FINANCIAL REVIEW CONTINUED

Notes to the condensed consolidated financial statements continued

for the year ended 30 September 2018

11. Investment accounted for using the equity method

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

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

Karo Holdings' principal place of business is in Cyprus. The table below details Karo Holdings' interest in subsidiaries as at 30 September 2018:

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

* *In terms of the Investment Project Framework Agreement, 50% of the shareholding in this company will transfer to an investment entity wholly owned by the Republic of Zimbabwe.*

** *In terms of the Investment Project Framework Agreement, 25% of the shareholding in these companies will transfer to an investment entity wholly owned by the Republic of Zimbabwe.*

The Group entered into a shareholders' agreement with Leto Settlement whereby management of the project will exclusively vest in the Company or any of its subsidiaries. Any decisions about the relevant activities require unanimous consent of the shareholders. The Group has determined that a joint arrangement exists and consequently has classified its investment in Karo Holdings as a joint venture. The Group accounts for joint ventures using the equity method in the consolidated financial statements.

	2018 US$'000	2017 US$'000
Investment in Karo Holdings		
Opening balance	–	–
Shares acquired	4 500	–
Share of total comprehensive loss	(62)	–
	4 438	–
Total share of comprehensive loss from joint venture	(62)	–

Notes to the condensed consolidated financial statements continued

for the year ended 30 September 2018

11. Investment accounted for using the equity method continued

	2018 US$'000	2017 US$'000
Summarised consolidated financial information of Karo Holdings		
Summarised statement of financial position		
Non-current assets	122	–
Current assets	3	–
Non-current liabilities	(264)	–
Current liabilities	(91)	–
Net deficit (100%)	(230)	–
Summarised statement of comprehensive income		
Operating expenses	(290)	–
Tax	60	–
Total comprehensive loss	(230)	–
Carrying amount of investment in joint venture		
Group's share of net deficit (26.8%)	(62)	–
Purchase consideration	4 500	–
Carrying amount	4 438	–

Contingencies and commitments

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

Unrecognised losses

The Group has not recognised any cumulative losses in relation to its interest in Karo Holdings.