joint Bursary Committee, consisting of three union members and three members of management, manages the bursary scheme. Bursaries are valid for one academic year of study at a time.

The criteria used for the allocation of bursaries are based on financial need, academic merit, the mining charter, NSDS (National Skills Development Strategy) and SSP (Sector Skills Plan).

Thirteen bursaries were awarded in the financial year, totalling R300 000, in the following disciplines:

- ◊ Chemical Engineering
- ◊ Mechanical Engineering
- ◊ Electrical Engineering
- ◊ Accounting/Finance
- ◊ Law
- ◊ Human Resources
- ◊ Boilermaker
- ◊ Diesel Mechanic
- ◊ Information Technology
- ◊ Tourism
- ◊ Hospitality Management

SUSTAINABILITY AND MINING CHARTER REPORT (continued)

COMMUNITY TRAINING

As part of its commitments to community development, Trans Hex provides various training opportunities to local community members.

First aid training is offered to provide a necessary life skill to members of the community and at schools. Mining and plant operator training is provided to unemployed persons to enhance employment prospects and ensure that a pool of community members is eligible for employment by Trans Hex should opportunities arise.

Trans Hex assists students from local communities by providing practical training opportunities and workplace experience where possible. Other initiatives during the year included granting a bursary to a local student towards a National Diploma in Agricultural Management and providing access to Adult Basic Education and Training.

EMPLOYMENT EQUITY

Trans Hex fully complies with all employment equity (EE) legislation and currently exceeds its EE targets as shown in the table on page 39. The company has established a “women in mining” committee to accelerate the introduction and advancement of more women in a traditionally male-dominated industry and has also entered into an agreement with the National Union of Mineworkers (NUM) regarding policies and procedures for dealing with pregnancies, maternity leave and breast-feeding of infants in the workplace.

As at 31 March 2011, 15% of the group’s South African employees were women and 7% of all management positions were occupied by women.

EMPLOYEE WELLNESS



Trans Hex submits its annual employment equity report to the Department of Labour by the end of October each year.

Employment Equity Progress Table

Occupational levels	Percentage target 2011	Actual as at March 2011	Actual as at March 2010
	Non-designated: Designated	Non-designated: Designated	Non-designated: Designated
Top management (F-band)	33% : 67%	33% : 67%	33% : 67%
Senior management (D-upper + E-band)	60% : 40%	59% : 41%	64% : 36%
Professionally qualified (D-lower)	30% : 70%	11% : 89%	11% : 89%
Skilled and technically qualified (C-band)	10% : 90%	8% : 92%	9% : 91%

EMPLOYEE WELLNESS AND ASSISTANCE

MEDICAL AND HIV/AIDS

All employees belong to medical aid schemes and have access to on-site professionally staffed medical clinics. Employees' family members and local community residents also have access to these clinics, which are visited by medical doctors twice a week.

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

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

Further support and counselling is provided to employees and their families through the employee assistance programme.

WELLNESS SUPPORT SERVICES

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

- weekly visits to the mines conducted by a clinical professional;
- on-site debriefing sessions in cases of trauma;
- a monthly visit to each site by a financial adviser to advise employees on how best to handle their finances and to assist with actual financial problems;
- psycho-social counselling for employees and their household members; and
- debt counselling and legal consultations.



CORPORATE SOCIAL INVESTMENT

In addition Trans Hex has contracted Careways 24/7 to provide telephonic employee wellness services. All Trans Hex employees and their household members have access to the helpline that is manned by professional, multi-lingual staff, who provide counselling and support for issues such as:

- Emotional and personal difficulties
- Family and relationship concerns
- Alcohol, drug or gambling abuse
- Managing stress and change
- Financial matters
- Legal concerns
- Career issues
- Violence and trauma
- HIV and Aids
- Bereavement and loss

All information shared in the Trans Hex employee wellness programme is treated as strictly confidential.

HOUSING AND LIVING CONDITIONS

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

At the mining projects, employees are provided with free accommodation in single quarters, flats and houses. Subsidised meals are provided by a specialist contractor and are regularly monitored for nutritional content.

CORPORATE SOCIAL INVESTMENT

Trans Hex's corporate social investment activities focus on improving the quality of life of disadvantaged communities. The group is committed to community development, empowerment and sustainability, especially in the communities in the vicinity of its mining operations.

Trans Hex contributes specifically towards interventions relating to education, adult literacy, healthcare, transport, and arts and culture projects. Support for various community needs and projects, together with direct donations and sponsorships totalled R2,9 million during the financial year.

The Namaqualand Diamond Fund Trust, comprising representatives of seven rural areas in the Namaqualand, which aims to facilitate community upliftment and prosperity, has received a total of R370 million from the group since it started operating.

MINE COMMUNITY AND RURAL DEVELOPMENT

Trans Hex is well aware of the central role it has in community life and infrastructure in the vicinity of its operations.

The group is committed to developing small, medium and micro enterprises and has initiated a range of successful projects which it continues to support. These include a gymnasium and an internet café offering computer skills training for community members; convenience stores; guesthouses; a fuel station; cleaning services; tourism services; and transport services. All of these ventures are operated by local community members.

In addition, the group has made significant contributions towards road improvement and maintenance, providing fresh water to local communities, and improving local educational facilities.

Trans Hex's community investment plans are aligned with the Integrated Development Plans (IDPs) of both the Richtersveld and Namakwa District municipalities, in collaboration with local municipal councillors and officials, as well as representatives of local community organisations. Approved projects include the following:

- Providing additional teachers in the Richtersveld
- Transporting learners for school activities
- Road maintenance from Alexander Bay to Sanddrift, Kuboes and Sendelingsdrift
- Supply of fresh water to Sanddrift and Kuboes
- Improving infrastructure for waste management at Sanddrift
- Upgrading of the Sanddrift Primary School
- Upgrading of crèches in local communities
- Development of a commercially viable agricultural project
- Assisting tourism strategies by increasing public awareness of conservation and cultural issues

At Hondeklip Bay, the company donated a building and land to the Department of Education for the benefit of the community. Hondeklip Bay schoolchildren are also transported from various towns to Hondeklip Bay on a monthly basis. The company provided a mobile library, donated computers and also assisted with the provision of an extra educator for maths and science education.

The group has made significant contributions towards road improvement and maintenance, providing fresh water to local communities, and improving local educational facilities.

SMALL-SCALE MINING

As part of the group's commitment to the development of small, medium and micro enterprises (SMMEs), small-scale miners are given opportunities to mine in the group's areas.

The group recognises that greater ownership of mining industry assets by historically disadvantaged South Africans (HDSAs) is a means of encouraging and giving effect to the entry of HDSAs into the mining industry, thereby allowing the mining and mineral resources of South Africa to be of benefit to all South Africans. The Gariep joint venture was the first of such ventures and has proved to be self-sufficient. Its revenue for the financial year amounted to R25,6 million.

NAMAQUALAND SMALL-SCALE MINERS

The Namaqualand Small-scale Miners (NSSM) cooperative is a newly formed entity to organise and restructure small mining in the region on purely business principles. For many years, small-scale mining has provided income to Namaqua households. NSSM finds it hard to access financial resources as well as technical and management skills and information and has therefore approached mining houses in the region for support. Some basic issues are developing maps for newcomers and providing a support system for those actively mining in terms of environmental and mine health and safety issues.

In April 2010, Trans Hex undertook to train NSSM small miners to develop their own EMPs for their mines and donated a GPS for mapping purposes.

RURAL DEVELOPMENT



RICHTERSVELD AGRICULTURAL DEVELOPMENT

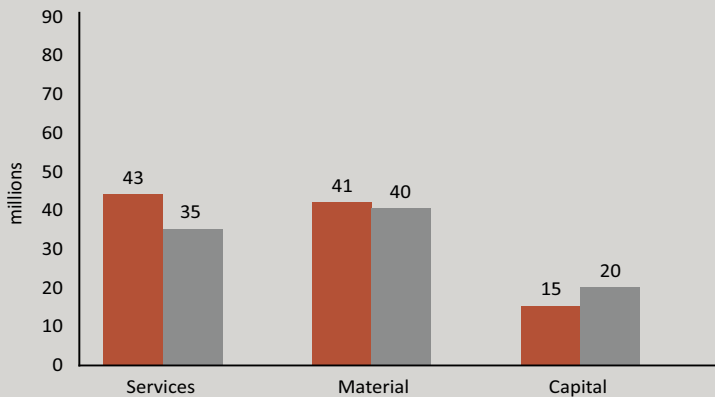
In line with Trans Hex's social and labour plan commitments, a commercial farming venture has been launched in partnership with an agricultural developer.

The purpose of the project is to establish a sustainable agricultural business venture that will benefit local communities once mining activities in the region come to an end. Initial costs for the project included development costs of approximately R4 million and operational expenses of R2,4 million.

A pilot project which included growing brown onions and watermelons is being finalised and has shown good potential to date.

PROCUREMENT

BBBEE Procurement expenditure (April 2010 – March 2011) ■ Actual ■ Target



The group has implemented a five-year plan for growing its BBBEE procurement spend to the targeted levels, as shown in the graph above.

Total spend on BBBEE enterprises for the reporting period was R158 million (2010: R173 million), being 46% (2010: 49%) of the total procurement spend.

CONTRACTOR POLICIES

All providers of contracted services to Trans Hex undergo rigorous checks to ensure that they comply with group operational, human resources and BBBEE standards.

OWNERSHIP

The group is committed to achieving 26% ownership by historically disadvantaged South Africans (HDSAs) in terms of the requirements of the Mining Charter. As at 31 March 2011, Mvelaphanda Resources Limited, an HDSA-controlled company, owned 20,3% of Trans Hex's shares, with other HDSA-controlled companies holding at least 13,5%. Trans Hex is listed on the JSE Limited and the Namibian Stock Exchange.

BENEFICIATION

SALE OF ROUGH DIAMONDS

Trans Hex makes some 80% of its total South African production available to the South African diamond industry with the remaining 20% of production by



value being sold to the State Diamond Trader and Urembo Diamonds for local beneficiation within the Republic. By utilising a tender sales system, Trans Hex ensures that one of the largest diamond outputs, by value, in South Africa is made available to all potential purchasers, rather than being sold to a select number of clients.

UREMBO DIAMONDS

Urembo Diamonds is a small-scale black economically empowered polishing factory in which Trans Hex owns a 75% stake. The remaining 25% is owned by individuals in the business and an employee trust which is in the process of being finalised. The operation was established in 2008 as part of the group's beneficiation strategy and to take advantage of the downstream benefits of the diamond industry.

Trans Hex provided the start-up capital for the venture and finances the working capital, one of the key barriers to entry for any beneficiation operation. This support continued throughout the very difficult recessionary period of 2008 and 2009. Consequently, Urembo Diamonds now employs 31 people at a time when the South African beneficiation industry has shown a period of decline.

The factory is producing high quality polished diamonds that further enhance the name that Trans Hex holds in the industry for its exceptional rough production. The polished production is exported and sold into international distribution channels through Trans Hex's subsidiary office in Antwerp, Belgium. The Urembo production will also be marketed in the expanding Far East market at the June Hong Kong Jewellery and Trade Fair as one of only two South African beneficiators present at the show.

KIMBERLEY PROCESS: NON-FINANCIAL VERIFICATION OPINION REPORT

31 May 2011

To the Management of Trans Hex Group Limited

Reasonable Assurance Report by the Independent Assurance Provider on “verifiable chain of warranties” for diamonds produced and sold

We have completed our reasonable assurance review of the internal controls related to a ‘verifiable chain of warranties’ for rough diamonds produced and sold by Trans Hex Group for the period 1 April 2010 to 31 March 2011.

The review was performed in accordance with our approved Letter of Engagement dated 25 March 2011. The management of Trans Hex Group Limited has presented a management assertion in respect of developed practices to ensure a ‘verifiable chain of warranties’, the compliance with such practices, and maintaining effective internal control over key related process activities as per the recommendation of the Kimberley Process Certification Scheme. A copy of the management assertion is attached as Annexure A on page 46.

Management’s responsibility

Management’s Assertion referred to above and included in Annexure A, including the practices, disclosures, compliance and internal controls are the responsibility of the management of Trans Hex Group Limited.

Assurance provider’s responsibility

Our responsibility is to express our conclusion on management’s assertion relating to the company’s internal control practices. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, as prepared by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). ISAE3000 requires that we comply with ethical requirements and that we plan and perform the engagement to obtain reasonable assurance about whether management’s assertion relating to the

company’s internal control practices are fairly stated. Accordingly, our examination included obtaining an understanding of Trans Hex Group Limited’s disclosed internal control practices and the related controls over internal controls, testing compliance with their disclosed internal control practices, testing and evaluating the operating effectiveness of the controls, and performing such other procedures as we considered necessary in the circumstances.

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

Basis of our work and inherent limitations

Because of inherent limitations in controls, error or fraud may occur and may not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that changes made to the system or controls, changes in processing requirements, changes required because of the passage of time, or the degree of compliance with the policies or procedures may alter the validity of such conclusions.

Conclusion

On the basis of our work performed, in our opinion, Trans Hex Group Limited’s management assertion referred to above and included in Annexure A is fairly stated, in all material respects, based upon guidance provided by the Kimberley Process Certification Scheme.

Yours faithfully



PricewaterhouseCoopers Inc.

Director: T Blok

Registered auditor

ANNEXURE A

Management's Assertion relating to the internal controls related to a 'verifiable chain of warranties' for rough diamonds produced and sold by Trans Hex Group Limited

We assert that Trans Hex Group Limited:

- ◊ Has developed practices to ensure a 'verifiable chain of warranties' as recommended by the Kimberley Process Certification Scheme;
- ◊ Complies with such practices; and
- ◊ Maintains effective controls to provide reasonable assurance that:
 - All practices are consistently applied;
 - Practices are monitored on a continuous basis to ensure compliance;
 - Physical access to rough diamonds is limited to authorised personnel only;
 - Rough diamonds produced and sold are recorded completely and accurately; and
 - The region of origin of rough diamonds can be accurately established.

VALUE ADDED STATEMENT

		CONSOLIDATED			
Notes	2011 %	2011 R'000	2010 %	2010 R'000	
VALUE ADDED					
Revenue		657 998		715 778	
Less: Purchase of goods and services needed to operate the mines		(359 528)		(288 237)	
Value added by operations	96,4	298 470	96,0	427 541	
Interest received	3,6	11 023	4,0	17 649	
		100,0	100,0	445 190	
VALUE DISTRIBUTED					
Salaries, wages and other benefits net of PAYE and SITE					
		66,0		204 335	
• Salaries, wages and other benefits	18			254 526	
• PAYE and SITE				(36 214)	
				238 629	
				(34 294)	
Government		15,5		47 914	
• Normal and deferred income tax				15 073	
• Indirect taxes				32 889	
				7 559	
				40 355	
Community					
• Royalties		–		29 837	
				6,7	
Providers of capital					
• Financing costs		5,8		26 108	
Total value distributed				322 219	
Reinvested in the group		12,7		122 971	
• Depreciation				100 597	
• Retained income				22 374	
				(45 099)	
		100,0		445 190	

The Trans Hex Group Limited board and executive management remain fully committed to the following seven commonly accepted principles of good corporate governance in accordance with the King II Report: discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.

King II was superseded by the King III code which became effective on 1 March 2010. The board resolved to comply with all aspects of King III that are feasible for Trans Hex at this time. As King III states, becoming fully compliant with King III and the related standards such as the Global Reporting Initiatives (GRI) is a corporate journey that can take two or more years to complete.

Trans Hex is committed to that journey and will state in this report where it does not yet fully comply, as well as furnishing reasons for non-compliance.

BOARD OF DIRECTORS

Trans Hex has a unitary board structure. The board meets on a quarterly basis, retains full and effective control over the group and monitors the executive management. The board itself takes key decisions to ensure it retains proper direction and control of the group, strategic issues, the business plan, acquisitions, disposals and other major contracts and commitments, group policies and stakeholder reporting. The board implemented a delegation of authority to govern issues delegated to management.

The roles of the chairman and chief executive officer do not vest in the same person and the chairman is a non-executive director. The chairman and chief executive officer, with input from the other directors, provide leadership and guidance to the group and encourage proper deliberation of all matters requiring its attention.

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

In May 2010, Mr Bernard van Rooyen was confirmed as chairman of the board for a period of one year. As Mr van Rooyen had reached the age of 75 years, the board voted to amend the Trans Hex articles of association accordingly at that time. Mr van Rooyen was subsequently re-appointed as chairman of the Trans Hex board in May 2011 and is regarded as ideally equipped to continue in this role due to his extensive experience in the mining industry, understanding of Trans Hex's strategy and needs and his excellent health.

Mr Ian Hestermann was appointed financial director with effect from 27 May 2010 and continues to function in this position. Mr Greg van Heerden was appointed as company secretary with effect from 27 May 2010 and he too continues in this position.

Dr Edwin de la H Hertzog, Adv Theo van Wyk and Mr Jan Dreyer resigned as directors of the company, effective 26 October 2010, as a consequence of Remgro Limited unbundling its shareholding in Trans Hex. Mr Mervyn Carstens resigned as executive director for SA Land Operations effective 5 April 2011, due

CORPORATE GOVERNANCE (continued)

to his appointment as managing director of Trans Hex's joint venture agricultural company in the Richtersveld.

Mr Alwyn Martin was recognised as the group's lead independent director, with effect from 26 October 2010.

The board currently has two executive directors and three non-executive directors, of whom one is the chairman and one the lead independent director. Non-executive directors are appointed for specific terms and reappointment is not automatic. Such appointments are formal and transparent.

No new appointments to the board have been made since May 2010. The remuneration and nomination committee has been tasked with developing a formal policy detailing the procedures for future appointments. This exercise will be completed during 2012.

As the size of the board was considerably reduced after Trans Hex's unbundling from Remgro, the board is considering the appointment of appropriate replacements in due course. However, at this time the board is satisfied that its current composition is appropriate for the company and that its size does not in any way compromise its ability to execute its duties.

During the year under review, the board met four times and a quorum was present at each meeting. The board schedules a meeting at least once every quarter.

BOARD MEETINGS 2010/11

	27 May	5 August	26 October	3 March
M Carstens	√	√	√	√
T de Bruyn	√	√	√	√
L Delport	√	√	√	√
J Dreyer	√	√	√	+
E de la H Hertzog	X	√	√	+
I Hestermann	√	√	√	√
A Martin	√	√	√	√
B van Rooyen	√	√	√	√
T van Wyk	√	√	√	+

√ Attended

+ Resigned

X Apology

A number of standing committees of the board have been established. These committees operate with written terms of reference. The chairman of each committee is a non-executive director. All mandates of the standing committees were reviewed to ensure alignment with the requirements of King III.

All directors have access to the advice and services of the company secretary, who is responsible to the board for ensuring that corporate governance procedures are followed. All directors are entitled to seek independent professional advice about the affairs of the group and have unrestricted access to company records.

AUDIT AND RISK COMMITTEE REPORT

MEMBERS OF THE AUDIT AND RISK COMMITTEE:

Alwyn Martin (Chairman)	independent non-executive director
Bernard van Rooyen	non-executive director
Theunis de Bruyn	non-executive director

The chief executive officer, financial director and representatives of the internal and external auditors are invited to the committee meetings. Mr Theunis de Bruyn was appointed to the committee on 27 May 2010. The external auditors attend all committee meetings, with separate meetings scheduled to allow open discussion without the presence of management or internal auditors. The internal auditors attend all committee meetings and are similarly afforded separate meetings with the committee.

The internal and external auditors have unrestricted access to the audit and risk committee, which ensures that their independence is in no way impaired.

The audit and risk committee met on four occasions during the year and a quorum was present at each meeting.

AUDIT AND RISK COMMITTEE MEETINGS 2010/11

	24 May	23 July	22 October	2 March
M Carstens	#	#	#	#
T de Bruyn	√	√	√	X
L Delpont	#	#	#	#
I Hestermann	#	#	#	#
A Martin	√	√	√	√
B van Rooyen	√	√	X	√
T van Wyk	#	#	#	+

√ Attended

+ Resigned

By invitation

X Apology

The audit and risk committee has satisfied its responsibilities during the year in compliance with its terms of reference. The committee will in future, as per the revised mandate, also review information technology (IT) governance policies and include these deliberations in its feedback to the board.

The audit and risk committee deals with issues relating to:

- Risk management
- The internal and external audit, including accounting policies and financial reporting
- Health, safety and environmental management
- Safeguarding of assets
- Internal controls within the mandate given by the board

KEY FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

The key functions and responsibilities of the committee as outlined in the committee mandate are to:

- ◊ Enquire as to the adequacy of the company's system of internal controls and review the evaluation of financial controls by external and internal auditors
- ◊ Review the findings of any significant examination by the external and internal auditors concerning the company's financial matters
- ◊ Review the terms of engagement and audit scope and approach of the external auditors and review and approve their fees. Evaluate the performance of the external and internal auditors
- ◊ Set a policy with regards to the nature and extent of any non-audit services that the external auditors may provide
- ◊ Pre-approve any proposed contract with the external auditors for the provision of non-audit services
- ◊ Review the company's annual consolidated financial statements and auditor's report thereon
- ◊ Review the external auditor's management comment letter and management's responses thereto
- ◊ Enquire on any disagreements between management and external auditors or restrictions imposed by management on external auditors
- ◊ Review the company's annual report and other disclosure documents, including the report of the board of directors containing audited or unaudited financial information
- ◊ Review any change in the company's accounting policies
- ◊ Review with management and external auditors any significant financial reporting issues, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting
- ◊ Review the company's interim consolidated financial statements and recommend their approval to the board of directors
- ◊ Review with legal counsel any legal matters having a significant impact on the financial reports
- ◊ Review the company's overall compliance with the legislative environment in which the company operates, including compliance with the JSE Listings Requirements and the King III Code on corporate governance
- ◊ Review the independence of internal and external auditors, including a review of any engagements for non-audit services provided by external auditors or their affiliates
- ◊ Review the appointment, dismissal or reassignment of the internal audit function
- ◊ Review and make recommendations on the appointment and retention of the external auditors, and any questions of resignation or dismissal of the auditors
- ◊ Monitoring the ethical conduct of the company, its executives and senior officials. This includes:
 - Reviewing any statements on ethical standards or requirements for the company and assisting in developing such standards and requirements
 - Identification of any violations of ethical conduct
 - Give recommendations on any potential conflict of interest or questionable situations of a material nature
- ◊ Periodically review the policies and practices of the company in regard to cash management, use of financial derivatives, financing, credit, insurance, taxation and related matters

- ◊ Review the effectiveness of management in ensuring the integrity and security of the company's electronic information systems and records
- ◊ Provide an open avenue of communication between management, the external auditors and the board of directors
- ◊ Conduct any independent investigations into any matters, which come under its scope of responsibilities
- ◊ Review and/or approve other financial matters delegated specifically to it by the board of directors
- ◊ Review the effectiveness with which the company meets its obligations pertaining to the environment, health and safety
- ◊ Review the appropriateness of the company's risk philosophy and strategy. A group risk committee reports twice a year to the committee to evaluate the business risks/significant risks pertaining to the company. The evaluation includes the risk management process and the controls implemented to reduce or prevent the risks and their possible impact. This assists the audit committee in deciding the nature and extent of assurance it requires from external and internal audit.
- ◊ Report to the board of directors on the activities of the committee with respect to the foregoing matters at each board meeting and at any other time deemed appropriate by the committee or upon request of the board of directors

The committee, in carrying out its tasks under these terms of reference, may obtain such outside or other independent professional advice, as it considers necessary to carry out its duties. The board assesses the committee's compliance to and performance in terms of its revised mandate annually, prior to proposing the membership of the audit committee for the next financial year.

INTERNAL AUDIT

Internal audit is an independent assurance function. The internal auditors have a direct reporting line to the committee chairperson and also meet regularly with the executive management. The internal audit mandate has been updated to ensure compliance with King III.

EXTERNAL AUDIT

The group's external auditors are PricewaterhouseCoopers Inc.

A policy is in place with regard to the nature and extent of any non-audit services that the external auditors may provide and a master service agreement has been approved for the provision of non-audit services to the company.

The audit and risk committee, after reviewing a report by the external auditors, has confirmed and is satisfied with the independence of the external auditors.

RISK MANAGEMENT

The board, through the audit and risk committee, is responsible for the total process of risk management and for forming its own opinion on the effectiveness of the process. Management is accountable to the board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the company.

The audit and risk committee ensures compliance with the ongoing process of identifying, evaluating and managing significant risks.

CORPORATE GOVERNANCE (continued)

The group has a group risk management committee (GRMC) and each major operation has an operational sub-committee. This includes Trans Hex Angola which has monthly operational risk meetings and maintains its own risk register for the Angolan investments. These sub-committees meet on a regular basis to monitor all challenges and risks facing each of the mines within the group and to ensure timeous and adequate response to any potential threat to the operation.

Feedback from these sub-committee meetings is provided to the GRMC which in turn reports to the audit and risk committee on all risk management issues. Corrective actions and preventive measures are taken and closely monitored. Any significant risk that is new to the group is reported via the GRMC to the Exco and audit and risk committee.

Risk management is a key focus area at operational level, with risk management as a fixed agenda point in all meetings. It is at this level that strategies and procedures are set within the policy, programmes are executed and performance reporting is conducted.

Employees are obliged to report incidents and 'near misses', which are captured in an electronic incident reporting system. All incidents and 'near misses' are investigated by management and corrective action is implemented and recorded before the close-off of any incidents. All incidents are trended by type, area, cost and location.

The risk management policy and mandate have been approved by the board.

EFFECTIVENESS OF INTERNAL CONTROL

The group maintains adequate accounting records and effective systems of internal control and risk management over financial reporting and the safeguarding of assets against unauthorised acquisition, use of, or disposal.

These systems are designed to provide reasonable assurance to the company's management and board of directors regarding the preparation of reliable published financial statements. Systems include a documented and tested organisational structure, the division of responsibility, and established policies and procedures, including a code of conduct to foster a strong ethical climate.

The internal auditors monitor the operation of the internal control systems, report findings and make recommendations to management and the board of directors. Corrective actions are taken to address control deficiencies, and opportunities for improving the system are constantly sought. The board, operating through its audit and risk committee, supervises the financial reporting process.

The group assessed its internal control system as at 31 March 2011 in relation to the criteria for effective internal control over financial reporting. Based on its assessment, Trans Hex is satisfied that group systems met those criteria.

APPROPRIATENESS OF THE EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR

In terms of the JSE Listings Requirements, the audit and risk committee has satisfied itself as to the appropriateness of the expertise and experience of the financial director.

REAPPOINTMENT OF EXTERNAL AUDITORS

The committee confirms the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and that it recommends their reappointment for the financial year ending March 2012.

GOING CONCERN STATEMENT

The directors report that they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.

ANNUAL FINANCIAL STATEMENTS

The committee has:

- ◊ Reviewed and discussed the audited annual financial statements included in the annual report with the external auditors, the chief executive officer and the financial director
- ◊ Reviewed the external auditor's management letter and management's response thereto
- ◊ Reviewed significant adjustments resulting from external audit queries and accepted any unadjusted audit differences; and received and considered reports from the internal auditors

The committee concurs with and accepts the external auditor's conclusions on the annual financial statements and has recommended the approval thereof to the board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.



AR Martin
Chairman – audit and risk committee

REMUNERATION AND NOMINATION COMMITTEE

MEMBERS OF THE REMUNERATION AND NOMINATION COMMITTEE

Alwyn Martin (chairman) **independent non-executive director**
Theunis de Bruyn **non-executive director**
Bernard van Rooyen **non-executive director**

The chief executive officer attends meetings of the committee but does not participate in any discussion or decisions regarding his own remuneration.

The role of the committee in respect of remuneration is to act on behalf of the board to ensure that:

- the company remunerates directors, executives and other staff fairly and responsibly; and
- the disclosure of directors’ and executives’ remuneration is accurate, complete and transparent.

The role of the committee in respect of nominations is to assist the board to ensure that:

- the board has the appropriate composition for it to execute its duties effectively;
- directors are appointed through a formal process;
- induction and ongoing training and development of directors take place; and
- formal succession plans for the board, chief executive officer and senior management appointments are in place.

Four meetings were held during the year and a quorum was present at each of these meetings.

REMUNERATION AND NOMINATION COMMITTEE MEETINGS 2010/11

	27 May	5 August	26 October	3 March
T de Bruyn	√	X	√	√
L Delpont	#	#	#	#
J Dreyer	n/a	#	n/a	n/a
E de la H Hertzog	X	√	√	+
A Martin	n/a	n/a	n/a	√
B van Rooyen	√	√	√	√
T van Wyk	#	n/a	n/a	n/a

√ Attended
 + Resigned
 # By invitation
 n/a Not applicable
 X Apology

The remuneration and nomination committee has made substantial progress in satisfying its responsibilities during the year, in compliance with its terms of reference. Priorities during the coming year will include succession planning, consideration of appropriate performance evaluation systems, and completion of a policy detailing the procedures for appointments to the board.

REMUNERATION REPORT

Trans Hex aims to attract, retain, incentivise and reward top quality staff at all levels, with particular emphasis on scarce or critical skills. The company's remuneration policy is designed to support this strategic goal in a way that aligns the interests of employees, managers, executives and directors with those of shareholders.

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

However, there are a number of key principles that form the foundations of the remuneration policy:

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

KEY FEATURES OF THE REMUNERATION SYSTEM

Trans Hex is a member of the PwC Remchannel remuneration survey service. The company uses the Paterson grading system of job evaluation.

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

Job grades, salary scales and employee benefit costs are benchmarked against mining industry standards and reviewed annually. The midpoints of the company's salary scales are adjusted annually compared to industry percentiles in line with the changing size, structure, financial performance and general circumstances of the company over time.

CORPORATE GOVERNANCE (continued)

The company's salary scales have a range of 20 percent on either side of the midpoint to allow for the appropriate positioning of individuals according to factors such as qualifications, experience, performance, growth, development and market imperatives.

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

The company provides a market-competitive basic salary plus compulsory medical aid and retirement fund membership at all job levels. Various fixed and variable allowances are paid at certain job levels or to certain job categories.

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

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

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

EMPLOYEES COVERED BY COLLECTIVE BARGAINING

All employees based at the company's projects who are below the level of first line management (job grade D1) are members of the National Union of Mineworkers bargaining unit. As such, their salary levels, annual increases, allowances and benefit packages are negotiated annually, on a collective basis, between the company and the trade union.

NON-UNION STAFF AND MANAGEMENT

Staff at head office, and all members of management throughout the company, are treated individually, in accordance with their contracts of employment and the remuneration and benefit schemes and practices applicable to their job grades. Salaries are reviewed annually, effective on 1 April. Salary increases are determined individually according to performance, retention and market-matching criteria.

All non-union staff, managers and executives have detailed job profiles which stipulate the key performance areas of their positions and serve as the basis for performance management and the determination of performance-linked salary increases and bonuses.

Details of the remuneration packages paid to the chief executive officer, executive directors and senior executive managers are disclosed in the notes to the annual financial statements.

STAFF BONUSES

Employees in the NUM bargaining unit and staff who are not members of executive management receive a guaranteed 13th cheque annually.

MANAGEMENT BONUSES

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

EXECUTIVE CASH BONUSES

Executives are not paid a guaranteed bonus. The short term executive cash bonus scheme is a purely performance-based scheme and operates under the direct control of the remuneration committee.

In terms of the rules of this scheme, executives may earn a bonus based on the extent to which they have achieved the targets and objectives set for them during the financial year by the chief executive officer and the board. The maximum bonus amounts payable are as follows:

- ◇ Chief executive officer: 50% of annual remuneration
- ◇ Executive director: 45% of annual remuneration
- ◇ Executive manager: 40% of annual remuneration

The board determines the performance targets and objectives of the chief executive officer, conducts his performance assessment and decides the quantum of his performance bonus.

The chief executive officer determines the performance targets and objectives of the executive directors and managers, conducts their performance assessments and proposes the quantum of their performance bonuses for approval by the board.

Details of cash bonuses paid to the chief executive officer, executive directors and senior executive managers are disclosed in the notes to the annual financial statements.

LONG-TERM EXECUTIVE RETENTION SCHEME

The company does not have a current share option scheme and does not issue shares to its executives or directors.

It does, however, operate a share appreciation entitlement scheme, the aims of which are to promote the long term retention of a critical nucleus of company executives and senior management, to motivate them in their job performance and to align their interests with those of shareholders.

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

CORPORATE GOVERNANCE (continued)

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

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

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

Details of the number and value of SAEs issued are disclosed in the notes to the annual financial statements.

NON-EXECUTIVE DIRECTORS

Non-executive directors do not have service contracts. The company reviewed and restructured its fees for non-executive directors during 2010/11 in order to better align its practices with latest corporate governance guidelines.

Each non-executive director is paid a fixed annual retainer, with the chairmen of the board and its subcommittees each receiving a premium in recognition of their roles and added responsibilities.

In addition, a fixed fee is paid for attendance at each board meeting and for each subcommittee meeting.

Non-executive directors' remuneration is reviewed annually by the Remuneration committee. Fees applicable for the next financial year are submitted to shareholders for approval at the annual general meeting. The amounts paid to individual directors are disclosed in the notes to the annual financial statements.



AR Martin

Chairman – remuneration and nomination committee

MANAGEMENT REPORTING

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

SHARE TRANSACTIONS BY DIRECTORS AND SENIOR PERSONNEL

According to group policy, directors and senior personnel are required to adhere to the code of conduct with regard to dealing in shares of the group during periods of price sensitivity. Employees are advised not to deal, directly or indirectly, in the company's shares or warrants or shares of listed subsidiaries of the group on the basis of unpublished price-sensitive information.

CODE OF CONDUCT AND CODE OF ETHICS

The group is committed to the highest standards of integrity, behaviour and ethics in dealing with all stakeholders. The directors have implemented controls to monitor that the values, behaviour and ethics, as outlined in the company's corporate charter and code of ethics, are being adhered to.

Trans Hex has distributed a formal Code of Ethics, which employees at all levels are required to sign and adhere to. A confidential reporting mechanism is in place that assures employees of anonymity when reporting matters relating to diamond theft, fraud or any crimes within the company. More detailed information on this code is available in the sustainability report.

The legal responsibilities of the Trans Hex Group audit and risk committee, as set out in relevant legislation, are incorporated in the committee's mandate, which is reviewed regularly and approved by the board.

STAKEHOLDER ENGAGEMENT

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

Community stakeholder engagement is included at all mining and prospecting operations in environmental impact assessment (EIA) processes and corporate social investment (CSI) initiatives. Key stakeholder concerns relate to rehabilitation, biodiversity management, energy use and water management. Each mine communicates with its stakeholders on specific environmental issues in the area, within the guidelines of the group's broader communication initiatives.

CORPORATE GOVERNANCE (continued)

EMPLOYER/EMPLOYEE RELATIONS

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

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

INFORMATION TECHNOLOGY (IT) GOVERNANCE

The Board, through the audit and risk committee, is responsible for IT governance. IT management forms part of the Company's Risk Management System. The CEO has appointed Mr Ian Hestermann as Chief Information Officer (CIO) responsible for the management of IT. An IT steering committee consisting of the CIO, company secretary and an external IT consultant has been appointed. The committee is overseeing the development of an IT Charter and the review of all IT policies. The CIO provides regular reports to the audit and risk committee which monitors, evaluates and approves all significant IT investments and expenditure.



CONTENTS

ANNUAL FINANCIAL STATEMENTS

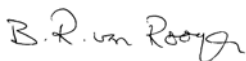
Approval of annual financial statements	62
Certificate by the company secretary	62
Independent auditor's report	63
Report of the board of directors	64
Accounting policies	67
Statements of financial position	84
Income statements	85
Statements of comprehensive income	86
Statements of changes in equity	87
Statements of cash flows	88
Notes to the annual financial statements	89
Non-public/public shareholders and shareholder spread	117
Additional shareholder information	118

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

In approving the annual financial statements the directors hereby confirm:

1. The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of Trans Hex Group Limited and its subsidiaries. The auditors are responsible for auditing and reporting on whether the financial statements are fairly presented. Their report appears on page 63.
2. The annual financial statements presented on pages 64 to 117 have been prepared in accordance with International Financial Reporting Standards. They conform and adhere to applicable accounting standards and are presented applying accounting policies supported by reasonable and prudent judgements and estimates made by management, which have been consistently applied.
3. Adequate accounting records and an effective system of internal controls and risk management have been maintained during the entire accounting period.
4. The directors have reviewed the additional information included in the annual report and they are responsible for both its accuracy and its consistency with the annual financial statements.
5. The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the group will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the company and the group.
6. The annual financial statements have been audited by the independent auditors, PricewaterhouseCoopers Inc, who were given unrestricted access to all financial records and related data including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. The audit report of PricewaterhouseCoopers Inc is presented on page 63.
7. A corporate governance report appears on pages 47 to 60 and includes information regarding the company's compliance with the King III Code.

The annual financial statements were approved by the board of directors on 31 May 2011 and are signed on its behalf by:



BR van Rooyen
Chairman



Llewellyn Delport
Chief executive officer

CERTIFICATE BY THE COMPANY SECRETARY

I, Gregory Michael van Heerden, being the group company secretary of Trans Hex Group Limited, hereby certify in terms of the Companies Act that all returns required of a public company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.



GM van Heerden
Company secretary

31 May 2011

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TRANS HEX GROUP LIMITED

We have audited the group annual financial statements and annual financial statements of Trans Hex Group Limited, which comprise the consolidated and separate statements of financial position as at 31 March 2011, and the consolidated and separate income statements, statements of other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 64 to 117.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

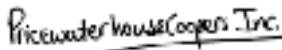
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether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

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

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as of 31 March 2011, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



PricewaterhouseCoopers Inc
Director: D Adriaans

Stellenbosch
31 May 2011

REPORT OF THE BOARD OF DIRECTORS

We take pleasure in reporting on the activities and financial results of the group for the year under review.

NATURE OF ACTIVITIES

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

OPERATING RESULTS

Year ended 31 March:	2011	2010
Headline (loss)/income (R'000)		
Continuing operations	(47 638)	23 313
Discontinued operations	(550)	(2 775)
Headline (loss)/earnings per share (cents)		
Continuing operations	(45,1)	22,1
Discontinued operations	(0,5)	(2,6)
Diluted headline (loss)/earnings per share (cents)		
Continuing operations	(45,1)	22,1
Discontinued operations	(0,5)	(2,6)
(Loss)/profit for the year (R'000)		
Continuing operations	(44 092)	25 149
Discontinued operations	(1 007)	(3 543)
Basic (loss)/earnings per share (cents)		
Continuing operations	(41,7)	23,8
Discontinued operations	(1,0)	(3,4)
Diluted (loss)/earnings per share (cents)		
Continuing operations	(41,7)	23,8
Discontinued operations	(1,0)	(3,4)

SPECIAL RESOLUTIONS PASSED

Since the previous report of the board of directors, special resolutions number one and two were passed at the annual general meeting of the company held on 5 August 2010. Special resolution number one was passed to amend the articles of association of the company in order to provide the directors with the discretion to except a particular person from the disqualification retirement age for directors. Special resolution number two granted the directors a general authority, up to and including the date of the following annual general meeting, to approve the company's purchase of shares in itself.

No special resolutions have been passed in any subsidiary company since the previous report of the board of directors.

CORPORATE ACTIVITIES

The negotiations for the conversion of the prospecting contract for the Luana Concession in Angola to a mining contract have been successfully concluded and the mining contract was signed on 12 May 2010.

LITIGATION STATEMENT

Review proceedings – Trans Hex Group Limited vs the State Diamond Trader (“SDT”), the South African Diamond and Precious Metals Regulator (“SADPMR”) and others in respect of tender 186 – Case no 42044/09

A review application was filed by the Company relating to the independent valuation of a 10% representative sample of rough diamonds offered for sale to the SDT. The matter was heard and judgment received on 10 December 2010 partly in Trans Hex's favour (with a cost order). In terms of the judgment, the fixing of the price of the ten percent (10%) representative sample selected by the SDT and offered by the company was set aside. The company is now in the process of negotiating

a settlement with the SADPMR and the SDT in regards to the cost order awarded in its favour. The ten percent (10%) representative sample in question has subsequently been sold to the SDT after a further independent valuation was obtained.

GROUP FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION

Shareholders' interest at book value on 31 March 2011 amounted to R309,4 million or R2,92 per share (2010: R327,0 million or R3,08 per share).

INCOME STATEMENT

The consolidated loss after income tax for the year ended 31 March 2011 amounted to R45,1 million or 42,7 cents per share (2010: profit of R21,6 million or 20,4 cents per share).

Composition	2011 R'000	2010 R'000
Subsidiary companies		
(Losses)/profits	(17 286)	63 827
Impairment of assets	–	(1 067)
Associated companies		
Share of net loss	(10)	(9)
Joint ventures		
Share of net loss	(27 814)	(41 154)
The company		
Excluding intergroup dividends and impairments	11	9
	(45 099)	21 606

The financial statements on pages 84 to 117 set out fully the financial position, results of operations and cash flows of the group for the financial year ended 31 March 2011. Segment information is presented in note 30.

DIVIDENDS

In order to maintain cash resources, the directors deemed it prudent not to declare an interim or a final dividend for the year ended 31 March 2011.

SUBSIDIARIES AND INVESTMENTS

Details of subsidiaries, associated companies and other investments are set out in note 33. Amounts owing in respect of subsidiary companies to the holding company are presented in note 3.

DIRECTORS

The directors' profiles appear on page 9.

Directors' appointments and resignations (including alternate directors) during the period 1 April 2010 to date of this report are as follows:

CHANGE IN DIRECTORSHIP

At the board meeting held on 27 May 2010, Mr Bernard van Rooyen was confirmed as chairman of the board for a period of one year. He was subsequently re-appointed at the board meeting held on 31 May 2011 for a further period of one year.

Mr Ian Hestermann was appointed financial director with effect from 27 May 2010 after serving as acting director from 1 February 2010.

REPORT OF THE BOARD OF DIRECTORS (continued)

Dr E de la H Hertzog, Adv Theo van Wyk and Mr Jan Dreyer resigned as directors of the company effective 26 October 2010 pursuant to Remgro Limited unbundling its shareholding in Trans Hex.

Mr Mervyn Carstens resigned as executive director for SA land operations effective 5 April 2011 pursuant to his secondment on a full-time basis as managing director of Trans Hex's new joint-venture agricultural company.

DIRECTORS' INTEREST

As at 31 March 2011 the aggregate of the direct and beneficial interest of directors was 0,14% (2010: 0,18%) of the issued share capital of the company. Indirect interests through listed public companies have not been taken into account. Individual directors' interest in the issued share capital of the company is reflected in note 19 of the financial statements.

Since the end of the financial year and until the date of this report there were no material changes in the interests of the directors.

DIRECTORS' FEES

The board recommends that non-executive directors' fees for the services rendered during the past financial year be fixed at R985 328 (2010: R736 020).

COMPANY SECRETARY

Mr Greg van Heerden was appointed as company secretary with effect from 27 May 2010. The registered address of the company appears on the inside back cover.

EVENTS AFTER REPORTING DATE

An agreement with De Beers Consolidated Mines Limited (DBCM) was signed on 6 May 2011 in terms of which, and subject to certain conditions precedent, Trans Hex's 50% held associate, Emerald Panther Investments 78 (Pty) Limited (EPI) will acquire assets and liabilities relating to Namaqualand Mines, a division of DBCM.

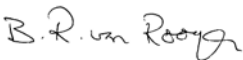
The proposed transaction is valued at R225 million, which EPI will discharge by paying over a cash amount to DBCM and assuming the liabilities relating to Namaqualand Mines, including the environmental rehabilitation liability. The assets and liabilities will be transferred to EPI pursuant to the Mineral and Petroleum Resources Development Act.

It is expected that the proposed transaction will be implemented ten business days after the fulfilment or, where appropriate, waiver of all of the conditions precedent. It is contemplated that the conditions precedent will be fulfilled or waived within 6 to 12 months.

As a Category 1 and related-party transaction in terms of the JSE Listings Requirements, Trans Hex shareholder approval of the proposed transaction and an independent expert's opinion relating to the fairness thereof are required. A circular containing details of the proposed transaction and incorporating a fairness opinion and a notice of general meeting will therefore be posted to Trans Hex shareholders in due course.

AUDITORS

The board has evaluated the performance of PricewaterhouseCoopers Inc. and recommends their re-appointment as auditors of the Company.



BR van Rooyen
Chairman



L Delport
Chief executive officer

Parow
31 May 2011

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The annual financial statements are prepared on the historical cost basis, except for the revaluation of available-for-sale investments and financial assets at fair value through profit or loss, and are consistent with those of the previous year unless otherwise stated. The annual financial statements incorporate the following accounting policies, which conform to International Financial Reporting Standards (IFRS).

Standards, interpretations and amendments effective for the first time in 2011

The following standards, amendments and interpretations are mandatory for the group's accounting periods ending 31 March 2011. None of these standards had a material impact on the group, except for IAS 27 – *Consolidated and Separate Financial Statements – Revised* which has resulted in a debit balance for non-controlling interest which has not been accounted for previously.

- (i) *IAS 27 – Consolidated and Separate Financial Statements – Revised* (effective for years beginning on or after 1 July 2009)
IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss.
- (ii) *IFRS 3 – Business Combinations – Revised* (effective for years beginning on or after 1 July 2009)
The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.
- (iii) *IFRS 1 – First-time Adoption of International Financial Reporting Standards – Revised* (effective for years beginning on or after 1 July 2009)
The revised standard has an improved structure but does not contain any technical changes.
- (iv) *Amendments to IAS 39 Financial Instruments – Recognition and Measurement Eligible Hedged Items* (effective for years beginning on or after 1 July 2009)
The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.
- (v) *Amendments to IFRS 2 – Group cash-settled share-based payment transactions* (effective for years beginning on or after 1 January 2010)
The amendment clarifies the accounting for group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled.
- (vi) *IFRIC 17 – Distributions of Non-cash Assets to Owners* (effective for years beginning on or after 1 July 2009)
IFRIC 17 applies to the accounting for distributions of non-cash assets (commonly referred to as *dividends in specie*) to the owners of the entity. The interpretation clarifies that: a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; and an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

ACCOUNTING POLICIES (continued)

- (vii) *2009 Annual Improvements Project: Amendments to IFRS 2 (AC 139) Share-based Payment* (effective for years beginning on or after 1 July 2009)
The amendment excludes common control transactions and the formation of joint ventures from the scope of IFRS 2 (AC 139) Share-based Payment.
- (viii) *2009 Annual Improvements to IFRSs: Amendments to IFRS 5 (AC 142) Non-current Assets Held for Sale and Discontinued Operations* (effective for years beginning on or after 1 January 2010)
The amendment specifies that disclosures of other standards do not apply to non-current assets (or disposal groups) held for sale or discontinued operations, unless specifically required by other standards or for measurement disclosures of assets and liabilities in a disposal group which are outside the measurement requirements of IFRS 5 (AC 142) Non-current Assets Held for Sale and Discontinued Operations.
- (ix) *2009 Annual Improvements Project: Amendments to IFRS 8 (AC 145) Operating Segments* (effective for years beginning on or after 1 January 2010)
Entities are only required to report segment assets if they are regularly reported to the chief operating decision-maker.
- (x) *2009 Annual Improvements Project: Amendments to IAS 1 (AC 101) Presentation of Financial Statements* (effective for years beginning on or after 1 January 2010)
The amendment clarifies that a liability which could, at the option of the counterparty, result in its settlement by the issue of equity instruments, does not affect its classification as current or non-current.
- (xi) *2009 Annual Improvements Project: Amendments to IAS 7 (AC 118) Statement of Cash Flows* (effective for years beginning on or after 1 January 2010)
The amendment provides that expenditure may only be classified as 'cash flows from investing activities' if it resulted in the recognition of an asset in the statement of financial position.
- (xii) *2009 Annual Improvements Project: Amendments to IAS 17 (AC 105) Leases* (effective for years beginning on or after 1 January 2010)
The amendment removes the guidance that leases of land, where title does not transfer, are operating leases. The amendment therefore requires that lease classification for land be assessed in the same manner as for all leases. The amendment is to be applied retrospectively, unless the information is not available. In these cases, existing leases shall be reconsidered based on facts and circumstances existing at the date of adoption of the amendment. The lease asset and lease liability shall, in these cases be recognised at their fair values on that date, with any difference in those fair values recognised in retained earnings.
- (xiii) *2009 Annual Improvements Project: Amendments to IAS 18 (AC 111) Revenue* (effective for years beginning on or after 1 June 2009)
The amendment provides additional guidance in the determination of whether an entity is acting as an agent or principal in a revenue transaction.
- (xiv) *2009 Annual Improvements Project: Amendments to IAS 36 (AC 128) Impairment of Assets* (effective for years beginning on or after 1 January 2010)
The amendment now requires that, for the purpose of goodwill testing, each group of units to which goodwill is allocated shall not be larger than an operating segment as defined in paragraph 5 of IFRS 8 (AC 145) Operating Segments. Thus the determination is now required to be made before operating segments are aggregated.
- (xv) *2009 Annual Improvements Project: Amendments to IAS 38 (AC 129) Intangible Assets* (effective for years beginning on or after 1 January 2010)
The amendment provides guidance on the measurement of intangible assets acquired in a business combination.

(xvi) *2009 Annual Improvements Project: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement* (effective for years beginning on or after 1 January 2010)

In terms of the amendment, forward contracts to buy or sell an acquiree that will result in a business combination in the future, are only exempt from the standard if the term of the contract does not exceed that which is reasonably necessary to obtain the required approval and complete the transaction. The amendment further clarifies that in a cash flow hedge of a forecast transaction, gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit or loss. The amendment also clarifies that a prepayment option is not closely related to the host contract unless the exercise price is approximately equal to the present value of the lost interest for the remaining term of the host contract.

(xvii) *2009 Annual Improvements Project: Amendments to IFRIC 9 (AC 442) Reassessment of Embedded Derivatives* (effective for years beginning on or after 1 January 2010)

The amendment excludes from the scope of the interpretation all embedded derivatives acquired in a business combination, in the combination of entities under common control or the formation of joint ventures.

(xviii) *2009 Annual Improvements Project: Amendments to IFRIC 16 (AC 449) Hedges of a Net Investment in a Foreign Operation* (effective for years beginning on or after 1 January 2010)

The amendment now provides that the hedging instrument in a hedge of a net investment in a foreign operation may be held by the entity which is being hedged.

Standards, interpretations and amendments not yet effective and not early adopted by the group in 2011

The following standards, amendments and interpretations are mandatory for the group's accounting periods beginning on or after 1 April 2011. None of these standards are expected to have a material impact on the group.

(i) *IFRS 9 – Financial Instruments* (effective for years beginning on or after 1 January 2013)

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

(ii) *2010 Annual Improvements Project: Amendments to IFRS 3 Business Combinations* (effective for years beginning on or after 1 July 2010)

The amendment clarifies the initial measurement of non-controlling interests. Only those interests which represent a present ownership interest shall be measured at either fair value or the present ownership's proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interest shall be measured at their acquisition date fair values, unless otherwise required by IFRS. It further provides transitional provisions for dealing with contingent consideration arrangements in a business combination that occurred before the effective date of the revised IFRS 3. For equity-settled share-based payment transactions of the acquiree that the acquirer does not exchange for its share-based payment transactions, vested transactions shall be measured as part of non-controlling interest at market-based measure. Unvested transactions shall be measured at market-based measure as if acquisition date were grant date. This measure is then allocated to non-controlling interest based on the ratio of vesting period completed to greater of total vesting period or original vesting period.

(iii) *2010 Annual Improvements Project: Amendments to IFRS 7 Financial Instruments: Disclosures* (effective for years beginning on or after 1 January 2011)

Additional clarification is provided on the requirements for risk disclosures.

(iv) *2010 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements* (effective for years beginning on or after 1 January 2011)

The amendment now requires that an entity must present, either in the statement of changes in equity or in the notes, an analysis by item.

ACCOUNTING POLICIES (continued)

(v) *2010 Annual Improvements Project: Amendments to IAS 27 Consolidated and Separate Financial Statements* (effective for years beginning on or after 1 July 2010)
Transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements.

(vi) *2010 Annual Improvements Project: Amendments to IAS 34 Interim Financial Reporting* (effective for years beginning on or after 1 January 2011)
The amendment provides additional examples of events and transactions which would be considered significant and therefore required to be disclosed in the interim financial report. In addition, the amendment removes references to only reporting certain items when they are material. Therefore, the list of items to be presented in addition to significant transactions and events are required irrespective of whether they are material.

The following standards, amendments and interpretations are currently not relevant to the group's operations:

- (i) *Amendments to IAS 32 – Classification of Rights Issues* (effective for years beginning on or after 1 February 2010)
- (ii) *Amendment to IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* (effective for years beginning on or after 1 July 2010)
- (iii) *Amendment to IAS 24 – Related party disclosures* (effective for years beginning on or after 1 January 2011)
- (iv) *Amendments to IFRS 1 – 'First-time Adoption' on Hyperinflation and Fixed Dates* (effective for years beginning on or after 1 July 2011)
- (v) *Amendment to IFRS 7 Disclosures – Transfer of Financial Assets* (effective for years beginning on or after 1 July 2011)
- (vi) *Amendment to IAS 12 – 'Income Taxes' on Deferred Tax* (effective for years beginning on or after 1 January 2012)
- (vii) *IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments* (effective for years beginning on or after 1 July 2010)
- (viii) *Amendments to IFRIC 14 – Pre-payments of a Minimum Funding Requirement* (effective for years beginning on or after 1 January 2011)
- (ix) *2010 Annual Improvements Project: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards* (effective for years beginning on or after 1 January 2011)
- (x) *2010 Annual Improvements Project: Amendments to IFRIC 13 Customer Loyalty Programmes* (effective for years beginning on or after 1 July 2010)

BASIS OF CONSOLIDATION

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

SUBSIDIARIES

Subsidiaries are those companies in which the group, directly or indirectly, has an interest of more than half of the voting rights, or otherwise has power to exercise control over their financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases. The group consolidates a special-purpose entity (SPE) when the substance of the relationship between the group and the SPE indicates that the group controls the SPE.

All intergroup transactions, balances and unrealised gains on transactions between group companies are eliminated as part of the consolidation process. Unrealised losses are also eliminated but considered an impairment indicator of the asset

transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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

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

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

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

In the stand-alone financial statements of the companies which form part of the group, the investments in subsidiary companies are stated at cost less accumulated impairments.

ASSOCIATED COMPANIES

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

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

JOINT VENTURES

The group's interest in jointly controlled entities is accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other ventures. The group does not recognise its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

BUSINESS COMBINATIONS

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities

ACCOUNTING POLICIES (continued)

or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3: Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal companies) that are classified as held-for-sale in accordance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the company assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for company purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from a business combination is measured either at its share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

In cases where the company held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

GOODWILL

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The group allocates goodwill to each operating segment in each country in which it operates.

FOREIGN CURRENCY TRANSLATION

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in South African rand, which is the company's functional and presentation currency.

TRANSACTIONS AND BALANCES

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

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

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through

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

GROUP COMPANIES

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

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss of sale.

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

FINANCIAL ASSETS

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

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

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains – net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The group's loans and receivables comprise trade and other receivables, long-term receivables from joint ventures and cash and cash equivalents in the statement of financial position (notes 3.2, 5 and 6). Loans and receivables are carried at amortised cost using the effective-interest method.

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

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivatives are designated as hedging instruments and, if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory) or a non-financial liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING OR ARE NOT DESIGNATED AS HEDGING INSTRUMENTS

Certain derivatives do not qualify for hedge accounting or are not designated as hedging instruments. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

SHARE CAPITAL

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

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

COMPULSORY CONVERTIBLE DEBENTURES

On issue of convertible debentures, the fair value of the conversion option is determined. This amount is recognised and presented separately in shareholders' equity. The group does not recognise any change in the value of this option in subsequent periods. The obligation to make future payments of principal and interest to debenture holders is calculated using a market interest rate for an equivalent non-convertible debenture and is carried as a long-term liability on the amortised cost basis until extinguished on conversion.

ACCOUNTING POLICIES (continued)

BORROWINGS

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

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

PROVISIONS

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

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

TRADE PAYABLES

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

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

EXPLORATION COSTS

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

MINE DEVELOPMENT COSTS

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

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

DEFERRED STRIPPING COSTS

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

PROPERTY, PLANT AND EQUIPMENT

All property, mining plant and equipment are initially recorded at historical cost less depreciation. Historical costs include expenditure that is directly attributable to the acquisition of the items and the estimated close-down and restoration costs associated with the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset,

as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced cost is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

Long-life assets of the group, including development costs and deferred stripping costs, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds the recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

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

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

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

REHABILITATION COSTS

Rehabilitation costs and related accrued liabilities, based on the group's assessment of current environmental and regulatory requirements, are accrued to reflect the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. The costs so provided are capitalised as part of mining assets and depreciated accordingly. Annual increases in the provision is split between finance costs relating to the change in the net present value

ACCOUNTING POLICIES (continued)

of the provision, inflationary increases in the provision estimate and restoration costs relating to additional environmental disturbances that have occurred. Remediation liabilities, other than rehabilitation costs, which relate to liabilities arising from specific events, are expensed when they are identified, probable and may be reasonably estimated.

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

PROVIDENT FUNDS

The group has provident funds, consisting of two defined contribution plans. A defined-contribution plan is a plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The provident funds are funded through monthly contributions and administered independently of the finances of the group by financial institutions. The group's contributions are charged against income in the year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Both funds are governed by the South African Pension Fund Act of 1956, as amended.

POST-RETIREMENT MEDICAL BENEFITS

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

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined-benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees.

The future medical benefits for employees retiring after 1 April 1995 are funded on an actuarially determined basis uniformly over the service period of each active member. An actuarially determined amount will be contributed to a separate benefit fund over a period of 20 years as funding for this liability. In respect of service after 1 April 1995, annual contributions are made to the same benefit fund equal to the value of the liability arising in respect of that year. Employees joining the group after December 1998 are not entitled to these benefits.

LEAVE ACCRUAL

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

OTHER LONG-TERM EMPLOYEE BENEFITS

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

SHARE-BASED COMPENSATION

EQUITY-SETTLED SHARE BASED PAYMENTS

Share options were granted to management and senior employees until the end of the 2004 financial year. Options were granted at the market price of the shares at the lowest average five consecutive trading day price for a 60-day period immediately prior to the offer date and are exercisable at that price. A portion of the options is deliverable, beginning two years from the date of grant and has a contractual option term of five years.

The group applies the requirements of IFRS 2 Share-based Payments. The fair value of the employee services received in exchange for the grant of the options after 7 November 2002 that have not yet vested on 1 April 2005, is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

CASH-SETTLED SHARE-BASED PAYMENTS

Share appreciation units were granted to executive management from the 2007 financial year by a subsidiary of the group. Units are granted linked to the share price with appreciation payable beginning one year from the date of grant with a vesting period of five years. One fifth vests at the end of each year. The settlement is in cash.

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

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

REVENUE RECOGNITION

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

- Sale of goods – product sales are recognised when risk and reward passes at the shipment or delivery point.
- Rendering of services – charter fees are recognised when the service has been rendered.
- Interest income – as it accrues, taking into account the effective yield of the asset, unless collectability is in doubt.
- Dividend income – when the shareholder's right to receive payment is established, recognised on the last date of registration.

LEASES

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

The group financed certain mining plant and equipment in terms of a sale and leaseback transaction that result in a finance lease. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the leases' commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

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

ACCOUNTING POLICIES (continued)

SEGMENT REPORTING

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

MINING PROFIT/(LOSS)

Mining profit/(loss) represents the gross profits/(losses) earned from operational mines after the deduction of royalties and selling and administration costs.

DEFERRED INCOME TAX

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

No provision is made for deferred State lease consideration since the rate, according to the applicable formula, is not determinable in advance. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

CURRENT INCOME TAX

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

SALE AND LEASEBACK TRANSACTIONS

Any excess of sales proceeds over the carrying amount in a sale and leaseback transaction that result in a finance lease, is deferred and amortised over the lease term.

SECONDARY TAX ON COMPANIES (STC)

South African resident companies are subject to a dual corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax (called STC), on distributed income. A company incurs STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends is recognised as a taxation charge in the income statement in the same period that the related dividend is accrued as a liability. The STC liability is reduced by dividends received during the dividend cycle. Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends received is carried forward to the next dividend cycle as a STC credit. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the group will declare future dividends to utilise such STC credits.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

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

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

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

DIVIDEND DISTRIBUTION

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

EARNINGS PER SHARE

Basic earnings per share are computed by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The group's basic and diluted earnings per share differ as a result of share options granted to employees.

CRITICAL ESTIMATES AND JUDGEMENTS

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

(a) **Critical accounting estimates and assumptions**

(i) ***Impairment of long-lived assets***

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

(ii) ***Restoration obligations***

Provision is made for the anticipated costs of future restoration and rehabilitation of mining areas from which natural resources have been extracted in accordance with the accounting policy. Provision is made for the anticipated costs of future restoration and rehabilitation of mining sites to the extent that a legal or constructive obligation exists in accordance with the accounting policy. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation

of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies and engineering cost estimates. A change in any of the assumptions used may have a material impact on the carrying value of rehabilitation provisions.

(iii) Retirement benefit obligations

An asset or liability in respect of defined-benefit pension or medical plans is recognised in the statement of financial position in accordance with the accounting policy. The present value of a defined-benefit obligation is dependent upon a number of factors that are determined on an actuarial basis. Also refer to note 12.

(iv) Ore reserves estimates

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

(v) Share-based payments

The group issued equity-settled share-based payments (share appreciation rights) to certain employees. Cash-settled share-based payments are measured at fair value at each reporting date. Fair value is measured using the actuarial binomial pricing model. Estimates in the model were made with regard to the expected life of the option, future share price volatility, expected dividend yield and expected staff turnover. Also refer to note 8.

(vi) Income taxes and royalties

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

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

(i) Interest in Angolan joint ventures

Classification

The group's interest in its Angolan operations Luarica and Fucauma, are via interests of 35% and 32% respectively in two Associação em Participação, being unincorporated joint-venture structures in the Republic of Angola. For purposes of IAS 31 Interests in Joint Ventures, the group classifies its interests in the two Associação em Participação as interests in jointly controlled entities, based on management's judgement of the long-term strategic relationship with its joint venture partners.

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

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

The global economic downturn has had a significant impact on management's expectations and forecasts. Calculations based on the revised assumptions indicated that the group will not be able to recover the receivable. Impairment losses have been recognised in prior years.

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

In terms of IAS 36 Impairment of Assets the best evidence of an asset's fair value less costs to sell is a price in a binding sale agreement in arm's length transactions, or its market price less costs of disposal if the asset is traded in an active market. For Luarica and Fucauma neither a binding sales agreement nor an active market is available.

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

(ii) Impairment assessment of South African CGUs

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

Future cash flows are based on estimates of:

- the quantities of the reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices (assuming the current market prices will revert to the group's assessment of the long-term average price, generally over a period of three to five years); and
- future cash costs of production, capital expenditure, close-down, restoration and environmental clean-up.

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

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

Based on this assessment, management concluded that the carrying value of the group's South African CGUs is recoverable. Actual outcomes may, however, vary.

(iii) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

(iv) Production start date

The group assesses the stage of each mine construction project to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project such as the complexity of a plant and its location. The group considers various relevant criteria to assess when the mine is substantially complete and ready for its intended use and moves into the production stage. Some of the criteria would include, but are not limited to, the following:

- high degree of confidence in the project's viability and it is considered probable that future economic benefits will flow to the group;
- the level of capital expenditure compared to the construction cost estimates;
- completion of a reasonable period of testing of the mine plant and equipment; and
- commercial levels of production being reached.

STATEMENTS OF FINANCIAL POSITION

AT 31 MARCH 2011

	Notes	COMPANY		CONSOLIDATED	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
ASSETS					
Non-current assets					
		216 230	213 612	502 377	541 714
Property, plant and equipment	1	–	–	408 678	498 252
Investments in associates	2	–	–	108	120
Financial assets	3	216 230	213 612	93 591	43 342
Current assets					
		128	1 573	420 184	464 605
Inventories	4	–	–	114 528	162 792
Trade and other receivables	5	128	141	14 599	32 921
Current income tax		–	12	–	–
Cash and cash equivalents	6	–	1 420	291 057	268 892
Non-current assets classified as held for sale	7	–	–	–	2 044
Total assets		216 358	215 185	922 561	1 008 363
EQUITY					
Capital and reserves					
		213 370	212 486	311 609	327 007
Stated capital	8	208 092	208 092	206 276	206 276
Other reserves	9	68 291	68 291	173 878	146 393
Accumulated loss		(63 013)	(63 897)	(68 545)	(25 662)
Non-controlling interest		–	–	(2 216)	–
LIABILITIES		2 988	2 699	613 168	681 356
Non-current liabilities					
		–	–	216 696	279 647
Borrowings	10	–	–	56 937	95 772
Deferred income tax liabilities	11	–	–	65 629	90 165
Provisions	12	–	–	82 990	75 886
Deferred income	13	–	–	11 140	17 824
Current liabilities		2 988	2 699	396 472	401 709
Trade and other payables	14	2 988	2 699	262 176	264 776
Current income tax liabilities		–	–	16 138	20 619
Borrowings	10	–	–	94 571	92 987
Bank overdraft	6	–	–	23 587	23 327
Total equity and liabilities		216 358	215 185	922 561	1 008 363

The notes on pages 89 to 116 are an integral part of these consolidated financial statements.

INCOME STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	COMPANY		CONSOLIDATED	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
Continuing operations					
Revenue	15			657 998	715 667
Cost of goods sold				(578 003)	(527 611)
Gross profit/(loss)				79 995	188 056
Other operating expenses	18			(25 284)	(31 568)
Royalties				(6 061)	(29 837)
Selling and administration costs				(68 822)	(74 671)
Mining (loss)/profit				(20 172)	51 980
Exploration costs				(5 699)	(4 046)
Other income/(expenses)		18	(91)	–	–
Other (losses)/gains – net	16			(847)	958
Finance income		–	104	11 023	17 649
Finance costs		(3)	–	(20 828)	(29 636)
Impairment of assets	17	873	97 817	–	–
Share of results of associated companies				(10)	(9)
(Loss)/profit before income tax	18 & 19	888	97 830	(36 533)	36 896
Income tax	20	(4)	(4)	(7 559)	(11 747)
(Loss)/profit for the year from continuing operations		884	97 826	(44 092)	25 149
Discontinued operations					
Loss for the year from discontinued operations	21			(1 007)	(3 543)
(Loss)/profit for the year		884	97 826	(45 099)	21 606
Attributable to:					
Continuing operations		884	97 826	(44 092)	25 149
• Owners of the parent		884	97 826	(41 876)	25 149
• Non-controlling interest		–	–	(2 216)	–
Discontinued operations		–	–	(1 007)	(3 543)
• Owners of the parent		–	–	(1 007)	(3 543)
		884	97 826	(45 099)	21 606
				Cents	Cents
Earnings per share for continuing operations	22			(41,7)	23,8
• Basic				(41,7)	23,8
• Diluted				(41,7)	23,8
Earnings per share for discontinued operations	22			(1,0)	(3,4)
• Basic				(1,0)	(3,4)
• Diluted				(1,0)	(3,4)

The notes on pages 89 to 116 are an integral part of these consolidated financial statements.

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

	COMPANY		CONSOLIDATED	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
(Loss)/profit for the year	884	97 826	(45 099)	21 606
Other comprehensive income net of tax:				
Translation differences on foreign subsidiaries	–	–	29 452	118 863
• Before-tax amount	–	–	9 434	38 508
• Tax benefit/(expense)	–	–	20 018	80 355
Fair value adjustment on available-for-sale financial assets	–	–	1 408	240
• Before-tax amount	–	–	1 408	240
• Tax benefit/(expense)	–	–	–	–
Reclassification of foreign currency differences on repayment of long-term receivable from foreign operations	–	–	(3 375)	–
Total comprehensive income for the period	884	97 826	(17 614)	140 709
Attributable to:				
• Owners of the parent	884	97 826	(15 398)	140 709
• Non-controlling interest	–	–	(2 216)	–
	884	97 826	(17 614)	140 709

The notes on pages 89 to 116 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2011

	Stated capital (Note 8) R'000	Other reserves (Note 9) R'000	Accumulated loss R'000	Non- controlling interest R'000	Total R'000
GROUP					
Balance at 31 March 2009	206 276	27 290	(47 268)	–	186 298
Total comprehensive income for the period	–	119 103	21 606	–	140 709
Balance at 31 March 2010	206 276	146 393	(25 662)	–	327 007
Total comprehensive loss for the period	–	27 485	(42 883)	(2 216)	(17 614)
Balance at 31 March 2011	206 276	173 878	(68 545)	(2 216)	309 393
COMPANY					
Balance at 31 March 2009	208 092	68 291	(161 723)	–	114 660
Total comprehensive income for the period	–	–	97 826	–	97 826
Balance at 31 March 2010	208 092	68 291	(63 897)	–	212 486
Total comprehensive income for the period	–	–	884	–	884
Balance at 31 March 2011	208 092	68 291	(63 013)	–	213 370

The notes on pages 89 to 116 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	COMPANY		CONSOLIDATED	
		2011 R'000	2010 R'000	2011 R'000	2010 R'000
Cash generated from/(utilised in) operations	23	319	(716)	94 403	137 948
Income tax (paid)/received	24	8	495	(16 558)	(2 324)
Net cash generated from/(utilised in) operating activities		327	(221)	77 845	135 624
Cash flows from investment activities		–	104	(12 509)	(50 255)
• Proceeds from disposal of property, plant and equipment		–	–	2 093	5 696
• Replacement of property, plant and equipment		–	–	(34 276)	(30 396)
• Addition to property, plant and equipment	25	–	–	(15 962)	(43 011)
• Loan to Angolan associated company		–	–	26 784	–
• Interest received		–	104	8 852	17 456
Cash flows from financing activities		(1 747)	(1 486)	(44 128)	(48 176)
• Borrowings repaid		–	–	(33 276)	(33 376)
• Loans to subsidiary companies		(1 744)	(1 486)	–	–
• Interest paid		(3)	–	(10 852)	(14 800)
Effects of exchange rates on cash and cash equivalents		–	–	697	3 034
Net increase/(decrease) in cash and cash equivalents		(1 420)	(1 603)	21 905	40 227
Cash and cash equivalents at beginning of year		1 420	3 023	245 565	205 338
Cash and cash equivalents at end of year	6	–	1 420	267 470	245 565

The notes on pages 89 to 116 are an integral part of these consolidated financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

CONSOLIDATED			
	Cost	Accumulated depreciation and impairment	Carrying value
	R'000	R'000	R'000
1. PROPERTY, PLANT AND EQUIPMENT			
2011			
Land and buildings	94 549	60 094	34 455
Mining rights	114 004	114 004	–
Mine development costs	131 072	115 696	15 376
Mining plant and equipment	1 218 852	860 005	358 847
	1 558 477	1 149 799	408 678
2010			
Land and buildings	95 405	57 591	37 814
Mining rights	114 004	114 004	–
Mine development costs	169 407	112 094	57 313
Mining plant and equipment	1 223 302	820 177	403 125
	1 602 118	1 103 866	498 252

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

	Land and buildings	Mining rights	Mine development costs	Mining plant and equipment	Total
	R'000	R'000	R'000	R'000	R'000
2011					
Opening balance	37 814	–	57 313	403 125	498 252
Additions	590	–	1 633	49 648	51 871
Disposals	–	–	(40 169)	(16 998)	(57 167)
Exchange rate differences	(765)	–	814	195	244
Depreciation charge	(3 184)	–	(4 215)	(77 123)	(84 522)
Closing balance	34 455	–	15 376	358 847	408 678
2010					
Opening balance	44 191	–	12 693	469 314	526 198
Additions	–	–	46 143	39 078	85 221
Disposals	–	–	–	(3 146)	(3 146)
Exchange rate differences	(3 339)	–	–	(6 085)	(9 424)
Transfers	449	–	–	(449)	–
Depreciation charge	(3 487)	–	(1 523)	(95 587)	(100 597)
Closing balance	37 814	–	57 313	403 125	498 252

Fixed buildings and water supply equipment erected on leasehold mining property with a book value of R5 187 409 (2010: R5 986 582) will, on termination of the mining rights, become the property of the respective transitional council without payment of compensation. The registers containing details of land and buildings are available for inspection by members or their authorised representatives at the registered offices of the companies owning the relevant properties.

Depreciation expense of R83 588 958 (2010: R99 269 959) has been included in cost of goods sold.

Assets in the course of construction amounted to R6 715 961 (2010: R1 103 000).

Included in mining plant and equipment are earthmoving equipment, financed in terms of a sale and leaseback agreement and pledged as security, with a book value of R95 499 291 (2010: R115 658 914) (note 10).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	CONSOLIDATED	
	2011 R'000	2010 R'000
2. INVESTMENTS IN ASSOCIATES		
Beginning of year	141	150
Equity accounted loss	(10)	(9)
End of year	131	141
Loans at book value	(23)	(21)
	108	120
Directors' valuation of unlisted investments (including loans)	108	120
3. FINANCIAL ASSETS		
3.1 Company		
Unlisted subsidiary companies (refer to note 33):		
Shares at book value	4 280	4 280
Advances and loans	306 002	304 258
Less: Provision for impairment	(94 052)	(94 926)
	216 230	213 612
The loans are unsecured, interest-free with no fixed payment terms.		
3.2 Consolidated		
<i>Interest in joint ventures</i>		
Long-term receivable from Angolan joint ventures	–	–
Gross value	345 546	345 546
Less: Provision for impairment	(345 546)	(345 546)
<i>Loans to associated companies</i>		
Loan to Somiluana	46 298	–
3.3 Available-for-sale investments		
<i>Listed investments at fair value</i>		
Equity shares – international listed		
Diamond Fields International Ltd 1,3% (2010: 2%)	1 858	451
Assets held by the Trans Hex Rehabilitation Trust Fund (primarily cash and cash equivalents)	45 435	42 891
Market value	93 591	43 342
Total financial assets	93 591	43 342

International listed investments

All international listed investments are denominated in Canadian dollars and were translated to rands at the closing exchange rate at 31 March 2011 of C\$=R7,0411 (2010: R7,2559).

Long-term receivable from Angolan joint ventures

The long-term receivables are repaid based on the level of diamond sales from the Angolan joint ventures. The long-term receivable from the Angolan joint venture, as well as the fixed assets of the joint ventures which serve as security, were fully impaired in 2009.

3. FINANCIAL ASSETS (continued)

Loans to associated companies

The loan to Somiluana represents exploration costs previously incurred by the group which is recoverable from the newly formed mining company. The loan is repaid in instalments of US\$1,15 million.

Trans Hex Rehabilitation Trust Fund

The rehabilitation trust fund in South Africa receives cash contributions to accumulate funds for the group's rehabilitation liability relating to the eventual closure of the group's operations. Amounts are paid out from the trust fund following completion and once the South African Department of Mineral Resources approved the rehabilitation work. The contributions to the fund are placed with investment banks who are responsible for making investments in equity, money market instruments and call deposits. The trust fund is to be used according to the terms of the trust deed and the assets are not available for the general purpose of the group. The trust fund is carried at fair value.

	CONSOLIDATED	
	2011 R'000	2010 R'000
4. INVENTORIES		
Diamonds	91 833	133 889
Consumables	22 695	28 903
	114 528	162 792

The carrying value of diamond inventories carried at net realisable value amounted to R40 024 747 (2010: R22 004 720).

Cost of inventories included in cost of goods sold amount to R567 million (2010: R516 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	COMPANY		CONSOLIDATED	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
5. TRADE AND OTHER RECEIVABLES				
Trade receivables	–	–	1 774	17 486
Receivables from joint-venture partners	–	–	1 454	1 683
Prepayments	128	98	332	1 867
State – VAT	553	596	4 072	5 155
Interest accrued	–	–	881	1 252
Staff loans	–	–	4 353	3 522
Other receivables	–	–	7 005	7 228
	681	694	19 871	38 193
Provision for impairment of other receivables	(553)	(553)	(5 272)	(5 272)
	128	141	14 599	32 921
The movement for the group's provision for impairment of other receivables is as follows:				
Balance at beginning of year	553	553	5 272	3 176
Provision for impairment	–	–	–	2 096
Balance at end of year	553	553	5 272	5 272
Trade and other receivables are denominated in the following currencies:				
South African rands	128	141	11 352	13 419
Euros	–	–	303	357
US dollars	–	–	2 944	19 145
	128	141	14 599	32 921
6. CASH AND CASH EQUIVALENTS				
Cash at the bank and in hand	–	1 420	59 082	94 860
Short-term bank deposits	–	–	231 975	174 032
	–	1 420	291 057	268 892
The effective interest rates on short-term bank deposits varied between 0,5% and 5,25% (2010: 0,2% and 6,25%). These deposits have average maturity of between 1 and 31 days.				
Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:				
Cash and cash equivalents	–	1 420	291 057	268 892
Bank overdrafts	–	–	(23 587)	(23 327)
	–	1 420	267 470	245 565

		CONSOLIDATED	
		2011	2010
		R'000	R'000
7. NON-CURRENT ASSETS HELD FOR SALE			
The marine mining vessels were included in the group's discontinued Namibian segment. The remaining vessel, the <i>MV Namakwa</i> was sold on 26 May 2010. Also refer to note 21.			
Non-current assets classified as held for sale			
Items of property, plant and equipment relating to:			
Marine mining vessels		–	2 044

		COMPANY		CONSOLIDATED	
		2011	2010	2011	2010
		R'000	R'000	R'000	R'000
8. STATED CAPITAL					
Authorised					
300 000 000 ordinary shares of no par value					
Issued					
106 051 275 ordinary shares of no par value					
(2010: 106 051 275 ordinary shares of no par value)					
	208 092	208 092	206 276	206 276	

The unissued shares were placed under the control of the board of directors until the forthcoming annual general meeting.

The difference between the number of shares issued by the company (106 051 275 shares) and the group (105 698 947 shares) respectively, relates to treasury shares held by the group.

SHARE OPTION SCHEME

No new share options were granted to eligible directors and employees. Outstanding options at 31 March were as follows:

	Number of options at beginning of year	Number of options exercised during the year	Number of options lapsed during the year	Number of options outstanding
2011				
Other employees	133 100	–	101 500	31 600
2010				
Other employees	349 399	–	216 299	133 100

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	Exercise price R	2011 000	Exercise price R	2010 000
8. STATED CAPITAL (continued)				
Share options outstanding at the end of the year have the following terms:				
Expiry date – 31 March				
2010	–	–	19,08	133
2011	23,80	32	–	–

The weighted average fair value of options granted was determined using the actuarial binomial valuation model.

SHARE APPRECIATION UNITS

During the financial year 784 982 units were issued to qualifying employees. At 31 March the units issued were as follows:

	Issue date	Issue price R	Number of units at beginning of year	Number of units issued during the year	Number of units exercised during the year	Number of units lapsed during the year	Number of units outstanding
L Delport	5 July 2006	11,08	336 765				336 765
L Delport	5 July 2007	14,24	242 573				242 573
L Delport	5 July 2008	9,14	421 244				421 244
L Delport	22 January 2009	2,58	1 329 665				1 329 665
L Delport	22 January 2010	4,31	78 142				78 142
L Delport	22 January 2011	2,32		197 488			197 488
MJ Carstens	5 July 2006	11,08	193 351				193 351
MJ Carstens	5 July 2007	14,24	132 855				132 855
MJ Carstens	5 July 2008	9,14	231 094				231 094
MJ Carstens	22 January 2009	2,58	516 306				516 306
MJ Carstens	22 January 2010	4,31	42 890				42 890
IP Hestermann	22 January 2010	4,31	181 236				181 236
IP Hestermann	22 January 2011	2,32		89 649			89 649
Other employees	5 July 2006	11,08	289 871				289 871
Other employees	5 July 2007	14,24	385 725				385 725
Other employees	5 July 2008	9,14	921 851				921 851
Other employees	22 January 2009	2,58	2 369 112				2 369 112
Other employees	22 January 2010	4,31	593 238			15 745	577 493
Other employees	22 January 2011	2,32		497 845			497 845
			8 265 918	784 982	–	15 745	9 035 155

	COMPANY		CONSOLIDATED	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
9. OTHER RESERVES				
Translation reserves	–	–	101 026	74 948
Available-for-sale investments reserves	–	–	1 647	240
Equity portion of redeemed debentures	68 291	68 291	68 291	68 291
Share-based payments	–	–	2 914	2 914
	68 291	68 291	173 878	146 393

	CONSOLIDATED	
	2011	2010
	R'000	R'000
10. BORROWINGS		
Non-current		
Unsecured loans, bearing interest at a variable rate of 2% below South African prime, per annum, payable monthly in advance, with a final redemption on 1 November 2011	397	957
Less: Portion of loans repayable within one year, included in current liabilities	397	559
	–	398
Secured loan on earthmoving equipment financed in terms of a sale and leaseback agreement (note 1), bearing interest at Jibar, payable quarterly in arrears for 60 months, with a final redemption on 2 December 2013	89 451	122 167
Less: Portion of loans repayable within one year, included in current liabilities	32 514	32 580
	56 937	89 587
US dollar denominated loan secured by 70% of Fucauma diamond sales, bearing interest at Libor plus 3,5% per annum, payable over 33 equal monthly instalments in arrears, with a final redemption on 29 December 2010	16 535	17 856
Less: Portion of loans repayable within one year, included in current liabilities	16 535	17 856
	–	–
US dollar denominated loan secured by Fucauma diamond sales and property, plant and equipment with a book value of Rnil (2010: Rnil), bearing interest at 12-month Libor plus 3% per annum, repayable within 12 months	187	202
Less: Portion of loans repayable within one year, included current liabilities	187	202
	–	–
US dollar denominated loans secured by Luarica diamond sales and property, plant and equipment with a book value of Rnil (2010: Rnil), bearing interest at between 8% and 10% (2009: 8% and 10%) per annum, repayable within 12 months	12 188	13 161
Less: Portion of loans repayable within one year, included in current liabilities	12 188	13 161
	–	–
US dollar denominated loan secured by Luarica property, plant and equipment with a book value of Rnil (2010: Rnil) bearing interest at Libor plus 3% (2009: 3%) per annum, payable over 48 equal monthly instalments in arrears, with a final redemption on 20 October 2011	11 212	11 157
Less: Portion of loans repayable within one year, included in current liabilities	11 212	9 247
	–	1 910
US dollar denominated loans secured by 35% of Luarica diamond sales, bearing interest at 15,7% per annum, repayable over 36 equal monthly instalments, with a final redemption on 30 September 2011	21 538	23 259
Less: Portion of loans repayable within one year, included in current liabilities	21 538	19 382
	–	3 877
Total non-current borrowings	56 937	95 772
Current		
Total current borrowings	94 571	92 987
Total borrowings	151 508	188 759

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	CONSOLIDATED	
	2011 R'000	2010 R'000
11. DEFERRED INCOME TAX		
Deferred income tax liabilities		
At beginning of year	90 165	173 698
Income statement charge	(4 518)	(3 180)
Tax charge to other comprehensive income	(20 018)	(80 353)
	65 629	90 165
Comprised of:		
Capital allowances	108 000	116 534
Provisions	(26 504)	(30 518)
Exchange differences on foreign subsidiaries	(15 867)	4 149
	65 629	90 165

The decrease in the deferred tax liability on foreign subsidiaries is attributable to the movement on the exchange rate between the rand and the US dollar.

12. PROVISIONS

Provisions for post-retirement medical benefits

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

• Present value of unfunded obligations	12 869	12 977
• Unrecognised actuarial losses	1 802	1 290
	14 671	14 267

Amounts recognised in the income statement are as follows:

• Current service cost	26	42
• Interest cost	1 162	1 346
• Expected employer benefit payments	(784)	(837)
• Net actuarial losses recognised in year	–	1 422
	404	1 973

Movements in the liability recognised in the statement of financial position were as follows:

• At beginning of year	14 267	12 294
• Amounts charged to the income statement	404	1 973
At end of year	14 671	14 267

The provision is independently actuarially determined at least every third year, with independent forecasts for the years inbetween. The last independent actuarial valuation was at the end of March 2011.

Key assumptions used:	%	%
• Discount rate	9,00	9,25
• Healthcare cost inflation	7,75	7,50
• Expected retirement age (years)	63	60
• Mortality tables used		
– During employment: SA85-90 (Light) ultimate table PA(90)		
– Post-employment: PA(90) ultimate table rated down two years plus 1% improvement per annum (from a base year of 2006)		

CONSOLIDATED

	R'000	%
12. PROVISIONS (continued)		
The sensitivity of the present value of funded obligations for changes in certain key assumptions used is as follows:		
Healthcare cost inflation		
• Liability at 31 March 2011: -1%	11 530	(10,4)
• Liability at 31 March 2011: + 1%	14 472	12,5
• Current service cost and interest cost for the year ending 31 March 2011: -1%	1 056	(11,1)
• Current service cost and interest cost for the year ending 31 March 2011: + 1%	1 347	13,4
• Liability at 31 March 2011: + 5% for 5 years	15 630	21,5
• Liability at 31 March 2011: + 10% for 5 years	18 894	46,8
Discount rate		
• Liability at 31 March 2011: -1%	14 495	12,6
• Liability at 31 March 2011: + 1%	11 533	(10,4)
Expected retirement age		
• Liability at 31 March 2011: 1 year younger	12 896	0,2
• Liability at 31 March 2011: 1 year older	12 843	(0,2)

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

	Present value of obligations R'000	Fair value of plan assets R'000	Fair value of obligations in excess of assets R'000	Experience adjustments in respect of present value of obligations R'000	Experience adjustments in respect of fair value of plan assets R'000
2007	12 945	–	12 945	(710)	(8)
2008	13 346	–	13 346	(371)	–
2009	15 398	–	15 398	(2 517)	–
2010	12 977	–	12 977	2 972	–
2011	12 869	–	12 869	1 131	–

The expected contributions to be paid for the period 1 April 2011 to 31 March 2012 amount to R775 000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	CONSOLIDATED	
	2011 R'000	2010 R'000
12. PROVISIONS (continued)		
Provision for long-service awards		
Amounts recognised in the income statement are as follows:		
Current service cost	934	617
Interest cost	760	704
Expected employer benefit payments	(1 027)	(570)
Actuarial loss/(gain) recognised in year	571	(473)
	1 238	278
Movements in the liability recognised in the statement of financial position were as follows:		
At the beginning of the year	8 395	8 117
Amounts charged to the income statement	1 238	278
At end of year	9 633	8 395
Key assumptions used:	%	%
Discount rate	9,25	9,75
Salary inflation	7,50	7,50
Expected retirement age (years)	63	63
CPI inflation	6,00	6,00
Mortality tables used		
• During employment: SA85-90 (Light) ultimate table		
	R'000	%
The sensitivity of the liability recognised for changes in certain key assumptions used is as follows:		
Salary inflation		
• Liability at 31 March 2011: -1%	8 950	(7,1)
• Liability at 31 March 2011: + 1%	10 392	7,9
Discount rate		
• Liability at 31 March 2011: -1%	10 399	8,0
• Liability at 31 March 2011: + 1%	8 956	(7,0)
Expected retirement age		
• Liability at 31 March 2011: 1 year younger	9 224	(4,2)
• Liability at 31 March 2011: 1 year older	9 945	3,2

	CONSOLIDATED	
	2011 R'000	2010 R'000
12. PROVISIONS (continued)		
Provision for rehabilitation liabilities		
At beginning of year	53 224	45 588
Amounts (credited)/debited to mining assets	(1 673)	5 026
Decrease in costs debited to income statement	(1 302)	(918)
Rehabilitation provision – unwinding of discount	4 309	3 528
Amount previously included under trade and other payables	4 128	–
At end of year	58 686	53 224
Comprised of:		
Decommissioning and dismantling	4 775	4 716
Environmental restoration	53 911	48 508
	58 686	53 224

A provision is recognised for the restoration and rehabilitation of current mining activities based on current environmental and regulatory requirements.

Key assumptions used:	%	%
• Inflation rate	6,7	7,1
• Risk-free rate	7,3 – 8,4	8,3 – 8,4
Total provisions (R'000)	82 990	75 886

	COMPANY		CONSOLIDATED	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
13. DEFERRED INCOME				
Excess of sales proceeds over carrying value of assets sold and leased back (notes 1 and 10)			24 508	31 192
Credited to income statement			(6 684)	(6 684)
			17 824	24 508
Less: Current portion			(6 684)	(6 684)
			11 140	17 824
Deferred income is amortised over the period of the lease term of five years.				
14. TRADE AND OTHER PAYABLES				
Trade payables	2 988	2 699	209 458	201 566
Government royalties	–	–	11 134	13 844
Contractor fees payable	–	–	5 958	2 982
Accrued leave pay and bonuses	–	–	13 278	20 868
State – other taxes	–	–	10 088	12 150
Share appreciation units (note 8)	–	–	5 087	5 668
Current portion of deferred income (note 13)	–	–	6 684	6 684
Other payables	–	–	489	1 014
	2 988	2 699	262 176	264 776

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	COMPANY		CONSOLIDATED	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
15. REVENUE				
Diamonds: Mining	–	–	657 998	715 667
16. OTHER (LOSSES)/GAINS – NET				
Other (losses)/gains consist mainly of the following principal categories:				
• Net foreign exchange (losses)/gains	–	–	(4 222)	958
• Foreign exchange gains on repayment of long-term receivable from foreign operation	–	–	3 375	–
	–	–	(847)	958
17. IMPAIRMENT OF ASSETS				
Discontinued operations				
Details of the impairment charge are as follows:				
Mining plant and equipment			–	1 067
Taxation			–	(299)
Net impairment charge			–	768
Impairment of individual assets as a result of the group's decision to cease deep-water mining operations.				
Total impairment charge before tax			–	1 067
Taxation			–	(299)
Total net impairment charge			–	768

COMPANY

Reversal of impairment of financial assets	(873)	(97 817)
--	--------------	----------

During the previous year, certain subsidiaries in the group returned to solvency which resulted in the reversal of impairment. Also refer to note 3.1.

	COMPANY		CONSOLIDATED	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
18. PROFIT/(LOSS) BEFORE INCOME TAX				
The following items have been charged in arriving at profit/(loss) before income tax:				
Income				
Income from subsidiary companies:				
• Administration fees	2 813	2 190	–	–
Profit on sale of property, plant and equipment	–	–	–	2 550
Expenses				
Auditor's remuneration:				
• Audit	–	–	3 465	4 652
• Taxation services	–	54	836	1 016
• Other services	–	–	275	142
Depreciation	–	–	84 522	100 597
Maintenance and material	–	–	155 016	165 120
Loss on sale of property, plant and equipment	–	–	220	–
Operating lease payments	–	–	6 704	10 942
Other operating expenses: Luarica and Fucauma care and maintenance costs	–	–	25 284	31 568
Staff costs				
Salaries and wages			214 518	231 476
Termination benefits			5 496	3 943
Company contributions to retirement benefits			18 211	17 134
Other post-retirement medical benefits (Note 12)			404	1 973
Total staff costs			238 629	254 526

	CONSOLIDATED					
	2011			2010		
	Executive R'000	Non- executive R'000	Total R'000	Executive R'000	Non- executive R'000	Total R'000
19. DIRECTORS' REMUNERATION						
The directors' remuneration for the year ended 31 March was as follows:						
Salaries and fees	4 317	985	5 302	4 058	736	4 794
Retirement contributions	1 052	–	1 052	994	–	994
Performance bonus	2 768	–	2 768	4 837	–	4 837
Loss of office	–	–	–	249	–	249
Other benefits	1 022	–	1 022	1 459	–	1 459
Total paid	9 159	985	10 144	11 597	736	12 333
Company			985			736
Subsidiaries			9 159			11 597

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	Salaries and fees R'000	Retire- ment contri- butions R'000	Perfor- mance bonus R'000	Other benefits* R'000	2011 R'000	2010 R'000
19. DIRECTORS' REMUNERATION						
<i>(continued)</i>						
Executives						
L Delport	1 989	483	1 430	390	4 292	5 095
MJ Carstens	1 309	321	727	359	2 716	3 324
IP Hestermann [^]	1 019	248	611	273	2 151	275
AG Müller	–	–	–	–	–	2 903
Subtotal	4 317	1 052	2 768	1 022	9 159	11 597
Non-executives						
PL Zim	–	–	–	–	–	42
BR van Rooyen	266	–	–	–	266	159
T de Bruyn	180	–	–	–	180	95
E de la H Hertzog	100	–	–	–	100	97
JW Dreyer	87	–	–	–	87	68
AR Martin	229	–	–	–	229	136
PC Pienaar	–	–	–	–	–	17
T van Wyk	123	–	–	–	123	122
Subtotal	985	–	–	–	985	736
Total	5 302	1 052	2 768	1 022	10 144	12 333

Remuneration paid to the three highest paid employees, who are not directors, for the year ending 31 March 2011 was as follows:

LM Cilliers	853	212	521	255	1 841	1 607
HEM Henning	843	209	412	418	1 882	1 329
GM van Heerden	992	245	590	240	2 067	1 734
Total	2 688	666	1 523	913	5 790	4 670

* Other benefits mainly comprise car allowances, but include share appreciation units exercised (note 8), leave encashments and medical aid contributions.

[^] From 1 February 2010

Directors' and director-related entities

No material transactions other than directors' emoluments disclosed in note 19 were entered into during the year.

Remuneration philosophy

The remuneration committee establishes executive remuneration. Full details are provided in the Remuneration Report on pages 55 to 58 of the Annual Report.

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

	DIRECT		INDIRECT		Total
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	
2011					
L Delport	150 000	–	–	–	150 000
2010					
L Delport	150 000	–	–	–	150 000
E de la H Hertzog	–	–	38 800	–	38 800
	150 000	–	38 800	–	188 800

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

	COMPANY		CONSOLIDATED	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
20. INCOME TAX				
20.1 Income tax per income statement				
RSA tax				
• Current	4	4	12 077	18 597
– Current year	4	4	11 719	35 091
– Under/(over)provision prior year	–	–	358	(16 494)
• Secondary tax on companies				
– Overprovision prior year	–	–	–	(3 325)
• Deferred	–	–	(4 518)	(3 525)
– Current year	–	–	(4 161)	(9 021)
– (Under)/overprovision prior years	–	–	(357)	5 496
	4	4	7 559	11 747
Tax losses and unredeemed capital of certain subsidiaries at the end of the financial year available for utilisation against future taxable income of those companies are estimated at R226,9 million (2010: R269,8 million). No deferred tax asset has been raised for these losses as future utilisation is uncertain.				
	%	%	%	%
20.2 Reconciliation of effective income tax rate with standard rate				
Effective income tax rate	0,5	–	20,7	31,8
Increase/(decrease) in rate as a result of:				
Expenses not deductible for income tax purposes	–	–	(42,4)	(40,6)
Income not taxable	27,5	28,0	–	–
Secondary taxation on companies	–	–	–	9,0
Overprovision prior year	–	–	–	29,8
Unrecognised tax losses in loss-making affiliates	–	–	(6,3)	(2,0)
Standard rate	28,0	28,0	(28,0)	28,0

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	CONSOLIDATED	
	2011 R'000	2010 R'000
21. DISCONTINUED OPERATIONS		
During the 2008 financial year it was decided to discontinue with the group's marine vessel operations in Namibia. Also refer to notes 7 and 17. The results of these operations were as follows:		
Revenue	–	111
Expenses	(550)	(2 886)
	(550)	(2 775)
Impairment of assets	–	(1 067)
Loss on sale of assets	(457)	–
Loss before income tax	(1 007)	(3 842)
Income tax	–	299
Loss for the year	(1 007)	(3 543)
Net operating cash flows	(549)	498
Net investing cash flows	1 587	–
Net financing cash flows	–	–

22. EARNINGS PER SHARE

Basic earnings per share

(Loss)/profit for the year from continuing operations	(44 092)	25 149
Loss for the year from discontinued operations	(1 007)	(3 543)

Weighted average number of ordinary shares in issue (thousands)	105 699	105 699
---	---------	---------

Basic (loss)/earnings per share – continuing operations (cents)	(41,7)	23,8
Basic loss per share – discontinued operations (cents)	(1,0)	(3,4)

In accordance with the revised IAS 33, Earnings per Share, mandatory convertible instruments will be included in weighted average number of share calculation for basic earnings per share.

Diluted earnings per share

No adjustment to basic earnings per share was required.

	CONTINUING OPERATIONS		DISCONTINUED OPERATIONS	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Headline earnings per share				
(Loss)/profit for the year	(44 092)	25 149	(1 007)	(3 543)
(Profit)/loss on sale of assets	(237)	(2 550)	457	–
• Taxation impact	66	714	–	–
Impairment of assets	–	–	–	1 067
• Taxation impact	–	–	–	(299)
Reclassification of foreign currency differences on repayment of long-term receivable from foreign operations	(3 375)	–	–	–
Headline (loss)/earnings	(47 638)	23 313	(550)	(2 775)
Headline (loss)/earnings per share (cents)	(45,1)	22,1	(0,5)	(2,6)

	COMPANY		CONSOLIDATED	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
23. RECONCILIATION OF NET (LOSS)/PROFIT BEFORE INCOME TAX WITH CASH GENERATED FROM/(UTILISED IN) OPERATIONS				
(Loss)/profit before income tax	888	97 830	(37 540)	33 054
Adjusted for:				
Depreciation	–	–	84 522	100 597
(Loss)/profit on sale of assets	–	–	220	(2 550)
Impairments of assets and investments	(873)	(97 817)	–	1 067
Deferred income credited	–	–	(6 684)	(6 684)
Exchange rate adjustments	–	–	(2 808)	(849)
Deferred stripping costs capitalised	–	–	(1 633)	(6 788)
Increase for post-retirement medical benefit	–	–	404	1 973
Increase for long-service awards	–	–	1 238	278
Increase in rehabilitation liabilities	–	–	3 007	2 610
Income from Trans Hex Rehabilitation Trust Fund	–	–	(2 544)	(3 038)
Share of results of associated company	–	–	10	9
Net interest paid/(received)	3	(104)	2 000	(2 655)
Operating income/(loss) before movements in working capital	18	(91)	40 192	117 024
Movement in working capital	301	(625)	54 211	20 924
Inventory	–	–	16 815	(12 187)
Trade and other receivables	12	(35)	17 851	(9 747)
Trade and other payables	289	(590)	19 545	42 858
Cash generated from/(utilised in) operations	319	(716)	94 403	137 948
24. RECONCILIATION OF INCOME TAX PAID WITH AMOUNT DISCLOSED IN THE INCOME STATEMENT				
Amount unpaid at beginning of year	(12)	(511)	20 619	8 313
Amount per income statement	4	4	12 077	14 630
Amount unpaid at end of year	–	12	(16 138)	(20 619)
Amount paid/(received)	(8)	(495)	16 558	2 324

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

	CONSOLIDATED	
	2011 R'000	2010 R'000
25. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT		
Earthmoving equipment	6 354	933
Plant extensions	6 855	868
Housing and personnel benefits	516	45
Operational buildings	75	555
Computer hardware and software	26	165
Transport vehicles	–	173
Mine development costs	–	39 355
Other	2 136	917
	15 962	43 011

	CONSOLIDATED	
	2011 %	2010 %
26. JOINT VENTURES		
The group holds the following interest in joint ventures which are engaged in alluvial diamond mining:		
Fucauma Association (Angola)	32	32
Luana Association (Angola) (Exploration contract)	33	33
Luarica Association (Angola)	35	35
Mvelaphanda Exploration (Pty) Limited (South Africa)	50	50
Northbank Diamonds Ltd (Namibia)	50	50
Trans Hex Gariiep Venture (South Africa)	50	50
	R'000	R'000

These investments are accounted for using the proportionate consolidation method.

The following amounts represent the group's effective interest in the assets, liabilities, sales and results of the joint ventures:

Property, plant and equipment	807	55 481
Current assets	1 125	29 883
	1 932	85 364
Non-current liabilities	–	6 185
Current liabilities	235 502	212 915
	235 502	219 100
Net assets	(233 570)	(133 736)
Revenue	12 824	10 859
Loss before income tax	(27 025)	(40 989)
Income tax	(789)	(165)
Loss after income tax	(27 814)	(41 154)

27. FINANCIAL INSTRUMENTS

Financial instruments as disclosed in the statement of financial position include long and short-term borrowings, investments, cash resources, long-term receivables, trade receivables and trade payables.

Categories of financial instruments

	Loans and receivables R'000	Available for sale R'000	Other financial liabilities at amortised cost R'000
CONSOLIDATED			
At 31 March 2011			
Available-for-sale investments	–	47 293	–
Loans to associated companies	46 298	–	–
Trade and other receivables	10 195	–	–
Cash and cash equivalents	291 057	–	–
Borrowings	–	–	(151 508)
Trade and other payables	–	–	(222 589)
Bank overdraft	–	–	(23 587)
At 31 March 2010			
Available-for-sale investments	–	43 342	–
Trade and other receivables	25 899	–	–
Cash and cash equivalents	268 892	–	–
Borrowings	–	–	(188 759)
Trade and other payables	–	–	(212 246)
Bank overdraft	–	–	(23 327)
COMPANY			
At 31 March 2011			
Loans to subsidiaries	211 950	–	–
Trade and other payables	–	–	(2 988)
At 31 March 2010			
Loans to subsidiaries	209 332	–	–
Cash and cash equivalents	1 420	–	–
Trade and other payables	–	–	(2 699)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

28. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks, including the effects of changes in equity market prices, credit risk, foreign currency exchange rates and interest rates. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments such as foreign exchange contracts and options to hedge certain exposures.

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Entities in the group use forward contracts to hedge their exposure to foreign currency risk as economic hedges. Sales denominated in foreign currency are only hedged for a short period of time from tender to payment date. The group also hedges the foreign currency exposure of its contract commitments to purchase certain production equipment. The forward contracts used in its programme are consistent with the related purchase commitments. There were no outstanding forward contracts at year-end.

At 31 March 2011, if the currency had strengthened/weakened by 5% against the US dollar, pre-tax equity for the year would have been Rnil (2010: Rnil) lower/higher, mainly as a result of foreign exchange losses/gains on translation of the US dollar denominated long-term receivable from Angolan joint ventures, while pre-tax profit or loss for the year would have been R2,3 million (2010: Rnil) lower/higher, mainly as a result of foreign exchange losses/gains on translation of the US dollar denominated loan to Somiluana.

(ii) Equity market price risk

The group is exposed to equity market price risk because of investments held by the group and classified in the consolidated statement of financial position as available for sale. The group is not exposed to commodity price risk.

At 31 March 2011, if the price of the investments had strengthened/weakened by 5%, other components of equity would have increased/decreased as a result of gains/losses on equity securities classified as available for sale by R92 911 (2010: R22 528).

All investments are classified as level 1 according to the fair value hierarchy.

(iii) Interest rate risk

The group's income and operating cash flows are substantially independent of changes in market interest rates. The group sometimes borrows at variable rates. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group interest rate exposure and effective interest rates are summarised in notes 6 and 10.

At 31 March 2011, if the interest rate had increased/decreased by 1%, post-tax profit for the year would have increased/decreased as a result of interest received/paid on cash and cash equivalents and borrowings by R937 000 (2010: R474 000).

The other financial instruments in the group's statement of financial position are not exposed to interest rate risk.

28. FINANCIAL RISK MANAGEMENT (continued)

(iv) Credit risk

The group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The group has policies that limit the amount of credit exposure to any one financial institution.

The group minimises its credit risk by investing its cash and cash equivalents with major banks and financial institutions located principally in South Africa, Belgium and Angola. The majority of cash funds are held at South African financial institutions all of which have an F1 or F2 or F3 Fitch short-term credit rating. The group believes that no concentration of credit risk exists with respect to investment of its cash and cash equivalents.

Amounts past due at reporting date have been impaired in full. Management considers the credit quality of fully performing accounts receivable to be good.

The group's maximum exposure to credit risk at the reporting date is the fair value of each class of financial assets.

(v) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the group aims to maintain flexibility in funding by keeping committed credit lines available. In terms of the articles of association, the group has unlimited borrowing powers.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Trade and other payable balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year R'000	1 to 2 years R'000	2 to 5 years R'000
CONSOLIDATED			
At 31 March 2011			
Borrowings	124 686	36 204	25 301
Trade and other payables	222 591	–	–
Bank overdraft	23 587	–	–
At 31 March 2010			
Borrowings	123 983	46 439	62 381
Trade and other payables	212 246	–	–
Bank overdraft	23 327	–	–
COMPANY			
AT 31 MARCH 2011			
Trade and other payables	2 988	–	–
At 31 March 2010			
Trade and other payables	2 699	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 MARCH 2011

28. FINANCIAL RISK MANAGEMENT *(continued)*

Defaults and breaches

As at 31 March 2011 borrowings with a principal amount of R61 659 773 and accrued interest of R18 625 313 due by joint ventures to external credit providers, were in default.

CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Total capital is considered to be 'equity' as shown in the consolidated statement of financial position.

FAIR VALUE ESTIMATION

The fair value of publicly traded derivatives and trading and available-for-sale investments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the group is the current bid price. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

The nominal value less impairment provisions of trade receivables, cash and cash equivalents and trade payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

29. RELATED-PARTY TRANSACTIONS

Controlling entities

The company's major shareholders are Regarding Capital Management (Pty) Limited, which holds 26,9% (2010: 15,6%) of the company's shares, and Mvelaphanda Resources Ltd which owns 20,3% (2010: 20,3%).

Subsidiaries and joint ventures

The group holds several interests in subsidiaries and joint ventures. A detailed list of investments in subsidiaries is disclosed under note 33. A detailed list of joint ventures is disclosed under note 26.

The following transactions were carried out with related parties:

		CONSOLIDATED	
		2011	2010
		R'000	R'000
29. RELATED-PARTY TRANSACTIONS (continued)			
(i)	Payment for services rendered		
	Controlling entities		
	Management fee paid to M&I Group Services Ltd (a fellow subsidiary of the company's major shareholder up till 13 September 2010)	941	2 236
	Internal audit fee paid to M&I Group Services Ltd (a fellow subsidiary of the company's major shareholder up till 13 September 2010)	206	501
		1 147	2 737
	The management services were carried out on commercial terms and conditions		
(ii)	Purchase of goods		
	Joint ventures	–	30
	These transactions were carried out on commercial terms and conditions		
(iii)	Receipts for services rendered		
	Joint ventures	–	750
	The sale of goods and rendering of services are usually negotiated with related parties on a cost-plus basis, allowing for a margin ranging from 2.5% to 7.5%.		
(iv)	Executive directors and key management compensation		
	Salaries and other short-term benefits	17 997	23 176
	Termination benefits	130	362
	Other long-term benefits	8 674	2 978
	Share-based payments	–	500
		COMPANY	
i)	Receipts for services rendered		
	Subsidiaries	2 813	2 190
ii)	Loans to subsidiaries at end of year	211 950	209 332

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

30. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive management that are used to make strategic decisions.

The executive management considers the business from a geographic perspective. Geographically, management considers the performance of South Africa, Angola, Liberia and Namibia.

The reportable operating segments derive their revenue primarily from the selling of diamonds.

The executive management assesses the performance of the operating segments in a manner consistent with that of the financial statements.

The amounts provided to the executive management with respect to the total assets and total liabilities are measured in a manner consistent with that of the financial statements.

Revenues from transactions with certain customers amount to ten percent or more of total revenue. During the period under review total revenue from these customers amounted to R74,6 million (2010: R0,0 million).

	CONTINUING			DISCONTINUED	
	South Africa	Angola	Liberia	Total	Namibia
2011					
Carats sold	77 957	–	–	77 957	–
	R'000	R'000	R'000	R'000	R'000
External revenue	657 998	–	–	657 998	–
Cost of goods sold	(574 625)	(3 378)	–	(578 003)	–
Gross profit/(loss)	83 373	(3 378)	–	79 995	–
Other operating expenses	–	(25 284)	–	(25 284)	(1 007)
Royalties	(6 061)	–	–	(6 061)	–
Selling and administration costs	(59 982)	(8 840)	–	(68 822)	–
Mining (loss)/profit	17 330	(37 502)	–	(20 172)	(1 007)
Exploration costs	(5 699)	–	–	(5 699)	–
Other (losses)/gains – net	5 421	(6 268)	–	(847)	–
Finance income	11 023	–	–	11 023	–
Finance costs	(13 439)	(7 389)	–	(20 828)	–
Share of associate's results	(10)	–	–	(10)	–
Profit/(loss) before income tax	14 626	(51 159)	–	(36 533)	(1 007)
Depreciation included in the above	(82 735)	(1 788)	–	(84 523)	–
Assets	859 310	63 231	20	922 561	–
Liabilities	383 100	230 068	–	613 168	–
Capital expenditure	51 573	298	–	51 871	–
Net asset value per share (cents)	449	(157)	–	292	–

	CONTINUING			DISCONTINUED	
	South Africa	Angola	Liberia	Total	Namibia
30. SEGMENT INFORMATION					
<i>(continued)</i>					
2010					
Carats sold	95 251	1 220	–	96 471	–
	R'000	R'000	R'000	R'000	R'000
External revenue	714 279	1 388	–	715 667	111
Cost of goods sold	(520 562)	(7 049)	–	(527 611)	(2 886)
Gross profit/(loss)	193 717	(5 661)	–	188 056	(2 775)
Other operating expenses	–	(31 568)	–	(31 568)	–
Royalties	(29 837)	–	–	(29 837)	–
Selling and administration costs	(63 643)	(12 189)	1 161	(74 671)	–
Mining profit/(loss)	100 237	(49 418)	1 161	51 980	(2 775)
Exploration costs	(4 046)	–	–	(4 046)	–
Other (losses)/gains – net	958	–	–	958	–
Finance income	17 649	–	–	17 649	–
Finance costs	(18 683)	(10 953)	–	(29 636)	–
Impairment of assets	–	–	–	–	(1 067)
Share of associate's results	(9)	–	–	(9)	–
Profit/(loss) before income tax	96 106	(60 371)	1 161	36 896	(3 842)
Depreciation included in the above	(95 490)	(5 108)	–	(100 598)	–
Assets	906 989	98 680	650	1 006 319	–
Non-current assets classified as held for sale	–	–	–	–	2 044
Liabilities	456 835	224 521	–	681 356	–
Capital expenditure	31 955	2 097	–	34 052	–
Net asset value per share (cents)	424	(119)	1	306	2

	CONSOLIDATED	
	2011 R'000	2010 R'000
Geographical external revenue for the group is as follows:		
South African customers	213 766	184 566
Foreign customers	444 232	531 212
	657 998	715 778

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

31. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The group is subject to claims which arise in the ordinary course of business. The group has provided performance guarantees to banks and other third parties amounting to R10,3 million (2010: R11,2 million). The group has been advised that potential foreign claims exist in respect of a guarantee on a loan from a financial institution of US\$8,7 million (2010: US\$8,7 million) and other legal claims of US\$0,6 million (2010: US\$0,6 million). The directors have been advised that such claims would be very unlikely to succeed.

There were no contingent assets in the group at either 31 March 2011 or 31 March 2010.

	CONSOLIDATED	
	2011	2010
	R'000	R'000
32. COMMITMENTS		
Capital commitments		
Incomplete contracts for capital expenditure	6 582	13 152
Capital expenditure authorised but not yet contracted for	48 259	48 387
	54 841	61 539

The above capital commitments mainly constitute the acquisition of mining plant and equipment.

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

No later than 1 year	4 613	4 584
Later than 1 year and no later than 5 years	10 086	11 669
Later than 5 years	5 853	1 356
	20 552	17 609

The above commitments mainly constitute the rental of data lines and buildings.

33. INVESTMENTS

Name of company Incorporated in South Africa (unless stated otherwise)	Issued share capital		Effective interest		Held by the company			
	2011 R	2010 R	2011 %	2010 %	Shares		Loan	
					2011 R'000	2010 R'000	2011 R'000	2010 R'000
COMPANY								
Buffelsbank								
Diamante Bpk	50	50	100	100	1 481	1 481	211 950	209 332
Trans Hex								
Bemarking Bpk	100	100	100	100	–	–	–	–
Trans Hex								
Finansiering Bpk	10	10	100	100	2 294	2 294	–	–
Trans Hex								
Diamante Bpk	4 000	4 000	100	100	505	505	–	–
					4 280	4 280	211 950	209 332

Name of company Incorporated in South Africa (unless stated otherwise)	Issued share capital		Effective interest	
	2011 R	2010 R	2011 %	2010 %

GROUP

Benguela Concessions Ltd	1 077 509	1 077 509	100	100
Benguela Exploration Company (Pty) Limited	500	500	100	100
Daisy Street Investments No 27 (Pty) Limited	100	100	100	100
Diamond Fields International Ltd – Canada (US\$) (listed)	50 249 525	48 961 596	1	2
Dokolwayo Diamond Mines (Pty) Limited – Swaziland (E)	15 008	15 008	50	50
Gem Diamond Mining Corporation Ltd	2 833 324	2 833 324	100	100
Hoanib Diamonds (Pty) Limited – Namibia (N\$)	1 000	1 000	90	90
K P Delwery (Edms) Bpk	100	100	100	100
KPO Liberia – Liberia (US\$)	4	4	50	50
Lüderitz Ocean Diamonds (Pty) Limited – Namibia (N\$)	1	1	100	100
Marine West (Pty) Limited	1 355 000	1 355 000	100	100
Matikara Prestacao De Servicos SARL – Angola (Kwanza)	100	100	49	49
Mineracao Barra Grande Limitada – Brazil (R\$)	1 000	1 000	65	65
Moonstone Diamonds (Namibia) (Pty) Limited – Namibia (N\$)	4 000	4 000	77,5	77,5
Moonstone Diamonds (South Africa) (Pty) Limited	2	2	100	100
Mvelaphanda Exploration (Pty) Limited	12	12	50	50
Mvelaphanda Trade Solutions (Pty) Limited	100	100	100	100
NomeX (Edms) Bpk	120 900	120 900	100	100
Newdico (Pty) Limited – Botswana (Pula)	100	100	6	6

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2011

33. INVESTMENTS (continued)

Name of company Incorporated in South Africa (unless stated otherwise)	Issued share capital		Effective interest	
	2011 R	2010 R	2011 %	2010 %
GROUP				
Northbank Diamonds Ltd – Namibia (N\$)	8	8	50	50
North Bay Mining (Pty) Limited	1 000	1 000	100	100
Northern Cape Diamond Mining and Exploration (Pty) Limited	100	100	100	100
Ocean Diamond Mining 6C (Pty) Limited	100	100	100	100
Ocean Diamond Mining 14C (Pty) Limited	100	100	100	100
Oranje-Kunene Diamante Bpk	57	57	100	100
Pioneer Minerals (Pty) Limited	16 700	16 700	100	100
See-Diamantkonsessie 2B (Edms) Bpk	200	200	49	49
Somiluana – Sociedade Mineira, S.A. – Angola (kwanza)	2 517 500	–	33	–
Trans Hex Angola Ltda – Angola (kwanza)	50 000	50 000	100	100
Trans Hex België N V – Belgium (euro)	62 000	62 000	100	100
Trans Bamothibi (Pty) Limited	200	200	100	100
Trans Hex Brasil Limitada – Brazil (R\$)	3 568 601	3 568 601	100	100
Trans Hex Liberia (THL) Ltd – Liberia (US\$)	100	100	100	100
Trans Hex Marine (Namibia) (Pty) Limited – Namibia (N\$)	100	100	100	100
Trans Hex Mynbou Bpk	500 000	500 000	100	100
Trans Hex Namibia (Pty) Limited – Namibia (N\$)	5	5	100	100
Trans Hex Operations (Pty) Limited	12 768	12 768	100	100
Trans Hex (Swaziland) (Pty) Limited – Swaziland (E)	3	3	100	100
Trans Hex (Zimbabwe) Ltd – Zimbabwe (ZIM\$)	30 000	30 000	100	100
Trans Hex UK Ltd – UK (GBP)	1 000	1 000	100	100
Trans Tropic Trading Incorporated – British Virgin Islands (US\$)	250 000	250 000	100	100
Urembo Diamonds (Pty) Limited	100	100	75	75
WADU – Investimentos Mineiros SARL – Angola (kwanza)	100	100	80	80
Weasua Diamonds Ltd – Seychelles (US\$)	178 555	178 555	50	50

All the companies are unlisted unless stated otherwise

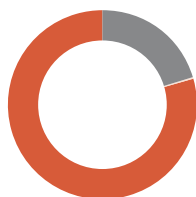
NON-PUBLIC/PUBLIC SHAREHOLDERS AND SHAREHOLDER SPREAD

NON-PUBLIC/PUBLIC SHAREHOLDERS

Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 31 March 2011 appears below:

	2011 %	2010 %
Tegniese Mynbeleggings Bpk	–	28,49
Mvelaphanda Resources Ltd	20,30	17,92
Mvelaphanda Resources Share Trust	–	2,39
Trans Hex Group Share Trust	0,33	0,33
Directors and associates	0,14	0,18
Public shareholders	79,18	50,69

NON-PUBLIC/PUBLIC
SHAREHOLDERS 2011



NON-PUBLIC/PUBLIC
SHAREHOLDERS 2010



SHAREHOLDER SPREAD

Public/non-public shareholders	Number of shareholders	% of shareholders	Number of shares	% of total shares
Non-public shareholders	3	0,02	22 032 591	20,82
Directors and associates of the company	1	0,01	150 000	0,14
Share trusts	1	0,01	352 328	0,33
Strategic Holdings	1	0,01	21 530 263	20,30
Public shareholders	21 648	99,98	84 018 684	79,18
Total	21 651	100,0	106 051 275	100,00

MAJOR SHAREHOLDERS AS AT 31 MARCH 2011

According to information available to the directors, shareholders beneficially holding (either directly or via nominee companies) in excess of three percent (3%) of the issued share capital, were as follows:

Shareholder	Number of shares	Percentage
Mvelaphanda Resources Ltd	21 530 263	20,30
Investment Solutions	7 373 889	6,95
Nedbank Group	5 400 928	5,09
Standard Bank	4 534 401	4,28
Regarding Capital Management	4 426 414	4,17
Government Employees Pension Fund (PIC)	4 192 501	3,95
Peregrine	4 182 927	3,94
Old Mutual	4 046 287	3,82
Allan Gray	3 330 794	3,14
Total	59 018 404	55,65

ADDITIONAL SHAREHOLDER INFORMATION

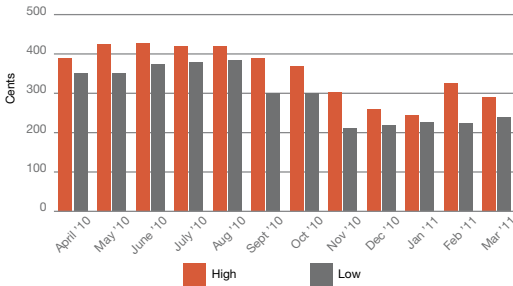
According to information available to the directors, shareholders (by group) holding in excess of three percent (3%) of the issued share capital, were as follows:

Shareholder	Number of shares	Percentage
Regarding Capital Management Ltd	28 516 652	26,89
Mvelaphanda Resources Ltd	21 530 263	20,30
Kagiso Asset Management (Pty) Limited	13 000 817	12,26
Allan Gray Investment Council	5 985 034	5,67
Total	69 032 766	65,12

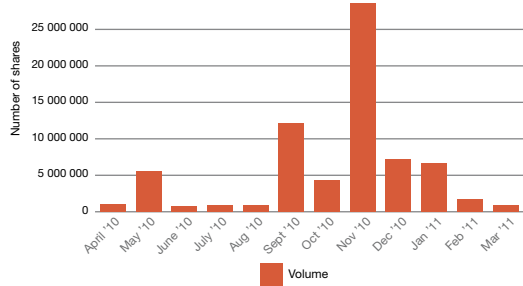
Trans Hex's ordinary shares are quoted on the JSE Limited (JSE) and the Namibian Stock Exchange (NSX). Share trading codes are TSX for the JSE and THX for the NSX.

SHARE TRADING

MONTHLY HIGHS AND LOWS FOR 2010/2011



MONTHLY VOLUMES TRADED FOR 2010/2011



TRANS HEX CLOSE VERSUS ALL SHARE INDEX CLOSE VERSUS RESOURCES INDEX CLOSE



ADDITIONAL SHAREHOLDER INFORMATION (continued)

GENERAL STATISTICS AND RATIOS FOR 2010/2011

	2011	2010
Total number of shares in issue at year-end	106 051 275	106 051 275
Weighted average number of shares in issue	105 698 947	105 698 947
Total shares traded	70 746 681	26 945 432
Volume traded as a percentage of shares in issue (%)	66,7	31,8
Closing price as at 31 March (cents)	256	351
Volume weighted average annual price per share (cents)	297	319
Price/earnings ratio as at 31 March	(5,61)	18
Earnings yield as at 31 March (%)	(17,8)	5,6
Dividend yield as at 31 March (%)	–	–
Market capitalisation at 31 March (Rm)	271	371
Headline earnings per share (cents)	(45,6)	19,4
Interim dividend (cents)	–	–
Final dividend (cents)	–	–
Net asset value per share (cents)	292	308

ADDITIONAL SHAREHOLDER INFORMATION (continued)

SHAREHOLDER CATEGORIES AS AT 31 MARCH 2011

Category	Number of shareholders	%	Number of shares	%
Banks	94	0,43	1 874 420	1,77
Individuals	16 638	76,85	11 492 599	10,84
Insurance companies	45	0,21	1 588 058	1,50
Investment companies and corporate bodies	940	4,34	32 123 130	30,29
Medical schemes	16	0,07	34 751	0,03
Mutual funds	132	0,61	37 595 942	35,45
Nominees and trusts	3 487	16,11	4 750 572	4,48
Own holdings	1	0,00	4 136	0,00
Pension and endowment funds	298	1,38	16 587 667	15,64
	21 651	100,00	106 051 275	100,00

SHAREHOLDING ANALYSIS AS AT 31 MARCH 2011

Holdings	Number of shareholdings	%	Number of shares	%
1 – 5 000 shares	20 852	96,31	4 603 365	4,34
5 001 – 10 000 shares	340	1,57	2 537 579	2,39
10 001 – 100 000 shares	375	1,73	10 766 755	10,15
100 001 – 500 000 shares	53	0,24	12 480 806	11,77
500 001 – 1 000 000 shares	10	0,05	8 245 063	7,77
Over 1 000 000 shares	21	0,10	67 417 707	63,57
Total	2 540	100,00	106 051 275	100,00

CONTACT DETAILS AND WEBSITE

Shareholders or interested parties may contact the company secretary for general information concerning Trans Hex or visit our website at www.transhex.co.za.

Share transfers, dividend payments, change of address and similar queries should also be addressed to the company secretary or the company's transfer secretaries.

COMPANY SECRETARY

Trans Hex Group Limited
PO Box 723 Parow, Cape Town, 7499
Telephone: +27 21 937 2000
Fax: +27 21 937 2100
email: gregv@transhex.co.za
Registration number: 1963/007579/06

TRANSFER SECRETARIES

SOUTH AFRICA

Computershare Investor Services (Pty) Ltd
PO Box 61051
Marshalltown 2107
Telephone: +27 11 370 5000
Fax: +27 11 688 5237

NAMIBIA

Transfer Secretaries (Pty) Ltd
PO Box 2401
Windhoek
Telephone: +264 61 22 7647
Fax : +264 61 24 8531

APPOINTED SPONSOR

(as per JSE Listings Requirements)
Rand Merchant Bank Limited
(A division of FirstRand Bank Limited)
PO Box 786273
Sandton 2146
Telephone: +27 11 282 8000
Fax: +27 21 11 282 8259
email: sponsorteam@rmb.co.za

SPONSORING BROKER

NAMIBIA

Irwin, Jacobs, Greene & Associates
12 Love Street
Windhoek
Telephone: +264 61 383500
Fax: +264 61 304671

STRATE

Telephone: +27 11 759 5300
Fax: +27 11 759 5500
email: info@strate.co.za
website: www.strate.co.za

TRANS HEX WEBSITE

www.transhex.co.za

IMPORTANT DATES FOR SHAREHOLDERS

Financial year-end	31 March
Annual general meeting	4 August 2011
Financial reports:	
Half-year interim report	November
Announcement of annual results	May
Annual financial statements	June
Interim dividend	
Declared	May
Paid	July
Final dividend	
Declared	November
Paid	December



TRANS HEX

www.transhex.co.za