

TRANS HEX GROUP LIMITED

(Incorporated in the Republic of South Africa)

Registration number 1963/007579/06

Share code: TSX

ISIN: ZAE00018552

("Trans Hex" or the "Group" or the "Company")

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**HEADLINES**

- Group net profit amounted to R32,5 million (September 2015: loss of R32,5 million).
- Sales revenue from the wholly owned South African operations increased by 2,5% compared to the corresponding period to R275,3 million (September 2015: R268,7 million)
- Gross profit from South African land operations amounted to R13,9 million (September 2015: loss of R24,7 million).
- Equity accounting loss from West Coast Resources (Pty) Ltd amounted to R9,0 million (September 2015: loss of R8,8 million).
- Equity accounting profit from Somiluana Mine in Angola amounted to R34,2 million (September 2015: profit of R7,1 million).
- The Group's net cash position at the end of the period was R322,4 million (September 2015: R347,5 million).
- Earnings per share amounted to 31,8 cents (September 2015: loss of 30,3 cents) and headline earnings per share amounted to 31,4 cents (September 2015: loss of 30,3 cents).
- Net asset value per share amounted to 540,0 cents (September 2015: 575,0 cents).

CONDENSED CONSOLIDATED INCOME STATEMENT

		30/09/15	31/03/16
	Notes	Unaudited R'000	Reclassified R'000
		30/09/16 Unaudited R'000	Audited R'000
Continuing operations			
Sales revenue		275 319	671 374
Cost of goods sold		(261 440)	(678 158)
Gross profit/(loss)		13 879	(6 784)
Share of results of associated companies	1	25 155	(29 431)
Royalties		(1 309)	(3 248)
Selling and administration costs		(48 588)	(92 542)
Mining (loss)		(10 863)	(132 005)
Exploration costs		(1 571)	(2 048)
Other gains – net	2	9 269	15 115
Finance income		13 973	23 211
Finance costs		(2 695)	(4 680)
Impairment	3	–	(55 096)
Profit/(loss) before income tax		8 113	(155 503)
Income tax		793	30 730
Profit/(loss) for the period from continuing operations		8 906	(124 773)
Discontinued operations			
Profit for the period from discontinued operations	4	23 620	24 023
Profit/(loss) for the period		32 526	(100 750)
Attributable to:			
Continuing operations		8 906	(124 773)
• Owners of the parent		9 988	(123 788)
• Non-controlling interest		(1 082)	(985)
Discontinued operations		23 620	24 023
• Owners of the parent		32 526	(100 750)
Earnings/(loss) per share – basic and diluted (cents)			
• Continuing operations		9,5	(117,1)
• Discontinued operations		22,3	22,7
• Total		31,8	(94,4)
Shares in issue adjusted for treasury shares ('000)		105 699	105 699

	Notes	30/09/16 Unaudited R'000	30/09/15 Unaudited R'000	31/03/16 Audited R'000
Headline earnings/(loss)	5			
• Continuing operations		9 552	(43 241)	(84 119)
• Discontinued operations		23 620	11 244	24 023
• Total		33 172	(31 996)	(60 096)
Headline earnings/(loss) per share (cents)				
• Continuing operations		9,1	(40,9)	(79,6)
• Discontinued operations		22,3	10,6	22,7
• Total		31,4	(30,3)	(56,9)
Average ZAR/US\$ exchange rate		14,72	12,75	14,06

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	30/09/16 Unaudited R'000	30/09/15 Unaudited R'000	31/03/16 Audited R'000
Profit/(loss) for the period	32 526	(32 528)	(100 750)
Other comprehensive profit/(loss) net of tax:	2 785	(14 998)	(19 442)
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	3 391	(14 998)	(21 179)
Reclassification of foreign currency differences on repayment of long-term receivables from foreign operations	(606)	-	-
Total comprehensive income/(loss) for the period	35 311	(47 526)	(120 192)
Attributable to:			
• Owners of the parent	36 393	(46 994)	(119 207)
• Non-controlling interest	(1 082)	(532)	(985)
	35 311	(47 526)	(120 192)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30/09/16 Unaudited R'000	30/09/15 Unaudited R'000	31/03/16 Audited R'000
ASSETS				
Non-current assets		427 015	463 300	388 784
Property, plant and equipment		81 312	144 205	82 955
Investment in associates	6	256 424	253 500	219 777
Investments held by environmental trust		63 539	59 195	61 186
Other financial assets		3 000	3 000	3 000
Deferred income tax assets		22 740	3 400	21 866
Current assets		472 624	499 270	502 079
Inventories	7	129 078	131 299	110 997
Trade and other receivables		21 158	20 173	37 109
Current income tax		-	342	474
Cash and cash equivalents		322 388	347 456	353 499
Total assets		899 639	962 570	890 863
EQUITY AND LIABILITIES				
Capital and reserves		572 358	608 143	535 965
Non-controlling interest		(1 951)	(416)	(869)
Non-current liabilities				
Provisions		116 230	111 747	112 449
Current liabilities		213 002	243 096	243 318
Trade and other payables		122 674	116 998	122 668
Interest in joint ventures	4	90 252	126 006	120 650
Current income tax liabilities		76	92	-
Total equity and liabilities		899 639	962 570	890 863
Net asset value per share (cents)		540	575	506

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	30/09/16 Unaudited R'000	30/09/15 Unaudited R'000	31/03/16 Audited R'000
Balance at 1 April	535 096	665 858	665 858
Total comprehensive income/(loss) for the period	35 311	(47 526)	(120 192)
Dividends paid	-	(10 605)	(10 570)
Balance at end of period	570 407	607 727	535 096

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	30/09/16 Unaudited R'000	30/09/15 Unaudited R'000	31/03/16 Audited R'000
Cash utilised in operations	(12 391)	(38 202)	(32 982)
Movements in working capital	(899)	(8 987)	708
Income tax received	471	2 297	2 220
Net cash utilised in operating activities	(12 819)	(44 892)	(30 054)
Cash flows from investment activities	(16 694)	(7 235)	(17 069)
Property, plant and equipment			
• Proceeds from disposal	–	–	2 931
• Replacement	(14 416)	(23 019)	(51 045)
• Additional	(1 166)	(4 130)	(5 714)
Proceeds from repayment of loan to Trans Hex Angola	1 935	9 833	18 386
Loan to associate	(20 000)	–	–
Dividends received	4 572	–	–
Interest received	12 381	10 081	18 373
Cash flows from financing activities	(1)	(10 612)	(10 588)
Interest paid	(1)	(7)	(18)
Dividends paid	–	(10 605)	(10 570)
Effects of exchange rates on cash and cash equivalents	(1 597)	3 015	4 030
Net decrease in cash and cash equivalents	(31 111)	(59 724)	(53 681)
Cash and cash equivalents at beginning of period	353 499	407 180	407 180
Cash and cash equivalents at end of period	322 388	347 456	353 499

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	30/09/16 Unaudited R'000	30/09/15 Unaudited R'000	31/03/16 Audited R'000
1. Share of results of associated companies			
Consists of the following categories:			
• Somiluana – Sociedade Mineira, S.A.	34 195	7 095	(15 835)
The 33% investment in Somiluana is accounted for as an investment in an associate under the equity method.			
• West Coast Resources (Pty) Ltd	(9 040)	(8 799)	(13 596)
The 40% investment in West Coast Resources is accounted for as an investment in an associate under the equity method.			
	25 155	(1 704)	(29 431)
2. Other gains – net			
Other gains – net consist of the following categories:			
• Net foreign exchange gains	4 955	10 392	10 368
• Commission on sale of diamonds	–	807	4 747
• Marketing and management fee	4 314	396	–
	9 269	11 590	15 115

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	30/09/16 Unaudited R'000	30/09/15 Unaudited R'000	31/03/16 Audited R'000
3. Impairment of assets			
Impairment of property, plant and equipment			
Mining plant and equipment	–	–	55 096

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:

	30/09/16 Unaudited	30/09/15 Unaudited	31/03/16 Audited
Discount rate	15,50%	13,42%	15,72%
Diamond price per carat	US\$1 094 – US\$1 690	US\$984 – US\$1 355	US\$983 – US\$1 503
Forecasted ZAR/US\$ exchange rate	R14,25/US\$ – R14,76/US\$	R13,29/US\$ – R14,02/US\$	R14,75/US\$ – R15,01/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, as at 31 March 2016, are outlined below. No additional impairment was recognised at 30 September 2016.

	31/03/16 Audited	
	Baken R'000	
	Total R'000	
Carrying value pre-impairment	96 601	96 601
Recoverable amount	(41 505)	(41 505)
Impairment loss recognised	55 096	55 096

For the year ended 31 March 2016, an impairment charge of R55,1 million was recognised.

	30/09/16 Unaudited R'000	30/09/15 Unaudited R'000	31/03/16 Audited R'000
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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 R23,7 million (31/03/16: R24,0 million; 30/09/15: R11,2 million) is included below.

Angolan joint ventures

Balance at beginning of period	120 650	119 450	119 450
Share of income from joint ventures	(23 620)	(11 244)	(24 023)
Profit before income tax	(23 620)	(11 244)	(24 023)
Taxation	–	–	–
Foreign exchange (profits)/losses	(6 778)	17 800	25 223
Closing balance at end of period	90 252	126 006	120 650

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	30/09/16 Unaudited R'000	30/09/15 Unaudited R'000	31/03/16 Audited R'000
5. Reconciliation of headline earnings			
Continuing operations			
Profit/(loss) for the period	9 988	(43 241)	(123 788)
• Impairment of assets	–	–	55 096
• Taxation impact	–	–	(15 427)
• Foreign currency differences on repayment of long-term receivables from foreign operations reclassified to profit or loss	(606)	–	–
• Taxation impact	170	–	–
Headline earnings/(loss)	9 552	(43 241)	(84 119)
Discontinued operations			
Profit for the period	23 620	11 244	24 023
Headline earnings	23 620	11 244	24 023
6. Investment in associates			
• Loan to associate: Somiluana – Sociedade Mineira, S.A.	47 611	57 767	52 912
Balance at beginning of period	52 912	59 276	59 276
Repayment of loan amount	(1 935)	(9 833)	(18 386)
Foreign exchange differences	(3 366)	8 324	12 022
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.			
• Investment in associate: Somiluana – Sociedade Mineira, S.A.	28 028	24 071	–
Balance at beginning of period	–	13 898	13 898
Share of results of associated company	34 195	7 095	(15 835)
Dividends paid	(4 572)	–	–
Foreign exchange differences	(1 595)	3 078	1 937
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.			
• Loan to associate: West Coast Resources (Pty) Ltd	28 160	5 200	5 200
Balance at beginning of period	5 200	5 200	5 200
Loan advances during the period	20 000	–	–
Capitalised interest	2 960	–	–
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.			
• Investment in associate: West Coast Resources (Pty) Ltd	152 625	166 462	161 665
Balance at beginning of period	161 665	175 261	175 261
Share of results of associated company	(9 040)	(8 799)	(13 596)
The 40% investment in West Coast Resources (Pty) Ltd is accounted for as an investment in an associate under the equity method.			
	256 424	253 500	219 777

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	30/09/16 Unaudited R'000	30/09/15 Unaudited R'000	31/03/16 Audited R'000
7. Inventories			
Diamonds	124 289	126 834	105 322
Consumables	4 789	4 465	5 675
	<u>129 078</u>	<u>131 299</u>	<u>110 997</u>

8. Capital commitments (including amounts authorised, but not yet contracted)	<u>20 143</u>	<u>28 434</u>	<u>43 999</u>
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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 income statement for the six months ending 30 September 2015 is as follows:

Cost of goods sold

As reported	-	299 433	-
Head office costs previously included under "Cost of goods sold"	-	(6 113)	-
Reclassified	<u>-</u>	<u>293 320</u>	<u>-</u>

Selling and administration costs

As reported	-	41 637	-
Head office costs previously included under "Cost of goods sold"	-	6 113	-
Reclassified	<u>-</u>	<u>47 750</u>	<u>-</u>

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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Segment information

Operating segments

Period ended 30 September 2016

	Continuing			Discontinued Angola
	South Africa	Angola	Total	
	R'000	R'000	R'000	R'000
Carats sold	18 192	-	18 192	-
Revenue	275 319	-	275 319	-
Cost of goods sold	(261 440)	-	(261 440)	-
Gross profit	13 879	-	13 879	-
Share of results of associated companies	(9 040)	34 195	25 155	-
Royalties	(1 309)	-	(1 309)	-
Selling and administration costs	(36 124)	(12 443)	(48 567)	-
Mining (loss)/profit	(32 595)	21 732	(10 863)	-
Exploration costs	(1 571)	-	(1 571)	-
Other gains – net	9 448	(179)	9 269	-
Profit for the period from discontinued operations	-	-	-	23 620
Finance income	13 973	-	13 973	-
Finance costs	(2 695)	-	(2 695)	-
Impairment of assets	-	-	-	-
(Loss)/profit before income tax	(13 440)	21 553	8 906	23 620
Depreciation included in the above	(17 240)	(4)	(17 244)	-
Net assets/(liabilities)	546 633	114 026	660 659	(90 252)
Capital expenditure	15 294	-	15 294	-
Net asset value per share (cents)	517	132	625	(85)

Period ended 30 September 2015

	Continuing			Discontinued Angola
	South Africa	Angola	Total	
	R'000	R'000	R'000	R'000
Carats sold	22 629	-	22 629	-
Revenue	268 660	-	268 660	-
Cost of goods sold	(293 320)	-	(293 320)	-
Gross (loss)	(24 660)	-	(24 660)	-
Share of results of associated companies	(8 799)	7 095	(1 704)	-
Royalties	(1 335)	-	(1 335)	-
Selling and administration costs	(42 125)	(5 625)	(47 750)	-
Mining (loss)	(76 919)	1 470	(75 449)	-
Exploration costs	(1 139)	-	(1 139)	-
Other gains – net	11 674	(84)	11 590	-
Profit for the period from discontinued operations	-	-	-	11 244
Finance income	12 115	-	12 115	-
Finance costs	(2 338)	-	(2 338)	-
Impairment of assets	-	-	-	-
(Loss)/profit before income tax	(56 607)	1 386	(55 221)	11 244
Depreciation included in the above	(35 125)	(7)	(35 132)	-
Net assets/(liabilities)	645 802	87 931	733 733	(126 006)
Capital expenditure	27 149	-	27 149	-
Net asset value per share (cents)	611	83	694	(119)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Segment information (continued)

Year ended 31 March 2016	Continuing			Discontinued
	South Africa	Angola	Total	Angola
	R'000	R'000	R'000	R'000
Operating segments				
Carats sold	48 708	–	48 708	–
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)

During the previous financial 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 previous year, this resulted in the loss for Angola being (31/03/16: R7 533 701; 30/09/15: R3 823 453) 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.

Revenue from transactions with certain customers can amount to 10% or more of total revenue. During the period under review such individual customers were responsible for aggregate sales of R74,5 million (31/03/16: Rnil; 30/09/15: R35,7 million).

12. Mineral resources and mineral reserves

The Independent Expert Report: Valuation of Mineral Assets, as compiled by Snowden Mining Industry Consultants (Pty) Limited and published on the Company website on 23 September 2016 as part of the Combined Offer Circular distributed to shareholders on 23 September 2016, is substantially in line with the Company's Mineral Resources and Reserves Statement dated 31 December 2015. The only respect in which the Snowden Report, dated 31 July 2016, differs materially from the Company's Mineral Resources and Reserves Statement is that it reports a 43% reduction in the carats and gravel volume for Baken Mine's probable reserves due to the ongoing depletion of the reserve through production activities and as a result of changes in economic factors.

An updated Mineral Resources and Reserves Statement will be published in the 2017 Integrated Annual Report.

13. Contingent liabilities

There have been no material changes to contingent liabilities previously reported in the 2016 Integrated Annual Report.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**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 condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in 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).

OVERVIEW

In this commentary, results are compared with the first six months of the 2016 financial year (in brackets).

Sales revenue from the South African operations increased by 2,5% in Rand terms from R268,7 million to R275,3 million. The average US\$ diamond price increased by 10,4%, mainly as a result of firmer global prices and increased demand. Sales were positively affected by a 15,4% weakening of the Rand against the US\$, partly offset by a 19,6% decline in carats sold.

South African production decreased by 20,6% to 18 997 carats (September 2015: 23 940 carats) in line with a new operating model which was introduced at the Lower Orange River operations in February 2016 in order to extend the viable life-of-mine of these operations for as long as possible. These changes have resulted in reduced overburden stripping and less gravel mined.

The cost of goods sold decreased to R261,4 million (September 2015: R293,3 million), mainly due to lower labour, fuel and maintenance costs, as well as depreciation.

Gross profit for the South African operations amounted to R13,9 million (September 2015: loss of R24,7 million).

The South African operations showed a loss before tax of R13,4 million (September 2015: loss of R56,6 million).

At West Coast Resources, in which Trans Hex holds a 40% stake, production amounted to 37 153 carats (September 2015: 4 821 carats). Sales amounted to R78,4 million at an average price of US\$176 per carat (September 2015: sales of R7,2 million at an average price of US\$170 per carat). The 40% equity accounted loss for the period amounted to R9,0 million (September 2015: loss of R8,8 million).

In Angola, production at Somilua Mine, in which Trans Hex holds a 33% stake, increased significantly to 91 033 carats (September 2015: 67 981 carats) due to a 50,3% increase in average grade, partly offset by a 10,9% decrease in gravel treated. Total sales amounted to US\$32,5 million at an average price of US\$477 per carat (September 2015: sales of US\$20,2 million at an average price of US\$300 per carat). Repayments of US\$250 000 (September 2015: US\$ 750 000) were made to Trans Hex against the outstanding investment amount and the Group received US\$330 000 (September 2015: US\$ nil) in dividends.

Profit from the Angolan continuing operations amounted to R21,6 million (September 2015: profit of R1,4 million), consisting of Somilua's equity accounted profit of R34,2 million less Angolan head office costs of R12,6 million.

The Group reports an after-tax profit for the period from continuing operations of R8,9 million (September 2015: loss of R43,8 million).

Profit from the discontinued Luarica and Fucaúma operations amounted to R23,6 million (September 2015: R11,2 million).

The Group therefore reports a profit for the period of R32,5 million (September 2015: loss of R32,5 million).

Cash and cash equivalents at the end of the reporting period amounted to R322,4 million (September 2015: R347,5 million).

OPERATING PERFORMANCE

Detailed project information (unaudited)	Period ended 30 September 2016				Period ended 30 September 2015			
	Average grade per 100 m ³	Carats produced	Average carats per stone	Average price per carat achieved (US\$)	Average grade per 100 m ³	Carats produced	Average carats per stone	Average price per carat achieved (US\$)
South Africa								
Baken	2,30	13 108	1,34	1 043	1,11	18 566	1,37	923
Bloeddrif	0,51	1 111	2,51	2 196	0,85	2 340	2,02	1 462
Shallow water	–	4 778	0,30	585	–	3 033	0,33	479
Total South Africa	1,80	18 997	0,73	1 028	1,07	23 940	0,99	932
West Coast Resources	34,47	37 153	0,28	176	297,46	4 821	0,38	170
Angola								
Somiluana	57,50	91 033	0,63	477	38,26	67 981	0,56	300

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

Lower Orange River operations

Stripping of overburden in the main channel at Baken continued during the period. The average grade increased significantly from 1,11 carats/100 m³ in September 2015 to 2,30 carats/100 m³ in September 2016 mainly due to the re-evaluation of ore accounting policies that resulted in positive grade adjustments. The average price of Baken stones increased in line with the firmer market from US\$923 per carat in September 2015 to US\$1 043 per carat in September 2016.

Results at Bloeddrif Mine were again negatively affected by the stripping of lower grade suspended gravel which resulted in a decrease in average grade from 0,85 carats/100 m³ in September 2015 to 0,51 carats/100 m³ in September 2016 and in carats produced from 2 340 carats in September 2015 to 1 111 carats in September 2016. The lower grade suspended gravel was mined to gain access to higher grade basal gravel which will be mined and treated in the second half of the 2017 financial year.

West Coast Resources operations

Plant construction and improvements are continuing in order to further expand the operational footprint.

During the period, mining activities produced 36 003 carats at an average grade of 33,48 carats/100 m³. In addition, the final recovery plant treated final recovery tailings and produced 1 150 carats (September 2015: 4 821 carats).

Angolan operations

During the period, operations at Somiluana Mine remained focused on higher grade areas which have resulted in a substantial increase in carat production and revenue.

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 carats.

West Coast Resources operations

Ongoing drilling and prospecting will continue to target high priority areas that may identify additional resources for mining.

Stripping operations have commenced in the Langklip area, which is projected to yield gravel by November 2016. Mining activities will remain focused here, as well as on other sections of the Koingnaas area.

Production for the 2017 financial year is expected to be in the order of 80 000 carats, compared to 2016 actual production of 24 930 carats.

Angolan operations

Mining operations at Somiluana Mine will continue on the east bank of the Luana River and prospecting activities will remain focused on new areas to the north-east, directing operations to areas of interest.

Self-funded new equipment purchases are planned in order to increase the Mine's production footprint. The equipment will enable the economical mining of lower grade areas.

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

Market

The second half of the 2016 calendar year started with a decline in demand, but the market recovered well in September 2016 in both trading and manufacturing sectors. The US is currently entering its year-end holiday period, further boosting polished sales.

Rough demand is expected to remain firm during the remainder of the financial year.

DIVIDEND

The Board has resolved not to declare an interim dividend.

COMBINED OFFER CIRCULAR

Shareholders are reminded that the Company is currently in an Offer period as announced on SENS on Friday, 23 September 2016. A Combined Offer Circular was sent to shareholders on Friday, 23 September 2016 and the Offer closes at 12:00 on Friday, 25 November 2016.

All announcements and documents relating to the Offer are available on the Company's website at www.transhex.co.za.

By order of the Board

BR van Rooyen
Chairman

L Delport
Chief Executive Officer

Parow
31 October 2016

REGISTERED OFFICE

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

JSE SPONSOR

One Capital

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd

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)