TRANS HEX GROUP LIMITED
(Incorporated in the Republic of South Africa)
Registration number 1963/007579/06
Share code: TSX
ISIN: ZAE000018552
(**"Trans Hex"** or the **"Group"** or the **"Company"**)

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

HEADLINES

- Diamond prices declined by 23,5% compared to the previous year.
- Sales were positively affected by a 27,2% weakening of the Rand against the US Dollar.
- Sales revenue totalled R671,4 million (2015: R939,7 million).
- Cost of goods sold amounted to R678,2 million (2015: R778,1 million), including retrenchment costs of R46,6 million at the Lower Orange River operations.
- South African land operations recorded a gross loss of R6,8 million (2015: profit of R161,6 million).
- Impairment charges in respect of the Lower Orange River operations amounted to R55,1 million (2015: R86,2 million).
- Equity accounting loss from West Coast Resources (Pty) Ltd amounted to R13,6 million (2015: profit of R123,3 million).
- Equity accounting loss from Somiluana Mine in Angola amounted to R15,8 million (2015: profit of R12,7 million).
- Group loss after tax from continuing operations amounted to R124,8 million (2015: profit of R169,1 million).
- Profit after tax from discontinued operations totalled R24,0 million (2015: profit of R21,5 million).
- Group net loss amounted to R100,8 million (2015: profit of R190,6 million).
- The Group's net cash position at the end of the year was R353,5 million (2015: R407,2 million).
- Loss per share amounted to 94,4 cents (2015: earnings of 181,1 cents) and headline loss per share amounted to 56,9 cents (2015: earnings of 78,6 cents).
- Net asset value per share amounted to 506,0 cents (2015: 630,0 cents).

SUMMARY CONSOLIDATED INCOME STATEMENT

	Notes	2016 R'000	2015 Reclassified R'000
Continuing operations			
Sales revenue		**671 374**	939 685
Cost of goods sold		**(678 158)**	(778 065)
Gross (loss)/profit		**(6 784)**	161 620
Share of results of associated companies	1	**(29 431)**	135 976
Royalties		**(3 248)**	(20 656)
Selling and administration costs		**(92 542)**	(86 681)
Mining (loss)/profit		**(132 005)**	190 259
Exploration costs		**(2 048)**	(2 171)
Other gains – net	2	**15 115**	53 369
Finance income		**23 211**	25 052
Finance costs		**(4 680)**	(4 705)
Impairment	3	**(55 096)**	(86 170)
(Loss)/profit before income tax		**(155 503)**	175 634
Income tax		**30 730**	(6 568)
(Loss)/profit for the year from continuing operations		**(124 773)**	169 066
Discontinued operations			
Profit for the year from discontinued operations	4	**24 023**	21 508
(Loss)/profit for the year		**(100 750)**	190 574
Attributable to:			
Continuing operations		**(124 773)**	169 066
• Owners of the parent		**(123 788)**	169 950
• Non-controlling interest		**(985)**	(884)
Discontinued operations			
• Owners of the parent		**24 023**	21 508
		(100 750)	190 574
(Loss)/earnings per share – basic and diluted (cents)			
• Continuing operations		**(117,1)**	160,8
• Discontinued operations		**22,7**	20,3
• Total		**(94,4)**	181,1
Shares in issue adjusted for treasury shares ('000)		**105 699**	105 699

	Notes	2016 R'000	2015 Reclassified R'000
Headline (loss)/earnings	5		
• Continuing operations		**(84 119)**	61 668
• Discontinued operations		**24 023**	21 508
• Total		**(60 096)**	83 176
Headline (loss)/earnings per share (cents)			
• Continuing operations		**(79,6)**	58,3
• Discontinued operations		**22,7**	20,3
• Total		**(56,9)**	78,6
Average ZAR/US$ exchange rate		**14,06**	11,05

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2016 R'000	2015 R'000
(Loss)/profit for the year	**(100 750)**	190 574
Other comprehensive loss net of tax:	**(19 442)**	(22 071)
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	**1 737**	–
• Before-tax amount	**2 412**	–
• Tax expense	**(675)**	–
Items that may be subsequently reclassified to profit or loss		
Translation differences on foreign subsidiaries before and after tax	**(21 179)**	(17 529)
Reclassification of foreign currency differences on repayment of long-term receivables from foreign operations	**–**	(4 542)
Total comprehensive (loss)/income for the year	**(120 192)**	168 503
Attributable to:		
• Owners of the parent	**(119 207)**	169 387
• Non-controlling interest	**(985)**	(884)
	(120 192)	168 503

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2016 R'000	2015 R'000
ASSETS			
Non-current assets		388 784	466 682
Property, plant and equipment		82 955	152 184
Investment in associates	6	219 777	253 635
Investments held by environmental trust		61 186	57 431
Other financial assets		3 000	3 000
Deferred income tax assets		21 866	432
Current assets		502 079	553 003
Inventories	7	110 997	105 868
Trade and other receivables		37 109	37 205
Current income tax		474	2 750
Cash and cash equivalents		353 499	407 180
Total assets		890 863	1 019 685
EQUITY AND LIABILITIES			
Capital and reserves		535 965	665 742
Non-controlling interest		(869)	116
Non-current liabilities		112 449	117 065
Deferred income tax liabilities		–	8 632
Provisions		112 449	108 433
Current liabilities		243 318	236 762
Trade and other payables		122 668	117 268
Interest in joint ventures	4	120 650	119 450
Current income tax liabilities		–	44
Total equity and liabilities		890 863	1 019 685
Net asset value per share (cents)		506	630

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	2016 R'000	2015 R'000
Balance at 1 April	665 858	550 231
Total comprehensive (loss)/income for the year	(120 192)	168 503
Dividends paid	(10 570)	(52 876)
Balance at end of year	535 096	665 858

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	2016 R'000	2015 R'000
Cash (utilised in)/generated from operations	(32 982)	157 583
Movements in working capital	708	(6 783)
Income tax received/(paid)	2 220	(43 680)
Net cash (utilised in)/generated from operating activities	(30 054)	107 120
Cash flows from investment activities	(17 069)	(45 936)
Property, plant and equipment		
• Proceeds from disposal	2 931	19
• Replacement	(51 045)	(38 263)
• Additional	(5 714)	(9 657)
Proceeds from disposal of investment	–	35 000
Proceeds from repayment of loan to Trans Hex Angola	18 386	7 477
Investment in associate	–	(57 200)
Interest received	18 373	19 688
Investment in other financial assets	–	(3 000)
Cash flows from financing activities	(10 588)	(54 241)
Borrowings repaid	–	(1 281)
Interest paid	(18)	(84)
Dividends paid	(10 570)	(52 876)
Effects of exchange rates on cash and cash equivalents	4 030	2 687
Net (decrease)/increase in cash and cash equivalents	(53 681)	9 630
Cash and cash equivalents at beginning of year	407 180	397 550
Cash and cash equivalents at end of year	353 499	407 180

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

		2016 R'000	2015 R'000
1.	**Share of results of associated companies**		
	Consists of the following categories:		
	• Somiluana – Sociedade Mineira, S.A.	(15 835)	12 715
	The 33% investment in Somiluana is accounted for as an investment in an associate under the equity method.		
	• West Coast Resources (Pty) Ltd	(13 596)	123 261
	The 40% investment in West Coast Resources is accounted for as an investment in an associate under the equity method. Included in the 2015 financial year profit is a gain of R132 million, being negative goodwill that arose as a result of the acquisition of assets and liabilities relating to Namaqualand Mines.		
		(29 431)	135 976
2.	**Other gains – net**		
	Other gains – net consist of the following categories:		
	• Net foreign exchange gains	10 368	15 154
	• Profit on sale of assets and investments	–	35 019
	• Commission on sale of diamonds	4 747	3 195
		15 115	53 369

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

3. Impairment of assets

While conducting impairment reviews, the Group exercises judgement in making assumptions about future rough diamond prices, production volumes, ore reserves and resources included in the current life of mine plans, feasibility studies, future development and production costs, and macroeconomic factors such as inflation and discount rates. Value-in-use impairment models were prepared to assess mining assets for impairment.

The key assumptions used in performing the impairment tests by cash generating unit ("**CGU**") were as follows:

	2016	2015
Discount rate	**15,72%**	13,42%
Diamond price per carat	**US$983 – US$1 503**	US$1 292 – US$1 679
Forecasted ZAR/US$ exchange rate	**R14,75/US$ – R15,01/US$**	R11,65/US$ – R12,25/US$

The South African businesses consist of a number of CGUs that are represented by mining areas operated by the Group. Baken is a separate CGU that forms part of the South African reporting segment. The recoverable value for this CGU was derived from the value-in-use calculations performed, which were in excess of the fair value less costs to sell. The impairment charge and recoverable amount relating to this CGU are outlined below:

	Baken	2016 R'000	2015 R'000
Carrying value pre-impairment	96 601	**96 601**	200 939
Recoverable amount	(41 505)	**(41 505)**	(114 769)
Impairment loss recognised	55 096	**55 096**	86 170
Impairment of property, plant and equipment			
• Mining plant and equipment		**55 096**	82 867
• Mine development costs		**–**	3 303
		55 096	86 170

4. Discontinued operations

On 5 October 2011, the Angolan Ministry of Geology, Mines and Industry revoked the mining rights of the Luarica and Fucaúma joint ventures as no mining activities had been performed at the sites for a period of three years as a result of the projects being placed under care and maintenance.

The prescription of unclaimed debts of R24,0 million (2015: R21,5 million) is included below.

Angolan joint ventures		
Balance at beginning of year	**119 450**	125 188
Share of income from joint ventures	**(24 023)**	(21 508)
Profit before income tax	**(24 023)**	(21 508)
Taxation	**–**	–
Foreign exchange losses	**25 223**	15 770
Closing balance at end of year	**120 650**	119 450

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

		2016 R'000	2015 R'000
5.	Reconciliation of headline earnings		
	Continuing operations		
	(Loss)/profit for the year	**(123 788)**	169 950
	• Profit on sale of assets	**–**	(19)
	• Taxation impact	**–**	5
	• Profit on sale of investment	**–**	(35 000)
	• Taxation impact	**–**	–
	• Impairment of assets	**55 096**	86 170
	• Taxation impact	**(15 427)**	(24 128)
	• Foreign currency differences on repayment of long-term receivables from foreign operations reclassified to profit or loss	**–**	(4 542)
	• Taxation impact	**–**	1 272
	• Negative goodwill on assets acquired by associate	**–**	(132 040)
	Headline (loss)/earnings	**(84 119)**	61 668
	Discontinued operations		
	Profit for the year	**24 023**	21 508
	Headline earnings	**24 023**	21 508
6.	Investment in associates		
	• Loan to associate: Somiluana – Sociedade Mineira, S.A.	**52 912**	59 276
	Balance at beginning of year	**59 276**	59 580
	Repayment of loan amount	**(18 386)**	(7 477)
	Foreign exchange differences	**12 022**	7 173

The loan to Somiluana represents a portion of the exploration costs previously incurred by the Group which is recoverable from the mining company. The loan does not form part of the net investment in the associate as settlement of the loan is considered likely to occur in the foreseeable future.

	2016 R'000	2015 R'000
• Investment in associate: Somiluana – Sociedade Mineira, S.A.	**–**	13 898
Balance at beginning of year	**13 898**	–
Share of results of associated company	**(15 835)**	12 715
Foreign exchange differences	**1 937**	1 183

The 33% investment in Somiluana is accounted for as an investment in an associate under the equity method. During 2016, Somiluana recorded losses to the extent that the Group's share of these losses exceeded its investment in Somiluana. Accordingly, the Group discontinued the recognition of its share of further losses after the investment was reduced to zero, as the Group has not provided any guarantees to Somiluana creditors.

	2016 R'000	2015 R'000
• Investment in associate: West Coast Resources (Pty) Ltd	**166 865**	180 461
Balance at beginning of year	**180 461**	–
Proportionate shareholder funding	**–**	52 000
Preferential loan	**–**	5 200
Share of results of associated company	**(13 596)**	123 261

Effective 28 October 2014, West Coast Resources (Pty) Ltd, in which the Group holds a 40% interest, acquired assets and liabilities relating to Namaqualand Mines.

	2016 R'000	2015 R'000
	219 777	253 635

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

		2016 R'000	2015 R'000
7.	**Inventories**		
	Diamonds	**105 322**	99 456
	Consumables	**5 675**	6 412
		110 997	105 868

The carrying value of diamond inventories, carried at net realisable value, amounted to R11 018 880 (2015: R751 566).

Slow-moving consumable stock to the value of Rnil (2015: R14,0 million) has been written off.

Cost of inventories included in cost of goods sold amounted to R667 million (2015: R767 million).

		2016 R'000	2015 R'000
8.	**Capital commitments**		
	(including amounts authorised, but not yet contracted)	**43 999**	66 528

These commitments will be financed from the Group's own resources or with borrowed funds.

9. **Reclassification of costs previously included under "Cost of goods sold"**

Previously a percentage of head office costs was included under "Cost of goods sold". The Company reviewed its cost allocations and reporting requirements during 2016 and decided that it would be more accurate and transparent to include all head office costs under "Selling and administration costs" in order to more appropriately reflect the way in which economic benefits are derived from these costs.

The impact on the 2015 income statement is as follows:

	2015 R'000
Cost of goods sold	
As reported	788 847
Head office costs previously included under "Cost of goods sold"	(10 782)
Reclassified	778 065
Selling and administration costs	
As reported	75 899
Head office costs previously included under "Cost of goods sold"	10 782
Reclassified	86 681

There was no impact on the statement of financial position or the statements of comprehensive income as a result of the reclassification of these costs.

10. **Fair value estimation**

Items carried at fair value are classified according to the fair value hierarchy, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Financial assets are classified as Level 1 according to the fair value hierarchy. Investments held by the environmental trust are the only financial assets carried at fair value, however, this fund consists primarily of cash and cash equivalents with the largest driver of the growth in the trust fund being attributable to interest received.

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

11. Segment information

Operating segments

Year ended 31 March 2016	Continuing			Discontinued
	South Africa	Angola	Total	Angola
Carats sold	48 708	–	48 708	–
	R'000	R'000	R'000	R'000
Revenue	671 374	–	671 374	–
Cost of goods sold	(678 158)	–	(678 158)	–
Gross (loss)	(6 784)	–	(6 784)	–
Share of results of associated companies	(13 596)	(15 835)	(29 431)	–
Royalties	(3 248)	–	(3 248)	–
Selling and administration costs	(73 559)	(18 983)	(92 542)	–
Mining (loss)	(97 187)	(34 818)	(132 005)	–
Exploration costs	(2 048)	–	(2 048)	–
Other gains – net	16 724	(1 609)	15 115	–
Profit for the year from discontinued operations	–	–	–	24 023
Finance income	23 211	–	23 211	–
Finance costs	(4 680)	–	(4 680)	–
Impairment of assets	(55 096)	–	(55 096)	–
(Loss)/profit before income tax	(119 076)	(36 427)	(155 503)	24 023
Depreciation included in the above	(67 953)	(15)	(67 968)	–
Net assets/(liabilities)	560 737	94 975	655 712	(120 616)
Capital expenditure	56 759	–	56 759	–
Net asset value per share (cents)	531	89	620	(114)

Year ended 31 March 2015 (Reclassified)	Continuing			Discontinued
	South Africa	Angola	Total	Angola
Carats sold	62 819	–	62 819	–
	R'000	R'000	R'000	R'000
Revenue	939 685	–	939 685	–
Cost of goods sold	(778 065)	–	(778 065)	–
Gross profit	161 620	–	161 620	–
Share of results of associated companies	123 261	12 715	135 976	–
Royalties	(20 656)	–	(20 656)	–
Selling and administration costs	(77 150)	(9 531)	(86 681)	–
Mining profit	187 075	3 184	190 259	–
Exploration costs	(2 171)	–	(2 171)	–
Other gains – net	54 159	(790)	53 369	–
Profit for the year from discontinued operations	–	–	–	21 508
Finance income	25 052	–	25 052	–
Finance costs	(4 705)	–	(4 705)	–
Impairment of assets	(86 170)	–	(86 170)	–
Profit before income tax	173 240	2 394	175 634	21 508
Depreciation included in the above	(88 542)	(24)	(88 566)	–
Net assets/(liabilities)	694 658	90 625	785 283	(119 425)
Capital expenditure	47 920	–	47 920	–
Net asset value per share (cents)	657	86	743	(113)

During the current year, the Group changed the measurement method used to determine reported segment profit or loss. This was done by including in the Angola segment some costs paid in South Africa in relation to activities in Angola. During the current year, this resulted in the loss for Angola being R7 533 701 higher than it would have been had the measurement methods not changed. As this does not amount to a change in the composition of the segments, the comparative figures have not been reclassified to account for this change.

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

12. Mineral resources and mineral reserves

Total carats in reserve at Baken Mine increased by 10%, or 6 538 carats, year-on-year mainly as a result of a re-evaluation of ore accounting procedures that resulted in positive grade adjustments, as well as a favourable ZAR/US$ exchange rate. The total carat resource also increased by 23% primarily due to the grade adjustments and delineation of new resource blocks, supported by a programme of reverse circulation drilling of selected targets in the ore body and bulk sampling. Indicated resources increased by 51% and inferred resources increased by 10%, i.e. an increase of 137 829 carats in total.

Total carats in reserve at Bloeddrif Mine decreased by 45% primarily due to a revision of diamond resource estimates and changes in economic assumptions which prevent the conversion of resources to reserves in certain areas. The total carat resource increased by 5%, or 10 914 carats, due to a resource review during the year which affected overburden, ore volumes, grades and stone sizes.

Total carats in reserve at Somiluana Mine increased by more than 441% due to bulk sampling activities which, after evaluation, indicated high-grade areas that significantly added to the reserves. Indicated resources increased by 108%, mainly as a result of continuous sonic drilling activities on the east bank of the Luana River.

13. Contingent liabilities

There have been no material changes to contingent liabilities previously reported in the Integrated Annual Report.

14. Events after the reporting period

No events which may have a material effect on the Group occurred between the reporting date and the issuing of this announcement.

15. Accounting policies

The summary consolidated financial statements are prepared in accordance with the JSE Limited Listings Requirements ("**Listing Requirements**") for preliminary reports and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards ("**IFRS**"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standard Council, and to also, as a minimum, contain the information required by IAS 34, "Interim Financial Reporting".

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

16. Preparation of financial statements

The preparation of the condensed consolidated financial statements was supervised by the Financial Director, IP Hestermann CA(SA).

17. Report of independent auditor

These summary consolidated financial statements for the year ended 31 March 2016 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived.

A copy of the Auditor's Report on the summary consolidated financial statements and of the Auditor's Report on the annual consolidated financial statements are available for inspection at the Group's registered office, together with the financial statements identified in the respective Auditor's Reports.

The Auditor's Report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the Auditor's Report together with the accompanying financial information from the issuer's registered office.

OVERVIEW

In this commentary, results are compared with the 12 months of the 2015 financial year (in brackets).

Sales revenue from the South African operations decreased by 28,6% in Rand terms from R939,7 million in 2015 to R671,4 million in 2016. The disposal of the Remhoogte mining right and the discontinuation of operations at Reuning Mine accounted for 14,4% of the decrease. Sales from the Lower Orange River ("**LOR**") and shallow water operations decreased by 15,4% due to a decline of 23,5% in US$ diamond prices and 16% fewer carats sold. Revenue was, however, positively affected by a 27,2% weakening in the Rand.

South African production decreased by 21,5% to 48 435 carats (2015: 61 688 carats), mainly as a result of a 13,4% reduction in gravel treated and a 5,4% decline in average grade at the LOR operations to 1,22 carats/100 m^3 (2015: 1,29 carats/100 m^3). The voluntary retrenchment of 22% of the workforce in February 2016, as well as the accompanying shift changes, as announced on the JSE Limited's Stock Exchange News Service ("**SENS**") on 22 February 2016, contributed to the decline in volumes treated.

The cost of goods sold decreased to R678,2 million (2015: R778,1 million). Key contributors included:
- a decrease in contractors fees in respect of Remhoogte (R90,6 million);
- the discontinuation of the Reuning operations (R56,2 million);
- stock movement (R24,1 million);
- lower depreciation (R20,6 million); and
- retrenchment costs of R46,6 million.

The LOR operations unit cost of production for current operations increased by 18,8% due to a reduction in volumes treated and an 8,4% increase in operating costs.

The gross loss for the South African operations amounted to R6,8 million (2015: profit of R161,6 million).

Impairment charges in respect of the LOR operations amounted to R55,1 million (2015: R86,2 million).

The South African operations recorded a loss before tax of R119,1 million (2015: profit of R173,2 million).

At West Coast Resources, in which Trans Hex holds a 40% stake, production commenced during the year and amounted to 24 930 carats. Sales amounted to R49,4 million at an average price of US$208 per carat. The equity accounted loss for the year amounted to R13,6 million (2015: profit of R123,3 million).

In Angola, production at Somiluana Mine, in which Trans Hex holds a 33% stake, amounted to 99 572 carats (2015: 94 483 carats) due to a 14,2% increase in average grade, partly offset by a 7,7% decrease in gravel treated. Total sales amounted to US$34,2 million at an average price of US$351 per carat (2015: sales of US$43,9 million at an average price of US$458 per carat). Repayments of US$1 million were made to Trans Hex against the outstanding investment amount and the Group received US$330 000 in dividends.

The loss from the Angolan continuing operations amounted to R36,4 million (2015: profit of R2,4 million), consisting of Somiluana's equity accounted loss of R15,8 million and Angola head office costs of R20,6 million.

The Group reports an after-tax loss for the year from continuing operations of R124,8 million (2015: profit of R169,1 million).

Profit from the discontinued Luarica and Fucaúma operations amounted to R24,0 million (2015: R21,5 million).

The Group therefore reports a loss for the year of R100,8 million (2015: profit of R190,6 million).

Cash and cash equivalents at the end of the year amounted to R353,5 million (2015: R407,2 million).

OPERATING PERFORMANCE

Detailed project information (unaudited)	Year ended 31 March 2016 Average grade per 100 m³	Carats produced	Average carats per stone	Average price per carat achieved (US$)	Year ended 31 March 2015 Average grade per 100 m³	Carats produced	Average carats per stone	Average price per carat achieved (US$)
South Africa								
Baken	**1,28**	**37 603**	**1,42**	**986**	1,34	43 534	1,22	1 261
Bloeddrif	**0,80**	**3 538**	**2,19**	**1 472**	1,36	6 081	2,21	2 055
Reuning	**–**	**–**	**–**	**–**	0,34	696	2,77	2 491
Remhoogte	**–**	**–**	**–**	**–**	–	4 241	3,12	2 272
Shallow water	**–**	**7 294**	**0,34**	**520**	–	7 136	0,33	518
Total South Africa	**1,22**	**48 435**	**0,97**	**981**	1,29	61 688	1,00	1 353
West Coast Resources	**53,34**	**24 930**	**0,30**	**208**	–	–	–	–
Angola								
Somiluana	**31,96**	**99 572**	**0,57**	**351**	27,99	94 483	0,53	458

Note: Average grade in South Africa is calculated excluding Remhoogte and shallow water production.

Lower Orange River operations

In February, the Company concluded an agreement with the National Union of Mineworkers to change the production shift system effective from 29 February 2016. Operations changed from a four-shift system, running seven days per week, to a three-shift system, working a five and a half day week. Overburden stripping rates and the volumes of gravel mined and treated were adjusted to ensure the most sustainable model for each mine going forward. A total of 125 employees (22% of the workforce) accepted voluntary retrenchment packages, effective on 29 February 2016. The majority of the volunteers were older employees with long service.

During the year under review stripping of overburden in the main channel at Baken continued. The average grade decreased slightly from 1,34 carats/100 m³ in 2015 to 1,28 carats/100 m³ in 2016. The average price of Baken stones declined in line with the softer market from US$1 261 per carat in 2015 to US$986 per carat in 2016 despite a 16% increase in average stone size to 1,42 carats per stone (2015: 1,22 carats per stone).

Results at Bloeddrif Mine were negatively affected by a substantial decrease in average grade from 1,36 carats/100 m³ in 2015 to 0,80 carats/100 m³ in 2016. More than 63% of the total volumes mined during the year originated from lower grade suspended gravel which was mined to gain access to higher grade basal gravel.

West Coast Resources operations

Net revenue from the treatment of the small remaining tonnages of final recovery tailings and initial production was not expected to cover project operational expenditure during the 2016 financial year. As this project was in a start-up phase, an expected loss was incurred for the year.

Construction of the Mitchell's Bay production plant was completed towards the end of the 2015 calendar year. The 50 tons/hour DMS plant was commissioned in November, followed by the washing and screening plant in December.

Mining operations commenced in December 2015 in the Langklip area and produced 16 517 carats at an average grade of 37,40 carats/100 m³.

During the year the final recovery plant at Kleinzee treated final recovery tailings and produced 8 413 carats.

Angolan operations

In the previous financial year, funds generated from sales were retained to develop the Mine. However, a decline in diamond prices, and the subsequent impact on revenue, halted some equipment purchases planned for the year under review.

Carat production started to decline mid-2015 when mining operations encountered areas with high overburden and stripping operations were hampered by the equipment shortage.

In February 2016, mining operations were moved to a new part of the concession characterised by less overburden as well as promising grades and stone sizes. Production from the new area, also located on the east bank of the Luana River, commenced late March 2016.

OUTLOOK

Lower Orange River operations
Stripping operations in the Baken central channel will continue until the economically viable gravel in the main channel has been exhausted, which is expected to be towards the end of the 2018 financial year.

Performance at Bloeddrif Mine is expected to improve with the mining of higher grade gravel from the exposed basal gravel.

South African production for the 2017 financial year is expected to be in the order of 41 000 carats, compared to 2016 actual production of 48 435.

West Coast Resources operations
On-going drilling and prospecting will continue to target high-priority areas that may identify additional resources for mining.

Mining activities will remain focused on the Langklip area and on other sections of the Koingnaas area which is projected to yield gravel by June 2016.

Production for the 2017 financial year is expected to be in the order of 123 000 carats, compared to 2016 actual production of 24 930 carats.

Angolan operations
Mining operations will continue on the east bank of the Luana River and prospecting activities will remain focused on the new location to direct operations to areas of interest.

In order to speed up the expansion of the production footprint, external funding is being sought.

Production results and geological work through drilling and bulk testing indicate that carat production for the 2017 financial year will surpass the 99 500 carats achieved in 2016.

Market
Demand for rough and polished stones improved at the start of the 2016 calendar year after months of low manufacturing output and reduced inventories at the cutting centres. Shortage of stock in the Indian manufacturing sector and at the US retailers boosted rough diamond prices, supported by healthy trading activity in the secondary market.

Post year-end, the diamond market is enjoying a relatively stable period, improving the confidence of traders and dealers.

DIVIDEND

The Board has resolved not to declare a final dividend.

CHANGES TO THE BOARD OF DIRECTORS

Shareholders are advised of the following changes to the Board of Directors:

Mr Derek Wolstenholme resigned from the Board of Directors, effective 29 February 2016.

Mr Leon van Schalkwyk was appointed as Non-executive Director, effective 1 March 2016.

Following the acquisition of a 26,18% beneficial interest in the Company's securities by M Cubed Holdings Ltd, as announced on SENS on 7 March 2016, Mr Quinton George and Mr Marco Wentzel were appointed as Non-executive Directors with effect from 4 April 2016. In addition, Mr Richard Tait was appointed as an Alternate Director to Mr Wentzel with effect from 4 April 2016.

Mr Piet Viljoen was appointed as Alternate Director to Mr Theunis de Bruyn, effective 18 April 2016.

By order of the Board

BR van Rooyen
Chairman

L Delport
Chief Executive Officer

Parow
31 May 2016

REGISTERED OFFICE
405 Voortrekker Road, Parow 7500
PO Box 723, Parow 7499

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DIRECTORATE
BR van Rooyen (Chairman), AR Martin, T de Bruyn, BP Lekubo, LC van Schalkwyk, QJ George, MVZ Wentzel, RM Tait (Alternate), PG Viljoen (Alternate), L Delport (Chief Executive Officer), IP Hestermann (Financial Director), GM van Heerden (Company Secretary)