Notes to the condensed consolidated financial statements continued

for the year ended 30 September 2018

19. Borrowings

	2018 US$'000	2017 US$'000
Non-current		
Facilities	13 711	–
Equipment loan facility	1 931	–
Finance leases	7 505	1 497
Loan	4 134	–
Secured bank borrowings	–	2 878
	27 281	4 375
Current		
Facilities	9 104	–
Equipment loan facility	5 564	–
Finance leases	4 299	847
Loan	1 928	–
Bank credit facilities	29 243	29 072
Secured bank borrowings	–	14 876
Guardrisk loan	–	231
	50 138	45 026

Facilities

Effective 28 March 2018, the Group concluded the ZAR800 million facilities which comprises:
- a three-year senior secured amortising term loan of ZAR400 million ('term loan')
- a three-year secured committed revolving facility of ZAR300 million ('revolving facility')
- an overdraft facility of ZAR100 million ('overdraft').

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

The term loan bears interest at the three-month JIBAR plus 320 basis points nominal annual compounded quarterly and is repayable in 12 equal consecutive quarterly instalments commencing on 30 June 2018. The revolving facility is available for three years and bears interest at the one-month JIBAR plus 340 basis points nominal annual compounded quarterly and is repayable in full at least once every 12 months. Interest is payable monthly in arrears. The overdraft facility is available for one year and bears interest at the South African prime rate payable monthly in arrears.

The facilities contains the following financial covenants for Tharisa Minerals Proprietary Limited:
- Debt to equity ratio of less than 0.67 times
- Net debt to EBITDA of less than 2.0 times
- EBITDA to interest of greater than 4.0 times.

At 30 September 2018, Tharisa Minerals Proprietary Limited complied with all financial covenants.

The term loan was utilised, *inter alia*, to settle the secured bank borrowings at 29 March 2018 and in part to settle the bridge loan at 31 March 2018. The unutilised facilities at 30 September 2018 amounted to ZAR400 million.

FINANCIAL REVIEW CONTINUED

Notes to the condensed consolidated financial statements continued

for the year ended 30 September 2018

19. Borrowings continued

Equipment loan facility

Tharisa Minerals Proprietary Limited entered into an equipment loan facility of US$25 million with Caterpillar Financial Services Corporation for the funding of certain Caterpillar mining equipment. The funding was partially utilised for the purchase of existing mining equipment acquired from MCC Contracts Proprietary Limited as well as replacement parts and new mining equipment. The loan is structured in three tranches and repayment of each tranche varies between 24 and 48 equal monthly instalments, payable in arrears. Interest is calculated on the three month US$ LIBOR plus between 350 and 400 basis points.

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

The equipment loan facility contains the following Group financial covenants:
- Net debt to tangible net worth not higher than 1.4 times
- Net debt to EBITDA lower than 2.0 times
- EBITDA to interest greater than 4.0 times.

At 30 September 2018, the Group complied with all financial covenants.

Finance leases

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

Lease expenses of US$0.2 million (2017: US$nil) and US$0.1 million (2017: US$0.7 million) were included in cost of sales and administrative expenses respectively for the year ended 30 September 2018.

The duration of leases relating to buildings and premises are for a period of five years, payments are due at the beginning of the month escalating annually on average by 8.0%. At 30 September 2018, the remaining term of these leases vary between four and four and a half years. These leases are secured by cash deposits varying from one to three times the monthly lease payments.

The duration of leases relating to the mining fleet are for periods between 14 and 36 months and bear interest at interest rates between the South African prime interest rate and the South African prime interest rate plus 300 basis points. The leases are secured by the mining fleet leased.

	2018 US$'000	2017 US$'000
Minimum lease payments due:		
Within one year	5 284	1 046
Two to five years	8 930	1 620
	14 214	2 666
Less: Future finance charges	(2 410)	(322)
Present value of minimum lease payments due	11 804	2 344
Present value of minimum lease payments due:		
Within one year	4 293	847
Two to five years	7 511	1 497
	11 804	2 344

Notes to the condensed consolidated financial statements continued

for the year ended 30 September 2018

19. Borrowings continued

Loan

A subsidiary of the Company, Arxo Metals Proprietary Limited, entered into a loan agreement with Rand York Minerals Proprietary Limited for the advance of ZAR90 million. The loan is repayable in 36 equal monthly instalments that commenced on 31 August 2018. The loan is unsecured and interest is calculated at the South African prime rate plus 100 basis points.

Bank credit facilities

The bank credit facilities relate to the discounting of the letters of credit by the Group's banks following performance of the letter of credit conditions by the Group, which results in funds being received in advance of the normal payment date. Interest on these facilities at the reporting date was US LIBOR plus 1.6% (2017: US LIBOR plus 1.6%) pa.

Secured bank borrowings

Effective 29 March 2018, the secured bank borrowings of ZAR1 billion obtained from a consortium of banks was prepaid and settled in full. The financing was obtained by Tharisa Minerals Proprietary Limited, a subsidiary of the Group, and was for a period of seven years repayable in 22 equal quarterly instalments with the first repayment date at 31 December 2013. The Group was required to maintain funds in a debt service reserve account, which was consequently released.

Guardrisk loan

The loan payable at 30 September 2017 was settled in full during the year ended 30 September 2018.

Bridge loan

During the year ended 30 September 2018, Tharisa Minerals Proprietary Limited concluded a bridge loan of ZAR250 million from Absa Bank Limited. The bridge loan part funded the acquisition of mining fleet and equipment of MCC Contracts Proprietary Limited (refer to note 21). The bridge loan was repayable by 31 March 2018 and carried interest at JIBAR plus 325 basis points. The bridge loan was repaid in full on 29 March 2018.

FINANCIAL REVIEW CONTINUED

Notes to the condensed consolidated financial statements continued

for the year ended 30 September 2018

19. Borrowings continued

	Facilities US$'000	Equipment loan facility US$'000	Finance leases US$'000	Bank credit facilities US$'000
Balance 30 September 2017	–	–	2 344	29 072
Adoption of IFRS 16 (refer note 3)	–	–	1 205	–
Balance at 1 October 2017	–	–	3 549	29 072
Changes from financing cash flows				
Advances: bank credit facilities	–	–	–	192 834
Repayment: bank credit facilities	–	–	–	(192 720)
Net repayment of bank credit facilities	–	–	–	114
Advances received	29 523	12 694	–	–
Repayment of borrowings	(5 099)	(5 295)	–	–
Lease payments	–	–	(6 463)	–
Repayment of interest	(1 464)	(528)	–	(395)
Changes from financing cash flows	22 960	6 871	(6 463)	(281)
Foreign currency translation differences	(1 865)	(612)	(982)	–
Liability-related changes				
Lease agreements entered into	–	–	7 656	–
Business combination (note 21)	–	–	7 003	–
Interest expense	1 720	708	1 086	452
Revaluation of foreign denominated loan	–	528	(45)	–
Total liability-related changes	1 720	1 236	15 700	452
Balance at 30 September 2018	22 815	7 495	11 804	29 243
Non-current borrowings	13 711	1 931	7 505	–
Current borrowings	9 104	5 564	4 299	29 243
Total borrowings	22 815	7 495	11 804	29 243

Notes to the condensed consolidated financial statements continued

for the year ended 30 September 2018

Loan US$'000	Secured bank borrowings US$'000	Guardrisk loan US$'000	Bridge loan US$'000	Total borrowings US$'000
–	17 754	231	–	49 401
–	–	–	–	1 205
–	17 754	231	–	50 606
–	–	–	–	192 834
–	–	–	–	(192 720)
–	–	–	–	114
6 883	–	–	19 120	68 220
(326)	(18 424)	(239)	(19 120)	(48 503)
–	–	–	–	(6 463)
(62)	(1 088)	(7)	(889)	(4 433)
6 495	(19 512)	(246)	(889)	(8 935)
(495)	661	8	–	(3 285)
–	–	–	–	7 656
–	–	–	–	7 003
62	1 097	7	889	6 021
–	–	–	–	483
62	1 097	7	889	21 163
6 062	–	–	–	**77 419**
4 134	–	–	–	**27 281**
1 928	–	–	–	**50 138**
6 062	–	–	–	**77 419**