tharisa

Discover Develop Deliver

Interim condensed consolidated financial statements

for the six months ended 31 March **2019**

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- Large scale open-pit resource mining five MG Chromitite Layers
- Long life, low cost co-producer of PGM and chrome concentrates
- Highly prospective exploration projects in Zimbabwe

Develop

- Innovative approach to viable mineral extraction and beneficiation
- Independent processing plants providing flexibility at the Tharisa Mine
- Sustainable polymetallic business model

Deliver

- Safe production, strive for zero harm
- Integrated marketing, sales and logistics platform
- Disciplined capital allocation = growth + dividends
- Cash generative through commodity cycles

Introduction

Tharisa is an integrated resource group incorporating exploration, mining, processing, and the beneficiation, marketing, sales and logistics of platinum group metals ('PGMs') and chrome concentrates. The Group's Vision 2020 strategy is targeting annualised production of 200 koz of PGMs and 2 Mt of chrome concentrates in 2020.

Mission

To maximise shareholder returns through innovative exploration of mineral resources in a responsible manner.

Values

- The safety and health of our people is a core value
- We take responsibility for the effect that our operations may have on the environment
- We are committed to the upliftment of our local communities
- We conduct ourselves with integrity and honesty
- We strive to achieve superior returns for our shareholders
- We originate new opportunities and will continue to challenge convention through innovation

Strategic initiatives

- Discovering next generation low cost, large scale operations through exploration of multi-commodities with geographic diversification
- Developing into a globally significant low cost producer of strategic commodities
- Delivering from an established platform while maximising value extraction
- Disciplined capital distribution with an annual dividend policy of at least 15% of net profit after tax ('NPAT') and capital allocation to low risk projects

SALIENT FEATURES

REEF MINED

2.22 Mt

down 9.3%
(2018: 2.45 Mt)

PGM PRODUCTION
(5PGE+AU)

67.6 koz

down 12.2%
(2018: 77.0 koz)

CHROME CONCENTRATE PRODUCTION

614.1 kt

down 16.2%
(2018: 732.5 kt)

REVENUE

US$166.5 m

down 16.4%
(2018: US$199.2 m)

OPERATING PROFIT

US$14.3 m

down 64.6%
(2018: US$40.4 m)

EBITDA

US$30.1 m

down 44.4%
(2018: US$54.1 m)

PROFIT BEFORE TAX

US$10.2 m

down 72.6%
(2018: US$37.2 m)

EARNINGS AND HEADLINE EARNINGS PER SHARE

US$ 4 cents

down 60.0%
(2018: US$ 10 cents)

INTERIM DIVIDEND

US$ 0.5 cents

16.2% of NPAT

GROUP STATISTICS

	Unit	**H1 FY2019**	H1 FY2018	Change %
Reef mined	kt	**2 223.5**	2 451.3	(9.3)
Stripping ratio	m^3 waste: m^3 reef	**7.1**	8.1	(12.3)
Reef milled	kt	**2 337.5***	2 597.4	(10.0)
PGM flotation feed	kt	**1 751.6**	1 895.6	(7.6)
PGM rougher feed grade	g/t	**1.49**	1.52	(2.0)
PGM recovery	%	**80.7**	83.2	(3.0)
PGM ounces produced	5PGE+Au koz	**67.6**	77.0	(12.2)
Average PGM basket price	US$/oz	**1 017**	909	11.9
Average PGM basket price	ZAR/oz	**14 382**	11 606	23.9
Cr_2O_3 ROM grade	%	**18.2**	18.1	0.6
Chrome recovery	%	**60.8**	65.9	(7.7)
Chrome yield	%	**26.3**	28.2	(6.7)
Chrome concentrates produced (excluding third party)	kt	**614.1**	732.5	(16.2)
Metallurgical grade	kt	**466.0**	558.9	(16.6)
Specialty grades	kt	**148.1**	173.6	(14.7)
Third-party chrome production	kt	**112.5**	106.2	5.9
Chrome concentrates sold (including third party)	kt	**703.7**	811.2	(13.3)
Metallurgical grade chrome concentrate contract price	US$/t CIF China	**163**	193	(15.5)
Metallurgical grade chrome concentrate contract price	ZAR/t CIF China	**2 289**	2 436	(6.0)
Average exchange rate	ZAR:US$	**14.2**	12.8	10.9
Group revenue	US$ million	**166.5**	199.2	(16.4)
Gross profit	US$ million	**32.1**	55.7	(42.4)
Net profit for the period	US$ million	**8.2**	28.4	(71.1)
EBITDA	US$ million	**30.1**	54.1	(44.4)
Headline profit	US$ million	**10.5**	25.7	(59.1)
Headline earnings per share	US$ cents	**4**	10	(60.0)
Earnings per share	US$ cents	**4**	10	(60.0)
Interim dividend	US$ cents	**0.5**	2	
Gross profit margin	%	**19.3**	28.0	(31.1)
EBITDA margin	%	**18.1**	27.2	(33.5)
Net cash flows from operating activities	US$ million	**41.4**	49.2	(15.9)
Net debt	US$ million	**7.9**	22.7	(65.2)
Capital expenditure	US$ million	**24.3**	17.7	37.3

* *Includes the processing of 99.0 kt of commissioning tails.*

MANAGEMENT REPORT

Dear Stakeholder

Safety is a core value and Tharisa continues to strive for zero harm at its operations. Tharisa achieved a lost-time injury frequency rate ('LTIFR') of 0.24 per 200 000 man hours worked at 31 March 2019. This is among the lowest LTIFRs in the PGM and chrome industries in South Africa.

The Group reported revenue of US$166.5 million and a profit before tax of US$10.2 million for the interim period with net cash flows from operating activities of US$41.1 million. Earnings per share amounted to US$4 cents and an interim dividend of US$0.5 cent a share was declared. These results were achieved against lower chrome concentrate prices and lower PGM and chrome sales volumes.

Key production statistics for the six months ended 31 March 2019:

- PGM recoveries decreased to 80.7% from 83.2%, remaining above the targeted 80.0%.
- PGM production at 67.6 koz, down 12.2% from 77.0 koz.
- Chrome recoveries declined to 60.8% from 65.9%.
- Chrome production at 614.1 kt, down 16.2% from 732.5 kt.

Tharisa's average PGM contained metal basket price benefited from the increases in palladium and rhodium prices, contributing to an increase of 11.9% to US$1 017/oz from US$909/oz in the comparable period.

Average contracted metallurgical grade chrome concentrate prices decreased to US$163/t from US$193/t reported in H1 FY2018. Current metallurgical chrome spot prices are trading at US$170/t. Global growth in stainless steel production remains robust.

Specialty chrome concentrates, which comprise 24.1% of chrome concentrate production, are sold into the chemical and foundry markets globally and these grades continue to attract a significant premium above the metallurgical chrome concentrate price.

Operational overview

	Unit	**31 March 2019**	31 March 2018	Change %
Reef mined	kt	**2 223.5**	2 451.3	(9.3)
Reef milled	kt	**2 337.5**	2 597.4	(10.0)
On-mine cash cost per tonne milled	US$/t	**35.2**	32.7	7.6
Consolidated cash cost per tonne milled (excluding transport)	US$/t	**39.1**	36.4	7.4

Mining

The Tharisa Mine is unique in that it mines multiple mineralised layers with defined PGM and chrome contents. The mine is a large-scale, highly mechanised open pit with a life of mine of up to 15 years and the potential to extend mine life by a further 40 years by mining underground.

During the six months under review, 2.2 Mt of ore was mined, with an average head grade of 1.49 g/t PGMs on a 5PGE+Au basis and 18.2% chrome reporting to the processing plants.

In the past six months, Tharisa focused on the pit redesign, which is opening up access to the full mining strike length and the maintenance of the correct multi-reef layer profile to ensure stable feed grades for processing. The pit redesign will achieve the following:

- The extension and widening of the East Pit to optimise logistics.
- Improve access to the East Pit from the north side with more regular backfill now possible on the south side as the pit advances to the north.
- Longer benches and thus better drilling, blasting and hauling continuity as access roads previously ran north to south are now running parallel to the pit as the pit advances.
- Longer benches will also ensure more optimal product mix and grade control to be delivered to both the Genesis and Voyager plants, which have a chrome and PGM bias respectively.

The Tharisa mining division moved an additional 1.3 Mm^3 of in-pit material over the six-month period as part of the pit redesign. While the stripping ratio was 7.1 on a m^3:m^3 basis for the six months, if the additional material is included in the stripping ratio calculation, the stripping ratio tracked the LOM average of 9.5.

The transition to a 24-hour continuous operation in the East Pit was completed in the latter part of the six months after a slight delay, resulting in a mining capacity increase of 15%.

Processing

Tharisa has two processing plants – the Genesis and Voyager standalone concentrator plants. The Genesis Plant incorporates the Challenger Plant on the feed circuit for the extraction of specialty grade chrome concentrates principally from natural fines.

During the six-month period, 2.3 Mt of reef was processed through the two plants, which included 99.0 kt of commissioning tailings. This material supplemented the reduced level of ROM material, however it negatively impacted the overall production and recoveries. For the six months, 67.6 koz of contained PGMs on a 5PGE+Au basis and 614.1 kt of chrome concentrates were produced. Of the 614.1 kt of chrome concentrates produced, 148.1 kt or 24.1% of the chrome concentrate production was specialty grade chrome concentrates.

As a consequence of the pit redesign, the optimal reef mix was not mined and impacted on the PGM rougher feed grade which declined by 2.0% to 1.49 g/t with the Cr_2O_3 ROM feed grade increasing marginally by 0.6% to 18.2% for the period.

While the processing operations are largely insulated from load shedding stage 1 to 3 in South Africa, the unprecedented stage 4 load shedding in March 2019 introduced instability into the processing plants and, at times, necessitated the stopping of certain processing circuits including the crusher circuits and part of the mill circuits, thereby impacting on overall production. Subsequently measures have been put in place to mitigate the risk of further load shedding and the impact on production with alternative standby diesel generator capacity.

Overall PGM recovery was 80.7% and the average chrome recovery was 60.8% for the six months, both being impacted from the processing of the commissioning tailings. In the second quarter, PGM and chrome recovery improved to 85.5% and 62.9% respectively.

Vision 2020

The Vision 2020 projects are targeting an increase in Tharisa Minerals' production to 200 koz pa of PGMs and 2.0 Mt pa of chrome concentrates in 2020, on an annualised basis.

Commodity markets and sales

	Unit	**31 March 2019**	31 March 2018	Change %
PGM basket price	US$/oz	**1 017**	909	11.9
PGM basket price	ZAR/oz	**14 382**	11 606	23.9
42% metallurgical grade chrome concentrate contract price	US$/t	**163**	193	(15.5)
42% metallurgical grade chrome concentrate contract price	ZAR/t	**2 289**	2 436	(6.6)
Exchange rate	ZAR:US$	**14.2**	12.8	10.9

The PGM basket price has traded higher compared to H1 FY2018, with the average PGM contained metal basket price increasing 11.9% and ZAR basket price increasing 23.9% following the weakening of the South African rand ('ZAR') against the US$.

PGM production continued to be sold to Impala Platinum under the offtake agreement as well as to Lonmin under a research and cooperation agreement. A total of 67.0 koz was sold during the period.

The Tharisa Mine's PGM prill split was as follows:

	31 March 2019	31 March 2018
Platinum	**54.9**	56.4
Palladium	**17.4**	16.3
Rhodium	**9.5**	9.2
Gold	**0.2**	0.2
Ruthenium	**13.6**	13.5
Iridium	**4.4**	4.4

Contracted metallurgical grade chrome concentrate prices decreased over the period to an average US$163/t from the average US$193/t achieved in H1 FY2018. Spot metallurgical chrome prices as quoted by FerroAlloyNet traded between US$155/t and US$185/t during the period. This compares to the US$162/t and US$245/t range in the comparative six months.

The demand for chrome concentrate is driven by the increasing demand for stainless steel, which fundamentally remains robust. In CY2018, global stainless steel production increased by 5.5% year on year with Chinese production up 3.6% year on year to 26.7 Mt, according to the International Stainless Steel Forum. The fundamentals of the global stainless steel market remain sound further supporting strong demand for chrome units in the form of ferrochrome and chrome ores.

Chinese chrome port stocks were approximately 2.7 Mt at the end of April 2019. With domestic Chinese monthly requirements of approximately 1.2 Mt, this equates to 9 weeks' supply assuming all stocks are immediately available.

Tharisa's chrome concentrate sales for the period totalled 618.0 kt, a decrease of 14.8% compared to H1 FY2018 sales of 725.6 kt. Inventory levels totalled 62.6 kt as at end March 2019. Third-party sales totalled 85.7 kt, an increase of 0.1% from 85.6 kt.

Third-party sales comprise the sales of the UG2 chrome concentrate produced at Lonmin's K3 UG2 chrome plant, which is operated by Tharisa subsidiary Arxo Metals.

Logistics

	Unit	**31 March 2019**	31 March 2018	Change %
Average transport cost per tonne of chrome concentrate – CIF China basis	US$/t	**62.8**	60.9	3.1
Chrome concentrates shipped	kt	**461.2**	552.7	(16.6)

The chrome concentrate destined for main ports in China is shipped either in bulk from the Richards Bay Dry Bulk Terminal or via containers from Johannesburg and transported by road to Durban from where it is shipped. The economies of scale and in-house expertise have ensured that Tharisa's transport costs, a major cost to the Group, remained competitive.

China remains the main market for metallurgical chrome concentrates and the metallurgical grade chrome concentrates produced by the Tharisa Mine were predominantly sold on a CIF main ports China basis. Almost all material was shipped in bulk with a negligible quantity being shipped in containers.

Arxo Logistics has sufficient storage capacity at both the Richards Bay Dry Bulk Terminal and the Durban container port to manage the full production capacity of the Tharisa Mine and the third-party production.

Zimbabwe projects

Karo Mining Holdings

The Karo Platinum project has achieved several key milestones in the last few months, including approval of the Environmental Prospectus by the Environmental Management Agency ('EMA') of Zimbabwe. Stakeholder consultations have been concluded by the environmental consultant over the mining location and the final environmental impact assessment ('EIA') and management programme has been submitted to EMA for approval, post the interim reporting period.

Karo Platinum has also been awarded a development permit from the EMA, enabling Karo Platinum to initiate field work and the exploration drilling programme.

Drilling of 142 diamond core boreholes totalling over 25 100 m has been completed. The drilling campaign focuses on the western edge of the Great Dyke on the mining location, with boreholes targeting average depths of 50 m to 150 m below surface. The digital terrain mapping and high resolution airborne geophysical surveys have been completed. The quality assurance and quality control programmes are running concurrently with the drilling programme and adhere to industry best practice.

Core samples from approximately half of the boreholes are being prepared and assayed, to inform the resource declaration.

The shallow depth of the Main Sulphide Zone ('MSZ') of the Great Dyke allows for initial open-cast mining before developing the shallow underground workings. The results from the assay work and metallurgical test work will be used as the basis of the next phase of the project. Subsequent stages would include ongoing drilling, resource estimation and feasibility studies for the mine design, infrastructure and beneficiation plants.

Karo Power Generation

Tharisa also has an option to participate in the other downstream projects associated with Karo through discounted farm-in arrangements at a later stage. These include the establishment of a number of solar power sites totalling 300 MW.

Karo Power have appointed a technical consultant to conduct the feasibility studies and an environmental consultant to submit the environmental prospectus to the EMA and to complete the necessary EIA on the identified sites. The environmental prospectus for the first site has been approved by EMA.

Karo Power had initial engagements with the Zimbabwean Energy Regulator ('ZERA') around the power purchase agreement and independent power producer ('IPP') licence. Substantive negotiations regarding the IPP and power purchase agreement will commence with ZERA in the third quarter of 2019.

Salene Chrome

In the last quarter of 2018, Salene Chrome was awarded a development permit from EMA, while the EIA report is being finalised for submission. The development permit has enabled Salene Chrome to initiate field work and the exploration trenching programme.

The digital terrain mapping and high resolution airborne geophysical survey over the mining location have been completed. The geophysical data has been interpreted. The first 11 trenches have been completed, totalling over 4 000 m. The trenches have been rehabilitated and the next trenching and pitting targets are being identified.

The samples from the first trenches have been prepared and logged and sent for assay. The quality assurance and quality control programme is being carried out concurrently with the exploration programme and adheres to industry best practice.

FINANCIAL OVERVIEW

The financial results of the Group were characterised by the pricing metrics for both commodities reflected opposing trends. The overall PGM basket price increased by 11.9% to US$1 017/oz with the Group basket price benefiting from the prill split favouring palladium (at 17.4%) and rhodium (at 9.5%). There was pressure on the metallurgical grade chrome concentrate price which averaged US$163/t (on a CIF main ports China basis) against the prior period average of US$193/t (a decrease of 15.5%).

A weak domestic economy and emerging market contagion with uncertainty prior to the national elections held on 8 May 2019 was reflected in the weakening ZAR, being the base cost currency for the Group's mining operations in South Africa, from an average of ZAR12.8 to ZAR14.2 against the US$, an average weakening of 10.9%. The country's foreign debt avoided a further credit downgrading with Moody's retaining an investment grade rating changing the outlook to "stable". The South African domestic interest rate (as measured by the repo rate) remained unchanged at 6.5%. The Group's commodities are priced in US$ and the cost base is mainly in ZAR and therefore the Group is positioned as a rand hedge stock.

Group revenue totalled US$166.5 million (2018: US$199.2 million) of which US$58.0 million was derived from the sale of PGM concentrate and US$93.8 million was derived from the sale of chrome concentrates. The agency and trading segment contributed US$14.7 million. This is a decrease in revenue relative to the comparable period of 16.4%. Speciality grade chrome concentrates, comprising 25.4% of overall chrome sales, continued to trade at a premium of approximately US$50/t.

On a segmental basis, the movement in revenue is as a result of:

- A reduction in the unit sales of PGMs by 12.0% from 76.1 koz to 67.0 koz largely offset by the increase in the PGM basket price of 11.9% from US$909/oz to US$1 017/oz.
- A reduction in the unit sales of metallurgical grade chrome concentrate by 16.6% from 552.7 kt to 461.2 kt. The metallurgical grade chrome concentrate price decreased by 15.5% from US$193/t to US$163/t.
- A decrease in the unit sales of specialty grade chrome concentrates by 9.3% from 172.9 kt to 156.8 kt.
- Increase in third-party trading and logistics, which contributed US$14.7 million to revenue.

Gross profit amounted to US$32.1 million (2018: US$55.7 million) with a gross profit margin of 19.3% (2018: 28.0%). The gross profit margin was also impacted by the reduced volumes of both commodities produced and sold with the fixed costs inherent to the operation impacting on the unit cost of sales. In addition, diesel cost, a significant component of the mining cost comprising approximately 14% of on-mine cash costs, increased at above inflation on average by 18.1% per litre from ZAR12.04/ℓ (US$0.94/ℓ) to ZAR14.22/ℓ (US$1.00/ℓ). Costs incurred with the transport of the metallurgical grade chrome concentrates from the mine to the customer increased marginally by 3.1% from US$60.9/t to US$62.8/t, the majority of this increase related to an increase in the freight costs.

As a co-producer of PGMs and chrome concentrates, the shared costs of production for segmental reporting purposes are based on the relative contribution to revenue on an ex-works basis, allocated 55% to the PGM segment and 45% to the chrome segment. This is in accordance with the accounting policy of the Group and IFRS. The comparable period was allocated 45% to the PGM segment and 55% to the chrome segment. The change to the basis of allocation of the shared costs is, in effect, a 22.2% increase in respect of the allocation to the PGM segment and a 18.2% decrease in respect of the allocation to the chrome segment.

The segmental cost of sales and gross profit contribution, as extracted from the condensed consolidated interim financial statements, is as follows:

	31 March 2019				31 March 2018			
US$ millions	**PGM**	**Chrome**	**Agency and trading**	**Total**	PGM	Chrome	Agency and trading	Total
Revenue	**58.0**	**93.8**	**14.7**	**166.5**	55.5	130.3	13.4	199.2
Cost of sales								
Costs of sales excluding selling costs	**(46.2)**	**(44.2)**	**(6.7)**	**(97.1)**	(39.8)	(56.3)	(7.2)	(103.3)
Selling costs	**(0.2)**	**(20.7)**	**(3.9)**	**(24.8)**	(0.2)	(24.4)	(3.7)	(28.3)
Freight services	**–**	**(9.8)**	**(2.7)**	**(12.5)**	–	(10.4)	(1.5)	(11.9)
Gross profit contribution	**11.6**	**19.1**	**1.4**	**32.1**	15.5	39.2	1.0	55.7
Gross profit margin (%)	**20.0**	**20.4**	**9.5**	**19.3**	28.0	30.1	7.5	28.0
Sales volume	**67.0 koz**	**618.0 kt**	**85.7 kt**		76.1 koz	725.6 kt	85.6 kt	

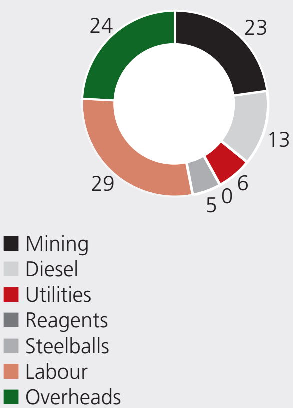
The PGM segment gross profit margin of 20.0% (2018: 28.0%) is lower than the previous year notwithstanding the increased revenue due, in part, to the revised basis of allocating shared costs.

The chrome segment gross profit margin of 20.4% (2018: 30.1%) is lower than the previous year following the weakening of the selling prices for the chrome concentrates notwithstanding benefiting from the revised basis of allocating shared costs.

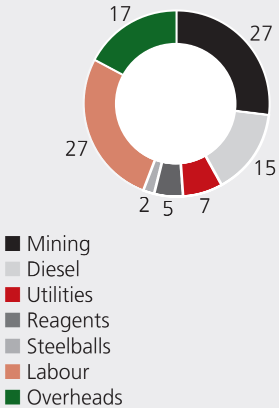
The agency and trading segment contributed US$1.4 million (2018: US$1.0 million) to the Group gross profit at a margin of 9.5% (2018: 7.5%).

The major components of the cash cost of sales for PGMs and chrome concentrates are depicted in the graphs below:

PGM CASH COST OF SALES
(%)



CHROME CASH COST OF SALES
(%)



On a unit cost basis, the reef mining cost per tonne mined increased by 9.8% from US$20.5/t to US$22.5/t. This cost per reef tonne mined was incurred on a stripping ratio of 7.1 on a per cubic metre basis. On a per cube mined basis i.e. including both waste and reef, the cost increased from US$7.9/$m^3$ to US$9.6/$m^3$ (the prior period stripping ratio being 8.1 on a per cubic metre basis).

The consolidated cash cost per tonne milled (i.e. including mining and processing but excluding transport and freight) increased by 7.4% from US$36.4/t to US$39.1/t.

Administrative expenses decreased from US$20.4 million to US$16.3 million mainly in respect of salary costs, which included discretionary bonuses paid in the prior period and due to the benefit of the weakening of the exchange rate with the administration cost being mainly in ZAR. After accounting for the administrative expenses, the Group achieved an operating profit of US$14.3 million (2018: US$40.4 million).

EBITDA amounted to US$30.1 million (2018: US$54.1 million).

Finance costs (totalling US$4.5 million) principally relate to the balances owing on the bank facilities and original equipment manufacturer finance for the purchase of the mining fleet, and the Group trade finance facilities.

The tax charge amounted to US$2.1 million, an effective charge of 20.2%. The cash tax paid amounted to US$2.9 million. The Group has fully utilised its tax losses. However, as at the period end, the Group had unredeemed capex for tax purposes of US$104.9 million. The net deferred tax liability amounted to US$24.8 million.

Foreign currency translation differences for foreign operations arising where the Company has funded the underlying subsidiaries with US$ denominated funding and the reporting currency of the underlying subsidiary is not in US$, amounted to an unfavourable US$3.8 million following the weakening of the ZAR.

Basic and diluted earnings per share for the period amounted to US$ 4 cents (2018: US$ 10 cents) with headline earnings per share of US$ 4 cents (2018: US$ 10 cents).

Total debt amounted to US$74.7 million, resulting in a debt-to-total equity ratio of 25.0%. This exceeds the long-term targeted debt-to-total equity ratio of 15% principally due to the leveraged purchase of the mining fleet. Group cash and cash equivalents amounted to US$66.8 million resulting in a net debt-to-total equity ratio of 2.6%.

The capex spend for the period amounted to US$24.3 million of which US$20.7 million related to the mining fleet and US$3.6 million related to the processing plants including optimisation initiatives. The depreciation charge amounted to US$13.5 million. The mining fleet replacement programme has been accelerated to ensure the optimal mining fleet with the necessary availabilities with the installed capacity to meet the Vision 2020 mining targets is in place. For the second six months the budgeted capex spend on the mining fleet remains at a higher level than the normal sustaining capex at US$14.0 million. Capex for the next six months on the processing plant and additional generators to further derisk the business operations from the risk of load shedding is budgeted at US$15.6 million.

The Company committed to spend an amount of up to US$3.2 million on exploration on the special grants held by Salene Chrome. As at 31 March 2019, US$0.9 million had been incurred. The Company has an option to acquire a 90% shareholding in Salene Chrome. In addition, the Company undertook to provide funding of US$8.0 million to Karo Mining Holdings, in which the Company has a 26.8% shareholding, to fund the exploration and development of its exploration rights and project obligations e.g. solar power. As at 31 March 2019, US$2.7 million of this amount had been drawn down. The Company also paid the balance of US$2.0 million for the purchase of its shareholding in Karo Mining Holdings.

The Group generated net cash from operations of US$41.4 million (2018: US$49.2 million) and after taking into account the capex, a free cash flow of US$17.1 million. Cash on hand amounted to US$66.8 million.

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

From time to time the Group concludes transactions with related parties. These transactions are concluded on an arms' length basis and are disclosed in the ensuing interim condensed consolidated financial statements (refer to note 16, pages 47 to 52).

INTERIM DIVIDEND

In accordance with its dividend policy of distributing at least 15% of annual net profit after tax and following the introduction of an interim dividend, the Board has declared an interim cash dividend of US$ 0.5 cent per ordinary share. The interim dividend will be paid on Wednesday, 19 June 2019. Shareholders on the principal Cyprus register will be paid in US$, shareholders whose shares are held through Central Securities Depositary Participants ('CSDPs') and brokers and are traded on the JSE will be paid in ZAR and holders of depositary interests traded on the LSE will be paid in Sterling (GBP).

The timetable for the dividend declaration is as follows:

Declaration and currency conversion date	Tuesday, 14 May 2019
Currency conversion rates announced	Thursday, 16 May 2019
Last day to trade *cum* dividend rights on the JSE	Tuesday, 4 June 2019
Last day to trade *cum* dividend rights on the LSE	Wednesday, 5 June 2019
Shares will trade *ex* dividend rights on the JSE	Wednesday, 5 June 2019
Shares will trade *ex* dividend rights on the LSE	Thursday, 6 June 2019
Record date for payment on both JSE and LSE	Friday, 7 June 2019
Dividend payment date	Wednesday, 19 June 2019

No dematerialisation or rematerialisation of shares within Strate will be permitted between Wednesday, 5 June 2019 and Friday, 7 June 2019, both days inclusive. No transfers between registers will be permitted between Thursday, 16 May 2019 and Friday, 7 June 2019, both days inclusive.

Tax implications of the dividend

Shareholders are advised that the dividend declared will be paid out of income reserves and may therefore be subject to dividend withholding tax depending on the tax residency of the shareholder.

South African tax residents

South African shareholders are advised that the dividend constitutes a foreign dividend. For individual South African tax resident shareholders, dividend withholding tax of 20% will be applied to the gross dividend of US$ 0.5 cent per share. Therefore, the net dividend of US$ 0.4 cent per share will be paid after US$ 0.1 cent in terms of dividend withholding tax has been applied. Shareholders who are South African tax resident companies are exempt from dividend tax and will receive the dividend of US$ 0.5 cent per share. This does not constitute legal or tax advice and is based on taxation law and practice in South Africa. Shareholders should consult their brokers, financial and/or tax advisers with regard to how they will be impacted by the payment of the dividend.

UK tax residents

UK tax residents are advised that the dividend constitutes a foreign dividend and that they should consult their brokers, financial and/or tax advisers with regard to how they will be impacted by the payment of the dividend.

Cyprus tax residents

Individual Cyprus tax residents are advised that the dividend constitutes a local dividend and that they should consult their brokers, financial and/or tax advisers with regard to how they will be impacted by the payment of the dividend.

Shareholders and depositary interest holders should note that information provided should not be regarded as tax advice.

PRINCIPAL BUSINESS RISKS

Tharisa regards principal business risks as the issues that may, if they materialise, substantially affect the Group's ability to create and sustain value in the short, medium and long term.

These risks determine how the Group devises and implements its strategy since each risk has the potential to impact the Group's ability to achieve its strategic objectives. Each risk also carries with it challenges and opportunities. The Group's strategy takes into account known risks, but risks may exist of which the Group is currently unaware.

An overview of the risks, which could affect the Group's operational and financial performance, was included in the Group's 2018 Annual Report, which is available on http://www.tharisa.com. The following risks have been identified which may impact the Group over the next six months:

Regulatory compliance

Tharisa Minerals' right to mine is dependent on strict adherence to legal and legislative requirements. There remains some uncertainty on the proposed amendments to the South African Mineral and Petroleum Resources Development Act ('MPRDA') and the accompanying Mining Charter. The Minerals Council of South Africa in March 2019 filed an application for judicial review and setting aside certain clauses of the 2018 Mining Charter.

Unscheduled breakdowns

The Group's performance is reliant on consistent mining and the production of PGM and chrome concentrates from the Tharisa Mine. Any unscheduled breakdown leading to a prolonged reduction in either mining or production may have a material impact on the Group's financial performance and results. The Group has purchased additional mining fleet to optimise the fleet. Long lead items for the fleet and the plant are kept in stock and preventative maintenance programmes are in place for both the fleet and the plant.

Global commodity prices and currency risk

The Group's revenues, profitability and future rate of growth depends on the prevailing market prices of PGMs and chrome. A sustained downward movement in the market price for PGMs and/or chrome may negatively affect the Group's profitability and cash flows. The Group's reporting currency is US$. The Group's operations are predominantly based in South Africa with a ZAR cost base while the majority of the revenue stream is in US$ exposing the Group to the volatility and movements in the ZAR. Fluctuations in the US$ and ZAR may have a significant impact on the performance of the Group. To counter this, the Group continues to work on reducing costs and increasing operating efficiencies.

Financing and liquidity

The activities of the Group expose it to a variety of financial risks including market, commodity prices, credit, foreign exchange and interest rate risks. The Group closely monitors and manages these risks. Cash forecasts are regularly updated and reviewed including sensitivity scenarios with reference to the above risks.

OUTLOOK

Tharisa's business model is robust and cash generative throughout the commodity cycle. The unique co-product mix, coupled with an open-pit mine ensures we remain consistently at the low end of the production cost curve and, while we believe commodity prices will remain stable, we are well insulated against price volatility.

That said, fundamentals for the global stainless steel market support stable demand for chrome concentrates. Our specialty chrome products are in demand and given the premium pricing of this product, we benefit from strong margins.

The Group expects a strong operational performance for the remainder of the year with a focus on increasing its production through the continual improvement processes and delivery of the first of its Vision 2020 optimisation projects. The benefits of the pit redesign should become evident in the second half of the financial year and Tharisa is on track to achieve its FY2019 guidance of at least 150 koz PGMs and 1.4 Mt chrome concentrates, of which 350 kt will be specialty grade. The Vision 2020 projects aim to take production to 200 kozpa of PGMs and 2.0 Mtpa of chrome concentrates in 2020, on an annualised basis.

Our expansion plans and a strong focus on the performance of the mining division and our yellow fleet, will enhance economies of scale, reduce unit costs and improve operating margins.

Tharisa would like to thank its staff, management and directors for their continued support in achieving these interim results.

STATEMENT BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO THE CYPRUS SECURITIES AND EXCHANGE COMMISSION LEGISLATION

In accordance with sections 10(3)(c) and 10(7) of Law No. 190(I)/2007, as amended, providing for the transparency requirements of issuers whose securities are admitted to trading on a regulated market ('the Transparency Law'), we, the members of the Board of Directors of Tharisa plc, responsible for the preparation of the interim condensed consolidated financial statements of Tharisa plc for the period ended 31 March 2019, hereby declare that to the best of our knowledge:

(a) The interim condensed consolidated financial statements for the period ended 31 March 2019:
- Have been prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting* and as stipulated for under section 10(4) of the Transparency Law.
- Give a true and fair view of the assets and liabilities, the financial position and profit or losses of Tharisa plc and its undertakings, as included in the interim condensed consolidated financial statements as a whole.

(b) The adoption of a going concern basis for the preparation of the financial statements continues to be appropriate based on the foregoing and having reviewed the forecast financial position of the Group.

(c) The interim management report provides a fair review of the information required by section 10(6) of the Transparency Law.

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

Paphos, Cyprus

14 May 2019

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF THARISA PLC

Introduction

We have reviewed the interim condensed consolidated financial statements of Tharisa plc (the 'Company'), and its subsidiaries (collectively referred to as the 'Group') on pages 18 to 53 contained in the accompanying interim report, which comprise the interim condensed consolidated statement of financial position as at 31 March 2019 and the interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the entity as at 31 March 2019 and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

Stavros Pantzaris
Certified Public Accountant and Registered Auditor

for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountant and Registered Auditor

Nicosia

14 May 2019

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 March 2019

	Notes	**Six months ended 31 March 2019 Reviewed US$'000**	Six months ended 31 March 2018 Reviewed US$'000	Year ended 30 Sept 2018 Audited US$'000
Revenue	5	**166 519**	199 179	406 268
Cost of sales	6	**(134 384)**	(143 436)	(297 782)
Gross profit		**32 135**	55 743	108 486
Other income		**478**	2 072	2 432
Net foreign exchange (loss)/gain		**(2 030)**	3 004	852
Administrative expenses	7	**(16 322)**	(20 422)	(39 232)
Results from operating activities		**14 261**	40 397	72 538
Finance income		**798**	695	1 279
Finance costs		**(4 475)**	(5 130)	(10 189)
Changes in fair value of financial assets at fair value through profit or loss		**132**	1 204	1 262
Changes in fair value of financial liabilities at fair value through profit or loss		**322**	–	155
Share of loss of investment accounted for using the equity method		**(816)**	–	(62)
Profit before tax		**10 222**	37 166	64 983
Tax	8	**(2 067)**	(8 753)	(14 011)
Profit for the period/year		**8 155**	28 413	50 972
Other comprehensive income				
Items that may be classified subsequently to profit or loss:				
Foreign currency translation differences for foreign operations, net of tax		**(3 772)**	35 422	(10 663)
Other comprehensive income, net of tax		**(3 772)**	35 422	(10 663)
Total comprehensive income for the period/year		**4 383**	63 835	40 309
Profit for the period/year attributable to:				
Owners of the Company		**9 488**	25 960	48 433
Non-controlling interest		**(1 333)**	2 453	2 539
		8 155	28 413	50 972
Total comprehensive income for the period/year attributable to:				
Owners of the Company		**7 095**	49 433	41 790
Non-controlling interest		**(2 712)**	14 402	(1 481)
		4 383	63 835	40 309
Earnings per share				
Basic earnings per share (US$ cents)	9	**4**	10	19
Diluted earnings per share (US$ cents)	9	**4**	10	18

The notes on pages 27 to 53 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2019

	Notes	31 March 2019 Reviewed US$'000	31 March 2018 Reviewed US$'000	30 Sept 2018 Audited US$'000
ASSETS				
Non-current assets				
Property, plant and equipment	10	**269 048**	308 534	264 311
Goodwill		**785**	961	804
Investment accounted for using the equity method	11	**3 622**	–	4 438
Other financial assets		**6 141**	5 791	5 012
Deferred tax assets		**2 408**	2 445	1 880
Total non-current assets		**282 004**	317 731	276 445
Current assets				
Inventories	12	**26 411**	26 903	23 043
Trade and other receivables		**66 727**	78 173	86 202
Contract assets		**1 059**	–	2 229
Other financial assets		**656**	901	986
Current taxation		**597**	108	228
Cash and cash equivalents		**66 817**	59 930	66 791
Total current assets		**162 267**	166 015	179 479
Total assets		**444 271**	483 746	455 924
Equity and liabilities				
Share capital and premium	13	**282 791**	280 409	280 806
Other reserve		**47 245**	47 245	47 245
Foreign currency translation reserve		**(82 597)**	(50 088)	(80 204)
Retained earnings		**80 932**	58 399	77 025
Equity attributable to owners of the Company		**328 371**	335 965	324 872
Non-controlling interests		**(29 250)**	(10 655)	(26 538)
Total equity		**299 121**	325 310	298 334
Non-current liabilities				
Provisions		**11 917**	11 114	12 634
Borrowings	14	**28 164**	35 053	27 281
Deferred tax liabilities		**27 227**	33 297	29 892
Total non-current liabilities		**67 308**	79 464	69 807
Current liabilities				
Borrowings	14	**46 538**	42 119	50 138
Other financial liabilities		**1 044**	–	1 000
Current taxation		**390**	827	1 013
Trade and other payables		**28 811**	36 026	33 403
Contract liabilities		**1 059**	–	2 229
Total current liabilities		**77 842**	78 972	87 783
Total liabilities		**145 150**	158 436	157 590
Total equity and liabilities		**444 271**	483 746	455 924

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 14 May 2019.

Phoevos Pouroulis
Director

Michael Jones
Director

The notes on pages 27 to 53 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2019

	Notes	Share capital US$'000	Share premium US$'000
Balance at 30 September 2018		**261**	**280 545**
Total comprehensive income for the period			
Profit for the period		–	–
Other comprehensive income:			
Foreign currency translation differences		–	–
Total comprehensive income for the period		–	–
Transactions with owners of the Company			
Contributions by and distributions to owners:			
Issue of ordinary shares	13	**3**	**1 982**
Dividends paid	20	–	–
Equity-settled share-based payments		–	–
Deferred tax on equity-settled share-based payments		–	–
Contributions by owners of the Company		**3**	**1 982**
Total transactions with owners of the Company		**3**	**1 982**
Balance at 31 March 2019 (reviewed)		**264**	**282 527**

The notes on pages 27 to 53 are an integral part of these interim condensed consolidated financial statements.

	Attributable to owners of the Company					
	Other reserve US$'000	Foreign currency translation reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interest US$'000	Total equity US$'000
	47 245	(80 204)	77 025	324 872	(26 538)	298 334
	–	–	9 488	9 488	(1 333)	8 155
	–	(2 393)	–	(2 393)	(1 379)	(3 772)
	–	(2 393)	9 488	7 095	(2 712)	4 383
	–	–	–	1 985	–	1 985
	–	–	(5 276)	(5 276)	–	(5 276)
	–	–	(975)	(975)	–	(975)
	–	–	670	670	–	670
	–	–	(5 581)	(3 596)	–	(3 596)
	–	–	(5 581)	(3 596)	–	(3 596)
	47 245	(82 597)	80 932	328 371	(29 250)	299 121

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

for the six months ended 31 March 2019

	Notes	Share capital US$'000	Share premium US$'000
Balance at 30 September 2017		260	280 082
Impact of adopting IFRS 16		–	–
Balance at 1 October 2017		260	280 082
Total comprehensive income for the period			
Profit for the period		–	–
Other comprehensive income:			
Foreign currency translation differences		–	–
Total comprehensive income for the period		–	–
Transactions with owners of the Company			
Contributions by and distributions to owners:			
Issue of ordinary shares*	13	–	67
Dividends paid	20	–	–
Equity-settled share-based payments		–	–
Deferred tax on equity-settled share-based payments		–	–
Contributions by owners of the Company		–	67
Total transactions with owners of the Company		–	67
Balance at 31 March 2018 (reviewed)		260	280 149

**The value of the issue of ordinary share capital is less than the reporting amount and amounts to US$182.*

The notes on pages 27 to 53 are an integral part of these interim condensed consolidated financial statements.

	Attributable to owners of the Company					
	Other reserve US$'000	Foreign currency translation reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interest US$'000	Total equity US$'000
	47 245	(73 561)	42 877	296 903	(25 057)	271 846
	–	–	(15)	(15)	–	(15)
	47 245	(73 561)	42 862	296 888	(25 057)	271 831
	–	–	25 960	25 960	2 453	28 413
	–	23 473	–	23 473	11 949	35 422
	–	23 473	25 960	49 433	14 402	63 835
	–	–	–	67	–	67
	–	–	(13 010)	(13 010)	–	(13 010)
	–	–	2 072	2 072	–	2 072
	–	–	515	515	–	515
	–	–	(10 423)	(10 356)	–	(10 356)
	–	–	(10 423)	(10 356)	–	(10 356)
	47 245	(50 088)	58 399	335 965	(10 655)	325 310

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

for the six months ended 31 March 2019

	Notes	Share capital US$'000	Share premium US$'000
Balance at 30 September 2017		260	280 082
Impact of adopting IFRS 16		–	–
Balance at 1 October 2017		260	280 082
Total comprehensive income for the year			
Profit for the year		–	–
Other comprehensive income:			
Foreign currency translation differences		–	–
Total comprehensive income for the year		–	–
Transactions with owners of the Company			
Contributions by and distributions to owners:			
Issue of ordinary shares	13	1	463
Dividends paid	20	–	–
Equity-settled share-based payments		–	–
Deferred tax on of equity-settled share-based payments		–	–
Contributions by owners of the Company		1	463
Total transactions with owners of the Company		1	463
Balance at 30 September 2018 (audited)		261	280 545

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

The notes on pages 27 to 53 are an integral part of these interim condensed consolidated financial statements.

Attributable to owners of the Company					
Other reserve US$'000	Foreign currency translation reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interest US$'000	Total equity US$'000
47 245	(73 561)	42 877	296 903	(25 057)	271 846
–	–	(15)	(15)	–	(15)
47 245	(73 561)	42 862	296 888	(25 057)	271 831
–	–	48 433	48 433	2 539	50 972
–	(6 643)	–	(6 643)	(4 020)	(10 663)
–	(6 643)	48 433	41 790	(1 481)	40 309
–	–	–	464	–	464
–	–	(18 214)	(18 214)	–	(18 214)
–	–	3 638	3 638	–	3 638
–	–	306	306	–	306
–	–	(14 270)	(13 806)	–	(13 806)
–	–	(14 270)	(13 806)	–	(13 806)
47 245	(80 204)	77 025	324 872	(26 538)	298 334

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 March 2019

	Notes	**Six months ended 31 March 2019 Reviewed US$'000**	Six months ended 31 March 2018 Reviewed US$'000	Year ended 30 Sept 2018 Audited US$'000
Cash flows from operating activities				
Profit for the period/year		**8 155**	28 413	50 972
Adjustments for:				
Depreciation of property, plant and equipment	10	**13 517**	14 369	29 858
Loss on disposal of property, plant and equipment		**15**	13	37
Gain on bargain purchase		**–**	(1 884)	(1 884)
Share of loss of investment accounted for using the equity method	11	**816**	–	62
Impairment loss/(reversal) and net realisable value write down of inventory	12	**799**	(13)	117
Impairment and write off of property, plant and equipment		**1 909**	894	3 897
Changes in fair value of financial assets at fair value through profit or loss		**(132)**	(1 204)	(1 262)
Changes in fair value of financial liabilities at fair value through profit or loss		**(322)**	–	(155)
Net foreign exchange loss/(profit)		**2 030**	(3 004)	(852)
Interest income		**(798)**	(695)	(1 279)
Interest expense		**4 475**	5 130	10 189
Tax	8	**2 067**	8 753	14 011
Equity-settled share-based payments		**1 047**	1 978	4 019
		33 578	52 750	107 730
Changes in:				
Inventories		**(4 715)**	(1 736)	(2 456)
Trade and other receivables and contract assets		**19 368**	576	(18 639)
Trade and other payables and contract liabilities		**(2 892)**	(2 702)	2 979
Provisions		**(1 027)**	2 454	5 614
Cash from operations		**44 312**	51 342	95 228
Income tax paid		**(2 880)**	(2 108)	(5 457)
Net cash flows from operating activities		**41 432**	49 234	89 771
Cash flows from investing activities				
Interest received		**746**	636	1 172
Additions to property, plant and equipment	10	**(24 348)**	(17 670)	(40 454)
Net cash outflow from business combination		**–**	(21 840)	(21 840)
Proceeds from disposal of property, plant and equipment		**42**	55	119
Additions to investments accounted for using the equity method		**(2 000)**	–	(2 500)
Additions to other financial assets		**(1 563)**	(3 951)	(4 008)
Refund of long-term deposits		**–**	7 609	7 110
Net cash flows used in investing activities		**(27 123)**	(35 161)	(60 401)
Cash flows from financing activities				
Net (repayment)/proceeds from bank credit facilities	14	**(12 816)**	(8 134)	114
Advances received	14	**19 673**	62 191	68 220
Repayment of borrowings	14	**(9 150)**	(41 109)	(48 503)
Lease payments	14	**(3 101)**	(4 608)	(6 463)
Dividends paid		**(5 276)**	(13 010)	(18 214)
Interest paid		**(2 832)**	(2 550)	(6 619)
Net cash flows used in financing activities		**(13 502)**	(7 220)	(11 465)
Net increase in cash and cash equivalents		**807**	6 853	17 905
Cash and cash equivalents at the beginning of the period/year		**66 791**	49 742	49 742
Effect of exchange rate fluctuations on cash held		**(781)**	3 335	(856)
Cash and cash equivalents at the end of the period/year		**66 817**	59 930	66 791

The notes on pages 27 to 53 are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 March 2019

1. REPORTING ENTITY

Tharisa plc (the 'Company') is a company domiciled in Cyprus. These interim condensed consolidated financial statements of the Company for the period ended 31 March 2019 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in platinum group metals ('PGM') and chrome mining, processing, trading and the associated logistics. The Company is listed on the main board of the Johannesburg Stock Exchange with a secondary listing on the A2X Exchange as well as a secondary standard listing on the main board of the London Stock Exchange.

2. BASIS OF PREPARATION

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and the Listings Requirements of the Johannesburg Stock Exchange and the A2X Exchange. Selected explanatory notes are included to explain events and transactions that are significant to obtain an understanding of the changes in the financial position and performance of the Group since the last consolidated financial statements as at and for the year ended 30 September 2018. These interim condensed consolidated financial statements do not include all the information required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards ('IFRS'). The interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 30 September 2018, which have been prepared in accordance with IFRS.

These interim condensed consolidated financial statements were approved by the Board of Directors on 14 May 2019. These interim condensed consolidated financial statements for the six months ended 31 March 2019 have been reviewed by the Group's external auditors, not audited.

Use of estimates and judgements

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

In preparing these interim condensed consolidated financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements at and for the year ended 30 September 2018.

Functional and presentation currency

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

The following US dollar: ZAR exchange rates were used when preparing the interim condensed consolidated financial statements:

- Closing rate: ZAR14.48 (31 March 2018: ZAR11.83 and 30 September 2018: ZAR14.14)
- Average rate: ZAR14.16 (31 March 2018: ZAR12.80 and 30 September 2018: ZAR13.08)

2. BASIS OF PREPARATION continued

Going concern

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

New and revised International Financial Reporting Standards and Interpretations

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

The Group has adopted the following new and/or revised standards and interpretations which became effective for the six months ended 31 March 2019:

- IFRS 2 *Share-based Payment Transactions* (amendment).
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration.*

The adoption of these new/or revised standards and interpretations did not have a significant impact on the results of the Group.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 30 September 2018.

4. OPERATING SEGMENTS

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

- PGM segment
- Chrome segment
- Agency and trading segment

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

4. OPERATING SEGMENTS continued

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

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

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

	PGM US$'000	Chrome US$'000	Agency and trading US$'000	Total US$'000
Six months ended 31 March 2019 (reviewed)				
Revenue	**57 960**	**93 840**	**14 719**	**166 519**
Cost of sales				
Manufacturing costs	**(46 212)**	**(44 239)**	**(6 690)**	**(97 141)**
Selling costs	**(182)**	**(20 643)**	**(3 923)**	**(24 748)**
Freight services	**–**	**(9 803)**	**(2 692)**	**(12 495)**
	(46 394)	**(74 685)**	**(13 305)**	**(134 384)**
Gross profit	**11 566**	**19 155**	**1 414**	**32 135**
Six months ended 31 March 2018 (reviewed)				
Revenue	55 458	130 296	13 425	199 179
Cost of sales				
Manufacturing costs	(39 711)	(56 235)	(7 252)	(103 198)
Selling costs	(205)	(24 408)	(3 677)	(28 290)
Freight services	–	(10 419)	(1 529)	(11 948)
	(39 916)	(91 062)	(12 458)	(143 436)
Gross profit	15 542	39 234	967	55 743
Year ended 30 Sept 2018 (audited)				
Revenue	117 381	250 351	38 536	406 268
Cost of sales				
Manufacturing costs	(87 745)	(106 485)	(21 695)	(215 925)
Selling costs	(399)	(48 343)	(9 711)	(58 453)
Freight services	–	(19 836)	(3 568)	(23 404)
	(88 144)	(174 664)	(34 974)	(297 782)
Gross profit	29 237	75 687	3 562	108 486

4. OPERATING SEGMENTS continued

The shared costs relating to the manufacturing of PGM and chrome concentrates are allocated to the relevant operating segments based on the relative sales value per product on an ex-works basis. During the six months ended 31 March 2019, the relative sales value of PGM concentrate increased compared to the relative sales value of chrome concentrates and consequently the allocation basis of shared costs was amended to 55.0% for PGM concentrate and 45.0% for chrome concentrates. The allocation basis of shared costs was 45.0% (PGM concentrate) and 55.0% (chrome concentrates) in the comparative period while for the year ended 30 September 2018, shared costs were allocated equally.

Cost of sales includes a charge for the write off/impairment of property, plant and equipment totalling US$1.9 million (six months ended 31 March 2018: US$0.9 million and year ended 30 September 2018: US$3.6 million) which mainly relates to mining equipment. The write off/ impairment has been allocated to the PGM and chrome segments in accordance with the allocation basis of shared costs as described above.

Geographical information

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

- The Group's revenue from external customers.
- The Group's property, plant and equipment, goodwill and the investment accounted for using the equity method ('specified non-current assets').

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

Revenue from external customers

	PGM US$'000	Chrome US$'000	Agency and trading US$'000	Total US$'000
Six months ended 31 March 2019 (reviewed)				
South Africa	**57 960**	**20 842**	**715**	**79 517**
China	**–**	**29 482**	**286**	**29 768**
Singapore	**–**	**6 163**	**13 352**	**19 515**
Hong Kong	**–**	**37 353**	**–**	**37 353**
Other countries	**–**	**–**	**366**	**366**
	57 960	**93 840**	**14 719**	**166 519**
Six months ended 31 March 2018 (reviewed)				
South Africa	55 458	28 484	379	84 321
China	–	42 518	4 800	47 318
Singapore	–	532	1 656	2 188
Hong Kong	–	58 762	6 590	65 352
	55 458	130 296	13 425	199 179

4. OPERATING SEGMENTS continued

	PGM US$'000	Chrome US$'000	Agency and trading US$'000	Total US$'000
Year ended 30 Sept 2018 (audited)				
South Africa	117 381	62 464	969	180 814
China	–	86 866	9 894	96 760
Singapore	–	10 942	17 088	28 030
Hong Kong	–	89 733	9 453	99 186
Other countries	–	346	1 132	1 478
	117 381	250 351	38 536	406 268

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

	Six months ended 31 March 2019 Reviewed		Six months ended 31 March 2018 Reviewed		Year ended 30 Sept 2018 Audited	
	Segment	**US$'000**	Segment	US$'000	Segment	US$'000
Customer 1	**PGM**	**49 099**	PGM	48 757	PGM	101 560
Customer 2	**Chrome**	**21 328**	Chrome	28 585	Chrome	62 583
Customer 3	**Chrome**	**19 079**	Chrome	22 659	Chrome	46 186

	31 March 2019 Reviewed US$'000	31 March 2018 Reviewed US$'000	30 Sept 2018 Audited US$'000
Specified non-current assets			
South Africa	**269 786**	309 451	265 042
Zimbabwe	**3 622**	–	4 438
Cyprus	**47**	44	73
	273 455	309 495	269 553

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

5. REVENUE

	PGM US$'000	Chrome US$'000	Agency and trading US$'000	Total US$'000
Six months ended 31 March 2019 (reviewed)				
Revenue recognised at a point in time				
Variable revenue based on initial results	**53 372**	**63 223**	**10 435**	**127 030**
Quantity adjustments	**263**	**41**	**558**	**862**
Revenue based on fixed selling prices	**–**	**20 773**	**1 034**	**21 807**
Revenue recognised over time				
Freight services*	**–**	**9 803**	**2 692**	**12 495**
Revenue from contracts with customers	**53 635**	**93 840**	**14 719**	**162 194**
Fair value adjustments	**4 325**	**–**	**–**	**4 325**
Total revenue	**57 960**	**93 840**	**14 719**	**166 519**
Six months ended 31 March 2018 (reviewed)				
Revenue recognised at a point in time				
Variable revenue based on initial results	55 689	92 625	11 526	159 840
Quantity adjustments	(257)	(1 231)	(10)	(1 498)
Revenue based on fixed selling prices	–	28 483	380	28 863
Revenue recognised over time				
Freight services	–	10 419	1 529	11 948
Revenue from contracts with customers	55 432	130 296	13 425	199 153
Fair value adjustments	26	–	–	26
Total revenue	55 458	130 296	13 425	199 179

* *During the period 31 March 2019, revenue from freight services of US$2.2 million was recognised which was classified as a contract liability at 30 September 2018.*

5. REVENUE continued

	PGM US$'000	Chrome US$'000	Agency and trading US$'000	Total US$'000
Year ended 30 Sept 2018 (audited)				
Revenue recognised at a point in time				
Variable revenue based on initial results	110 619	169 092	33 957	313 668
Quantity adjustments	254	(1 041)	42	(745)
Revenue based on fixed selling prices	–	62 464	915	63 379
Revenue recognised over time				
Freight services	–	19 836	3 622	23 458
Revenue from contracts with customers	110 873	250 351	38 536	399 760
Fair value adjustments	6 508	–	–	6 508
Total revenue	117 381	250 351	38 536	406 268

	Six months ended 31 March 2019 Reviewed US$'000	Six months ended 31 March 2018 Reviewed US$'000	Year ended 30 Sept 2018 Audited US$'000
Variable revenue recognised			
PGM revenue recognised in preceding period/year based on initial results	**(29 743)**	(28 994)	(28 994)
PGM revenue based on final results	**30 211**	30 823	30 823
PGM revenue adjustment recognised in current period/year	**468**	1 829	1 829
Chrome revenue recognised in preceding period/year based on initial results	**(48 460)**	(41 197)	(41 197)
Chrome revenue based on final results	**48 682**	41 177	41 177
Chrome revenue adjustment recognised in current period/year	**222**	(20)	(20)

The six months ended 31 March 2019 includes PGM revenue of US$31.3 million (six months ended 31 March 2018: US$28.7 million and year ended 30 September 2018: US$29.7 million) and chrome revenue of US$31.0 million (six months ended 31 March 2018: US$46.2 million and year ended 30 September 2018: US$48.5 million) that was based on provisional results as final prices and surveys were not yet available at the date of this report.

6. COST OF SALES

	Six months ended 31 March 2019 Reviewed US$'000	Six months ended 31 March 2018 Reviewed US$'000	Year ended 30 Sept 2018 Audited US$'000
Mining	**49 550**	55 349	105 376
Salaries and wages	**6 843**	7 816	15 124
Utilities	**4 419**	4 770	10 319
Diesel	**377**	310	650
Materials and consumables	**5 774**	5 605	11 174
Reagents	**2 123**	2 287	4 471
Steel balls	**2 454**	3 773	6 715
Overhead	**3 112**	3 375	4 117
State royalties	**1 277**	1 595	2 916
Depreciation – property, plant and equipment	**13 139**	16 273	29 008
Cost of commodities	**6 841**	7 252	18 644
Impairment and write off of property, plant and equipment	**1 909**	894	3 630
Change in inventories – finished products and ore stockpile	**(677)**	(6 101)	3 781
Total cost of sales excluding selling costs	**97 141**	103 198	215 925
Selling costs	**24 748**	28 290	58 453
Freight services	**12 495**	11 948	23 404
Cost of sales	**134 384**	143 436	297 782

7. ADMINISTRATIVE EXPENSES

	Six months ended 31 March 2019 Reviewed US$'000	Six months ended 31 March 2018 Reviewed US$'000	Year ended 30 Sept 2018 Audited US$'000
Directors and staff costs			
Non-executive directors	**313**	295	612
Employees: Salaries	**6 310**	8 121	15 459
Bonuses	**1 171**	2 650	3 262
Pension fund, medical aid and other contributions	**933**	843	1 707
	8 727	11 909	21 040
Audit – external audit services	**143**	313	490
Audit – other services*	**5**	–	90
Consulting	**932**	697	2 611
Corporate and social investment	**55**	30	157
Depreciation	**378**	500	850
Discount facility and related fees	**380**	432	701
Equity-settled share-based payment expense	**1 047**	1 978	4 019
Internal audit	**39**	39	206
Listing fees and investor relations	**85**	–	461
Health and safety	**495**	419	1 019
Impairment and write off of property, plant and equipment	**–**	–	267
Insurance	**380**	377	697
Legal and professional	**206**	236	634
Loss on disposal of property, plant and equipment	**16**	13	37
Office administration, rent and utilities	**443**	315	1 296
Security	**695**	1 193	1 776
Telecommunications and IT related	**1 425**	793	1 374
Training	**169**	150	504
Travelling and accommodation	**397**	214	410
Sundry	**305**	814	593
	16 322	20 422	39 232

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

	31 March 2019 Reviewed	31 March 2018 Reviewed	30 Sept 2018 Audited
Number of employees	**1 787**	1 723	1 758

8. TAX

	Six months ended 31 March 2019 Reviewed US$'000	Six months ended 31 March 2018 Reviewed US$'000	Year ended 30 Sept 2018 Audited US$'000
Corporate income tax for the period/year			
Cyprus	**1 089**	1 457	2 913
South Africa	**785**	1 300	3 002
	1 874	2 757	5 915
Special contribution for defence in Cyprus	**3**	2	5
Deferred tax			
Originating and reversal of temporary differences	**190**	5 836	7 933
Dividend withholding tax	**–**	158	158
Tax charge	**2 067**	8 753	14 011
Reconciliation between tax charge and accounting profit at applicable tax rates			
Profit before tax	**10 222**	37 166	64 983
Add share of loss of investment accounted for using the equity method	**816**	–	62
Tharisa plc and subsidiary companies' profit before tax	**11 038**	37 166	65 045
Notional tax on profit before tax, calculated at the Cypriot income tax rate of 12.5% (31 March 2018 and 30 September 2018: 12.5%)	**1 380**	4 646	8 131
Tax effects of:			
Different tax rates from the standard Cypriot income tax rate	**542**	3 485	4 978
Tax exempt income			
Gain on bargain purchase	**–**	–	(230)
Interest received	**–**	(8)	(12)
Other	**(2)**	–	–
Non-deductible expenses			
Investment related	**78**	411	856
Interest paid	**4**	2	5
Capital expenses	**33**	58	63
Other	**–**	134	152
Tax losses not recognised	**(3)**	–	–
Recognition of deemed interest income for tax purposes	**35**	25	68
Income tax charge for the period/year	**2 067**	8 753	14 011

8. TAX continued

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

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

The Group's consolidated effective tax rate for the six months ended 31 March 2019 was 20.2% (six months ended 31 March 2018: 23.6% and year ended 30 September 2018: 21.6%).

At 31 March 2019, the Group's unredeemed capital balance available for offset against future mining taxable income in South Africa amounted to US$104.9 million (31 March 2018: US$124.0 million and 30 September 2018: US$111.1 million).

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

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share and headline and diluted earnings per share have been based on the profit attributable to the ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding. Treasury shares are excluded from the weighted average number of ordinary shares outstanding. Vested share appreciation rights ('SARS') issued to employees at award prices lower than the current share price, results in a potential dilutive impact on the weighted average number of issued ordinary shares and have been included in the calculation of dilutive weighted average number of issued ordinary shares. Vested SARS issued to employees at award prices higher than the current share price, were excluded from the calculation of diluted weighted average number of issued ordinary shares because their effect would have been anti-dilutive.

9. EARNINGS PER SHARE continued

Basic and diluted earnings per share

	Six months ended 31 March 2019 Reviewed	Six months ended 31 March 2018 Reviewed	Year ended 30 Sept 2018 Audited
Profit for the year attributable to ordinary shareholders (US$'000)	**9 488**	25 960	48 433
Number of shares in issue at the end of the period ('000)	**265 000**	261 000	265 000
Less: Treasury shares	**(1 196)**	(806)	(4 098)
Number of shares in issue at the end of the period ('000)	**263 804**	260 194	260 902
Weighted average number of issued ordinary shares for basic earnings per share ('000)	**262 358**	260 141	260 329
Weighted average number of issued ordinary shares for diluted earnings per share ('000)	**264 171**	261 782	264 531
Earnings per share			
Basic (US$ cents)	**4**	10	19
Diluted (US$ cents)	**4**	10	18

Headline and diluted headline earnings per share

	Six months ended 31 March 2019 Reviewed	Six months ended 31 March 2018 Reviewed	Year ended 30 Sept 2018 Audited
Headline earnings for the year attributable to ordinary shareholders (US$'000)	**10 513**	25 722	49 134
Weighted average number of issued ordinary shares for basic headline earnings per share ('000)	**262 358**	260 141	260 329
Weighted average number of issued ordinary shares for diluted headline earnings per share ('000)	**264 171**	261 782	264 531
Headline earnings per share			
Basic (US$ cents)	**4**	10	19
Diluted (US$ cents)	**4**	10	19

9. EARNINGS PER SHARE continued

Reconciliation of profit to headline earnings

	Six months ended 31 March 2019 (Reviewed)				Six months ended 31 March 2018	Year ended 30 Sept 2018
	Gross US$'000	**Tax US$'000**	**Non-controlling interest US$'000**	**Net US$'000**	Net Reviewed US$'000	Net Audited US$'000
Profit attributable to ordinary shareholders				**9 488**	25 960	48 433
Adjustments:						
Gain on bargain purchase	**–**	**–**	**–**	**–**	(1 394)	(1 394)
Impairment of property, plant and equipment	**1 909**	**(535)**	**(357)**	**1 017**	477	2 076
Exchange loss on net change in investment in foreign subsidiary	**–**	**–**	**–**	**–**	672	–
Loss on disposal of property, plant and equipment	**15**	**(4)**	**(3)**	**8**	7	19
Headline earnings				**10 513**	25 722	49 134

10. PROPERTY, PLANT AND EQUIPMENT

	31 March 2019 Reviewed US$'000	31 March 2018 Reviewed US$'000	30 Sept 2018 Audited US$'000
Cost	**369 603**	396 139	353 201
Accumulated depreciation	**(100 555)**	(87 605)	(88 890)
Net book value	**269 048**	308 534	264 311
Reconciliation of net book value			
Balance at the beginning of the period/year	**264 311**	232 559	232 559
Adoption of IFRS 16	**–**	1 166	1 166
	264 311	233 725	233 725
Recognition of right-of-use asset	**2 220**	5 214	7 701
Additions	**24 348**	17 670	40 454
Business combination	**–**	29 879	29 879
Remeasurement	**17**	–	–
Disposal	**(57)**	(68)	(156)
Depreciation	**(13 517)**	(14 369)	(29 858)
Impairment and assets written off	**(1 909)**	(894)	(3 897)
Exchange adjustment on translation	**(6 365)**	37 377	(13 537)
	269 048	308 534	264 311

There were no additions to the deferred stripping asset during the six months ended 31 March 2019. During the six months ended 31 March 2018 and the year ended 30 September 2018, additions to property, plant and equipment includes additions to the deferred stripping asset of US$1.0 million and US$1.3 million respectively.

The estimated economically recoverable proved and probable mineral reserve was reassessed at 1 October 2018 which gave rise to a change in accounting estimate. The remaining reserve that management had previously assessed was 97.0 Mt (at 1 October 2017) and at 1 October 2018 was assessed to be 92.9 Mt. After taking into account depletion of the reserve during the year ended 30 September 2018 (4.9 Mt), the remaining reserve increased by 0.8 Mt at 1 October 2018.

As a result the expected useful life of the plant increased. The impact of the change on the actual depreciation expense, included in cost of sales, is a reduced depreciation charge of US$0.2 million.

Included in mining assets and infrastructure are projects under construction of US$21.4 million (31 March 2018: US$25.3 million and 30 September 2018: US$20.5 million).

Securities

At 31 March 2019, US$11.4 million of the carrying amount of the Group's mining fleet was pledged as security against the equipment loan facility (31 March 2018: US$6.1 million and 30 September 2018: US$11.4 million).

Assets written off/impairment

During the six months ended 31 March 2019, the Group impaired and scrapped assets totalling US$1.9 million (six months ended 31 March 2018: US$0.9 million and year ended 30 September 2018: US$3.9 million). The impairment and assets written off relate to mining fleet identified as no longer fit for use and premature component failures.

11. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

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

	31 March 2019 Reviewed US$'000	31 March 2018 Reviewed US$'000	30 Sept 2018 Audited US$'000
Investment in Karo Holdings			
Opening balance	**4 438**	–	–
Shares acquired	**–**	–	4 500
Share of total comprehensive loss	**(816)**	–	(62)
	3 622	–	4 438
Total share of comprehensive loss	**(816)**	–	(62)
Summarised consolidated financial information of Karo Holdings			
Summarised statement of financial position			
Non-current assets	**484**	–	122
Current assets	**174**	–	3
Non-current liabilities	**(2 250)**	–	(264)
Current liabilities	**(1 684)**	–	(91)
Net deficit (100%)	**(3 276)**	–	(230)
Summarised statement of comprehensive income			
Operating expenses	**(2 986)**	–	(290)
Tax	**(60)**	–	60
Total comprehensive loss	**(3 046)**	–	(230)
Carrying amount of investment			
Group's share of net deficit (26.8%)	**(878)**	–	(62)
Purchase consideration	**4 500**	–	4 500
Carrying amount	**3 622**	–	4 438

Karo Holdings entered into an Investment Project Framework Agreement with the Republic of Zimbabwe in terms of which Karo Holdings, through any of its Zimbabwean incorporated subsidiaries (refer to note 16), has undertaken to establish a platinum group metals mine, concentrators, smelters, a base metal and precious metals refinery as well as power generation capacity for the operations. The functional and presentation currency of Karo Holdings and its subsidiaries is US$.

Contingencies and commitments

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

12. INVENTORIES

	31 March 2019 Reviewed US$'000	31 March 2018 Reviewed US$'000	30 Sept 2018 Audited US$'000
Finished products	**8 808**	8 853	7 199
Ore stockpile	**1 186**	4 798	1 338
Consumables	**17 216**	13 239	14 623
	27 210	26 890	23 160
(Impairment)/impairment reversal of consumables	**(19)**	13	(117)
Net realisable value write down of finished products	**(780)**	–	–
	(799)	13	(117)
Total carrying amount	**26 411**	26 903	23 043

Inventories are stated at the lower of cost or net realisable value. During the period ended 31 March 2019, the Group impaired certain consumables and spares as the operational use became doubtful with no anticipated recoverable amount or value in use. The impairment charge is allocated 55.0% to the PGM segment and 45.0% to the chrome segment (31 March 2018: impairment reversal allocated 45.0% to the PGM segment and 55.0% to the chrome segment and 30 September 2018: allocated equally between the PGM segment and chrome segment).

PGM finished products were written down to the net realisable value during the period ended 31 March 2019. The net realisable value write down amounted to US$0.8 million (31 March 2018 and 30 September 2018: no net realisable write downs) and is allocated to the PGM segment.

13. SHARE CAPITAL AND PREMIUM

Share capital and premium

The Company did not issue any ordinary shares during the period ended 31 March 2019 and 31 March 2018. Allotments during the year ended 30 September 2018 were in respect of 4 000 000 ordinary shares issued as treasury shares to satisfy the vesting of conditional awards and potential future settlement of appreciation rights of the participants' of the Tharisa Share Award Plan.

During the period ended 31 March 2019, 2 901 430 (period ended 31 March 2018: 181 074 and year ended 30 September 2018: 889 703) ordinary shares were transferred from treasury shares to satisfy the transfer of vested conditional awards and the exercise of appreciation rights by the participants of the Tharisa Share Award Plan.

At 31 March 2019, the Company had 265 000 000 (31 March 2018: 261 000 000 and 30 September 2018: 265 000 000) ordinary shares in issue of which 1 196 141 (31 March 2018: 806 200 and 30 September 2018: 4 097 571) were held in treasury.

14. BORROWINGS

	31 March 2019 Reviewed US$'000	31 March 2018 Reviewed US$'000	30 Sept 2018 Audited US$'000
Non-current			
Facilities	**8 937**	21 865	13 711
Equipment loan facility	**9 742**	4 114	1 931
Finance leases	**6 466**	9 074	7 505
Loan	**3 019**	–	4 134
	28 164	35 053	27 281
Current			
Facilities	**17 212**	10 860	9 104
Equipment loan facility	**6 064**	5 370	5 564
Finance leases	**4 841**	4 951	4 299
Loan	**1 986**	–	1 928
Bank credit facilities	**16 435**	20 938	29 243
	46 538	42 119	50 138
Finance leases			
Minimum lease payments due:			
Within one year	**5 810**	6 103	5 284
Two to five years	**7 759**	10 190	8 930
	13 569	16 293	14 214
Less: Future finance charges	**(2 262)**	(2 268)	(2 410)
Present value of minimum lease payments due	**11 307**	14 025	11 804
Present value of minimum lease payments due:			
Within one year	**4 929**	4 951	4 293
Two to five years	**6 378**	9 074	7 511
	11 307	14 025	11 804

During the six months ended 31 March 2019, a financial covenant relating to the facilities of Tharisa Minerals Proprietary Limited was reset with the EBITDA to interest cover being reduced from greater than 4.0 times to greater than 3.0 times as at the 31 March 2019 and 30 September 2019 ratio measurement dates. All other financial covenants remained unchanged.

At 31 March 2019, 31 March 2018 and 30 September 2018 the Group complied with all financial covenants associated to the borrowings.

The Group had unutilised borrowing facilities of US$19.3 million (ZAR280 million) available at 31 March 2019 (31 March 2018: US$33.8 million (ZAR400 million) and 30 September 2018: US$28.3 million (ZAR400 million)).

14. BORROWINGS continued

	31 March 2019 (reviewed)		
	Facilities US$'000	Equipment loan facility US$'000	Finance leases US$'000
Balance at the beginning of the period/year	**22 815**	**7 495**	**11 804**
Adoption of IFRS 16	–	–	–
	22 815	**7 495**	**11 804**
Changes from financing cash flows			
Advances: bank credit facilities	–	–	–
Repayment: bank credit facilities	–	–	–
Net (repayment)/proceeds of bank credit facilities	–	–	–
Advances received	**8 476**	**11 197**	–
Repayment of borrowings	**(4 709)**	**(3 504)**	–
Lease payments	–	–	**(3 101)**
Repayment of interest	**(1 371)**	**(335)**	–
Changes from financing cash flows	**2 396**	**7 358**	**(3 101)**
Foreign currency translation differences	**(615)**	**(366)**	**(268)**
Liability-related changes			
Lease agreements entered into	–	–	**2 237**
Business combination	–	–	–
Interest expense	**1 553**	**414**	**644**
Revaluation of foreign denominated loan	–	**905**	**(9)**
Total liability-related changes	**1 553**	**1 319**	**2 872**
Balance at the end of the period/year	**26 149**	**15 806**	**11 307**
Non-current borrowings	**8 937**	**9 742**	**6 466**
Current borrowings	**17 212**	**6 064**	**4 841**
Total borrowings	**26 149**	**15 806**	**11 307**

	31 March 2019 (reviewed)				
	Bank credit facilities US$'000	**Loan US$'000**	**Total borrowings US$'000**	31 March 2018 Reviewed US$'000	30 Sept 2018 Audited US$'000
	29 243	**6 062**	**77 419**	49 401	49 401
	–	**–**	**–**	1 205	1 205
	29 243	**6 062**	**77 419**	50 606	50 606
	75 569	**–**	**75 569**	90 243	192 834
	(88 385)	**–**	**(88 385)**	(98 377)	(192 720)
	(12 816)	**–**	**(12 816)**	(8 134)	114
	–	**–**	**19 673**	62 191	68 220
	–	**(937)**	**(9 150)**	(41 109)	(48 503)
	–	**–**	**(3 101)**	(4 608)	(6 463)
	(273)	**(314)**	**(2 293)**	(2 550)	(4 433)
	(13 089)	**(1 251)**	**(7 687)**	5 790	8 935
	–	**(120)**	**(1 369)**	5 545	(3 285)
	–	**–**	**2 237**	5 214	7 656
	–	**–**	**–**	7 003	7 003
	281	**314**	**3 206**	4 184	6 021
	–	**–**	**896**	(1 170)	483
	281	**314**	**6 339**	15 231	21 163
	16 435	**5 005**	**74 702**	77 172	77 419
	–	**3 019**	**28 164**	35 053	27 281
	16 435	**1 986**	**46 538**	42 119	50 138
	16 435	**5 005**	**74 702**	77 172	77 419

15. FINANCIAL RISK MANAGEMENT

	Fair value level	31 March 2019 Reviewed US$'000	31 March 2018 Reviewed US$'000	30 Sept 2018 Audited US$'000
Financial assets measured at fair value				
Investments in equity instruments	Level 1	**22**	37	40
Investments in money markets, current accounts, cash funds and income funds	Level 2	**6 141**	5 791	5 012
Discount facility	Level 2	**–**	676	–
Forward exchange contracts	Level 2	**–**	188	804
Option to acquire shares in Salene Chrome Zimbabwe (Private) Limited	Level 3	**634**	–	142
Trade and other receivables measured at fair value				
PGM receivable	Level 2	**24 326**	18 261	25 355
Financial liabilities measured at fair value				
Discount facility	Level 2	**662**	–	1 000
Forward exchange contracts	Level 2	**382**	–	–
Financial assets at amortised cost				
Trade receivables		**24 997**	44 634	38 645
Contract assets		**1 059**	–	2 229
Cash and cash equivalents		**66 817**	59 930	66 791
Financial liabilities at amortised cost				
Borrowings		**74 702**	77 172	77 419
Contract liabilities		**1 059**	–	2 229
Trade payables		**14 003**	30 131	18 363

There were no transfers between level 1 and level 2 fair value measurements during the reporting periods.

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

Fair value hierarchy

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

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

16. RELATED PARTY TRANSACTIONS AND BALANCES

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

	31 March 2019 Reviewed US$'000	31 March 2018 Reviewed US$'000	30 Sept 2018 Audited US$'000
Transactions and balances with related parties:			
Other financial assets			
Option to acquire shares in Salene Chrome Zimbabwe (Private) Limited	**634**	–	142

The Company has been granted a call option to acquire a 90.0% shareholding in Salene Chrome Zimbabwe (Private) Limited ('Salene') a company incorporated in Zimbabwe from the Leto Settlement, a related party. Salene holds certain special grants under the Zimbabwe Mines and Minerals Act which entitles it to prospect/mine the minerals thereon. The call option is exercisable upon completion of an initial exploration programme.

In consideration of the call option, the Group will undertake the initial exploration programme including the costs thereof up to an amount of US$3.2 million. The decision to exercise the call option is at the Group's election.

At the reporting dates, insufficient information was available to accurately determine the fair value of the call option, more specifically the value of the net assets of the special grants or the profits attributable thereto. The Group believes this may only be possible once the initial exploration programme has been completed. As a result, the fair value at each reporting date represents the aggregate of the initial exploration programme costs.

	31 March 2019 Reviewed US$'000	31 March 2018 Reviewed US$'000	30 Sept 2018 Audited US$'000
Trade and other receivables			
The Tharisa Community Trust	**5**	5	1
Rocasize Proprietary Limited	**61**	103	71
Karo Mining Holdings Limited	**61**	–	20
Karo Zimbabwe Holdings (Private) Limited	**505**	–	254
Karo Platinum (Private) Limited	**1 998**	–	40
Karo Power Generation (Private) Limited	**164**	–	–
Salene Chrome Zimbabwe (Private) Limited	**265**	–	12
Salene Technologies Proprietary Limited	**–**	–	4
Salene Mining Proprietary Limited	**16**	–	15
	3 075	108	417

16. RELATED PARTY TRANSACTIONS AND BALANCES continued

Transactions and balances with related parties (continued)

	31 March 2019 Reviewed US$'000	31 March 2018 Reviewed US$'000	30 Sept 2018 Audited US$'000
Trade and other payables			
The Leto Settlement	**–**	–	2 000
The Tharisa Community Trust	**–**	5	–
Rocasize Proprietary Limited	**1**	103	31
	1	108	2 031
Amounts due to directors			
A Djakouris	**22**	21	22
JD Salter	**26**	24	31
OM Kamal	**15**	14	16
C Bell	**24**	20	25
R Davey	**19**	17	20
J Ka Ki Chen	**11**	11	11
ZL Hong	**11**	–	19
	128	107	144
Total other payables	**129**	215	2 175
Interest-bearing – accrued dividends payable to related parties			
Arti Trust	**–**	2 852	–
Ditodi Trust	**–**	245	–
Makhaye Trust	**–**	245	–
The Phax Trust	**–**	488	–
The Rowad Trust	**–**	245	–
MJ Jacquet-Briner	**–**	245	–
	–	4 320	–
Acquisition of 26.8% of Karo Mining Holdings Limited from:			
The Leto Settlement	**–**	–	4 500

16. RELATED PARTY TRANSACTIONS AND BALANCES continued

Transactions and balances with related parties (continued)

	Six months ended 31 March 2019 Reviewed US$'000	Six months ended 31 March 2018 Reviewed US$'000	Year ended 30 Sept 2018 Audited US$'000
Cost of sales			
Rocasize Proprietary Limited	**155**	101	234
Consulting fees received			
Rocasize Proprietary Limited	**16**	13	32
Salene Chrome Zimbabwe (Private) Limited	**21**	–	–
Karo Mining Holdings Limited	**16**	–	–
Karo Platinum (Private) Limited	**181**	–	–
Karo Power Generation (Private) Limited	**5**	–	–
Karo Zimbabwe Holdings (Private) Limited	**229**	–	128
Consulting fees paid			
Rocasize Proprietary Limited	**–**	–	234
Salene Mining Proprietary Limited	**–**	15	17
Interest expense			
Arti Trust	**–**	135	514
Ditodi Trust	**–**	14	47
Makhaye Trust	**–**	14	47
The Phax Trust	**–**	27	93
The Rowad Trust	**–**	14	47
MJ Jacquet-Briner	**–**	14	47
	–	218	795

16. RELATED PARTY TRANSACTIONS AND BALANCES continued

Compensation to directors and key management

Six months ended 31 March 2019 (reviewed)	**Salary and fees US$'000**	**Expense allowances US$'000**	**Share-based payments US$'000**	**Provident fund and risk benefits US$'000**	**Bonus US$'000**	**Total US$'000**
Non-executive directors	**313**	**–**	**–**	**–**	**–**	**313**
Executive directors	**800**	**4**	**1 144**	**38**	**145**	**2 131**
Other key management	**459**	**14**	**745**	**49**	**93**	**1 360**
	1 572	**18**	**1 889**	**87**	**238**	**3 804**

Six months ended 31 March 2018 (reviewed)	Salary and fees US$'000	Expense allowances US$'000	Share-based payments US$'000	Provident fund and risk benefits US$'000	Bonus US$'000	Total US$'000
Non-executive directors	295	–	–	–	–	295
Executive directors	703	5	–	27	652	1 387
Other key management	489	16	–	40	366	911
	1 487	21	–	67	1 018	2 593

Year ended 30 Sept 2018 (audited)	Salary and fees US$'000	Expense allowances US$'000	Share-based payments US$'000	Provident fund and risk benefits US$'000	Bonus US$'000	Total US$'000
Non-executive directors	612	–	–	–	–	612
Executive directors	1 361	9	760	83	700	2 913
Other key management	932	31	1 222	107	420	2 712
	2 905	40	1 982	190	1 120	6 237

16. RELATED PARTY TRANSACTIONS AND BALANCES continued

Awards to directors and key management

Six months ended 31 March 2019 (reviewed) Ordinary shares	**Opening balance**	**Allocated**	**Vested**	**Forfeited**	**Total**
LTIP – executive directors	**1 605 423**	**–**	**–**	**–**	**1 605 423**
LTIP – key management	**1 099 439**	**–**	**–**	**–**	**1 099 439**

Six months ended 31 March 2018 (reviewed) Ordinary shares	Opening balance	Allocated	Vested	Forfeited	Total
LTIP – executive directors	1 808 316	–	–	–	1 808 316
LTIP – key management	1 202 153	–	–	–	1 202 153

Year ended 30 Sept 2018 (audited) Ordinary shares	Opening balance	Allocated	Vested*	Forfeited	Total
LTIP – executive directors	1 808 316	697 206	(900 099)	–	1 605 423
LTIP – key management	1 202 153	483 348	(586 062)	–	1 099 439

Six months ended 31 March 2019 (reviewed) Ordinary shares	**Opening balance**	**Allocated**	**Vested**	**Forfeited**	**Total**
SARS – executive directors	**1 118 547**	**–**	**–**	**–**	**1 118 547**
SARS – key management	**765 744**	**–**	**–**	**–**	**765 744**

Six months ended 31 March 2018 (reviewed) Ordinary shares	Opening balance	Allocated	Vested	Forfeited	Total
SARS – executive directors	1 362 327	–	–	–	1 362 327
SARS – key management	924 136	–	–	–	924 136

** At 30 September 2018 the vested shares had not yet been transferred to the respective employees.*

16. RELATED PARTY TRANSACTIONS AND BALANCES continued

Year ended 30 Sept 2018 (audited) Ordinary shares	Opening balance	Allocated	Vested	Forfeited	Total
SARS – executive directors	1 362 327	697 206	(940 986)	–	1 118 547
SARS – key management	924 136	483 348	(641 740)	–	765 744

Relationships between parties

The Tharisa Community Trust and Rocasize Proprietary Limited

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

Arti Trust, Phax Trust and Rowad Trust

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

Ditodi Trust and Makhaye Trust

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

MJ Jacquet-Briner

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

The Leto Settlement

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

Salene Chrome Zimbabwe (Private) Limited

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

Salene Mining Proprietary Limited and Salene Technologies Proprietary Limited

A director of the Company is a director of these entities.

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

The Company owns 26.8% of the issued share capital of Karo Mining Holdings Limited. The controlling shareholder of Karo Mining Holdings Limited is the Leto Settlement.

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

17. CONTINGENT LIABILITIES

At 31 March 2019, the Group had certain unresolved tax matters. Included in trade and other receivables is an amount of ZAR120.9 million (31 March 2018: ZAR104.4 million and 30 September 2018: ZAR141.3 million) that relates to diesel rebates receivable from the South African Revenue Service ('SARS') in respect of the mining operations. SARS is disputing the refundability of this amount. The Group is strongly of the view that it fully complies with all the regulations to be entitled to this refund and is opposing SARS' dispute. The Group will take the necessary action to recover the amount due.

As at 31 March 2019, there is no litigation (31 March 2018 and 30 September 2018: no litigation), current or pending, which is considered likely to have a material adverse effect on the Group.

18. CAPITAL COMMITMENTS AND GUARANTEES

	31 March 2019 Reviewed US$'000	31 March 2018 Reviewed US$'000	30 Sept 2018 Audited US$'000
Capital commitments			
Authorised and contracted	**4 804**	10 841	4 929
Authorised and not contracted	**1 284**	1 718	1 091
	6 088	12 559	6 020

The commitments are with respect to property, plant and equipment and are outstanding at the respective reporting period.

The Company has made a commitment to Karo Mining Holdings Limited to fund the initial exploration programme, feasibility study and development of the projects in Zimbabwe not exceeding US$8.0 million (refer to note 11).

Guarantees of ZAR266.1 million (31 March 2018: ZAR236.8 million and 30 September 2018: ZAR266.1 million) have been issued by third parties and financial institutions on behalf of the Group consisting mainly of guarantees issued to the Department of Mineral Resources in respect of future environmental rehabilitation amounting to ZAR234.7 million (31 March 2018: ZAR205.4 million and 30 September 2018: ZAR234.7 million).

19. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors is not aware of any matter or circumstance arising since the end of the reporting period that will impact these interim consolidated financial statements.

20. DIVIDENDS

During the period ended 31 March 2019, the Company declared and paid a final dividend of US$ 2 cents per share in respect of the financial year ended 30 September 2018.

The Company declared and paid an interim dividend of US$ 2 cents per share during the year ended 30 September 2018.

During the period ended 31 March 2018, the Company declared and paid a final dividend of US$ 5 cents per share in respect of the financial year ended 30 September 2017.

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LSE share code: THS
ISIN: CY0103562118

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Antonios Djakouris (*Independent non-executive director*)
Omar Marwan Kamal (*Independent non-executive director*)
Carol Bell (*Independent non-executive director*)
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Some of the information in these materials may contain projections or forward looking statements regarding future events, the future financial performance of the Group, its intentions, beliefs or current expectations and those of its officers, directors and employees concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and business. You can identify forward looking statements by terms such as "expect", "believe", "anticipate", "estimate", "intend", "will", "could", "may" or "might" or the negative of such terms or other similar expressions. These statements are only predictions and actual results may differ materially. Unless otherwise required by applicable law, regulation or accounting standard, the Group does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

Many factors could cause the actual results to differ materially from those contained in projections or forward looking statements of the Group, including, among others, general economic conditions, the competitive environment, risks associated with operating in South Africa and market change in the industries the Group operates in, as well as many other risks specifically related to the Group and its operations.

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