

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")

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

HEADLINES

- Diamond prices declined by 30,3% compared to the corresponding previous period.
- Diamond grade declined by 23,6%.
- Sales were positively affected by a 14,6% weakening of the Rand against the US dollar.
- Sales revenue totalled R268,7 million (September 2014: R414,1 million).
- South African land operations recorded a gross loss of R30,8 million (September 2014: profit of R76,4 million).
- Equity accounted loss from West Coast Resources (Pty) Ltd amounted to R8,8 million (September 2014: nil).
- Equity accounted profit from Somilwana Mine in Angola amounted to R7,1 million (September 2014: nil).
- Group loss after tax from continuing operations amounted to R43,8 million (September 2014: profit of R25,2 million).
- The Group's net cash position at the end of the period was R347,5 million (September 2014: R351,1 million).
- Loss per share and headline loss per share were 30,3 cents (September 2014: earnings of 34,1 cents).
- Net asset value per share increased to 575,0 cents (September 2014: 541,0 cents).

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	30/09/15 Unaudited R'000	30/09/14 Unaudited R'000	31/03/15 Audited R'000
Continuing operations				
Sales revenue		268 660	414 064	939 685
Cost of goods sold		(299 433)	(337 711)	(788 847)
Gross (loss)/profit		(30 773)	76 353	150 838
Share of results of associated companies	1	(1 704)	–	135 976
Royalties		(1 335)	(8 343)	(20 656)
Selling and administration costs		(41 637)	(43 649)	(75 899)
Mining (loss)/profit		(75 449)	24 361	190 259
Exploration costs		(1 139)	(2 943)	(2 171)
Other gains – net	2	11 590	9 071	53 369
Finance income		12 115	11 310	25 052
Finance costs		(2 338)	(2 978)	(4 705)
Impairment	3	–	–	(86 170)
(Loss)/profit before income tax		(55 221)	38 821	175 634
Income tax		11 449	(13 626)	(6 568)
(Loss)/profit for the period from continuing operations		(43 772)	25 195	169 066
Discontinued operations				
Profit for the period from discontinued operations	4	11 244	10 642	21 508
(Loss)/profit for the period		(32 528)	35 837	190 574
Attributable to:				
Continuing operations		(43 772)	25 195	169 066
• Owners of the parent		(43 240)	25 370	169 950
• Non-controlling interest		(532)	(175)	(884)
Discontinued operations		11 244	10 642	21 508
• Owners of the parent		(32 528)	35 837	190 574

	Notes	30/09/15 Unaudited R'000	30/09/14 Unaudited R'000	31/03/15 Audited R'000
Earnings per share – basic and diluted (cents)				
• Continuing operations		(40,9)	24,0	160,8
• Discontinued operations		10,6	10,1	20,3
• Total		(30,3)	34,1	181,1
Shares in issue adjusted for treasury shares ('000)		105 699	105 699	105 699
Headline earnings				
	5			
• Continuing operations		(43 241)	25 370	61 668
• Discontinued operations		11 244	10 642	21 508
• Total		(31 996)	36 012	83 176
Headline earnings per share (cents)				
• Continuing operations		(40,9)	24,0	58,3
• Discontinued operations		10,6	10,1	20,3
• Total		(30,3)	34,1	78,6
Dividends per share (cents)				
• Special		–	50,0	50,0
• Ordinary		–	–	10,0
• Total		–	50,0	60,0
Average Rand/US\$ exchange rate		12,75	10,60	11,05

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	30/09/15 Unaudited R'000	30/09/14 Unaudited R'000	31/03/15 Audited R'000
(Loss)/profit for the period	(32 528)	35 837	190 574
Other comprehensive income net of tax:			
Items that may be subsequently reclassified to profit or loss			
Translation differences on foreign subsidiaries before and after tax	(14 998)	(9 469)	(17 529)
Reclassification of foreign currency differences on repayment of long-term receivables from foreign operations	–	(4 542)	(4 542)
Total comprehensive income for the period	(47 526)	21 826	168 503
Attributable to:			
• Owners of the parent	(46 994)	22 001	169 387
• Non-controlling interest	(532)	(175)	(884)
	(47 526)	21 826	168 503

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30/09/15 Unaudited R'000	30/09/14 Unaudited R'000	31/03/15 Audited R'000
ASSETS				
Non-current assets		463 300	370 868	466 682
Property, plant and equipment		144 205	253 480	152 184
Investments in associates	6	253 500	61 509	253 635
Investments held by environmental trust		59 195	55 879	57 431
Other financial assets		3 000	–	3 000
Deferred income tax assets		3 400	–	432
Current assets		499 270	607 295	553 003
Inventories	7	131 299	213 360	105 868
Trade and other receivables		20 173	42 860	37 205
Current income tax		342	–	2 750
Cash and cash equivalents		347 456	351 075	407 180
Total assets		962 570	978 163	1 019 685
EQUITY AND LIABILITIES				
Capital and reserves		608 143	571 232	665 742
Non-controlling interest		(416)	825	116
Non-current liabilities		111 747	142 011	117 065
Deferred income tax liabilities		–	35 918	8 632
Provisions		111 747	106 093	108 433
Current liabilities		243 096	264 095	236 762
Trade and other payables		116 998	133 879	117 268
Interest in joint ventures	4	126 006	122 043	119 450
Current income tax liabilities		92	7 735	44
Borrowings		–	438	–
Total equity and liabilities		962 570	978 163	1 019 685
Net asset value per share (cents)		575	541	630

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	30/09/15 Unaudited R'000	30/09/14 Unaudited R'000	31/03/15 Audited R'000
Balance at 1 April	665 858	550 231	550 231
Total comprehensive income for the period	(47 526)	21 826	168 503
Dividends paid	(10 605)	–	(52 876)
Balance at end of period	607 727	572 057	665 858

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	30/09/15 Unaudited R'000	30/09/14 Unaudited R'000	31/03/15 Audited R'000
Cash (utilised in)/generated from operations	(38 202)	68 608	157 583
Movements in working capital	(8 987)	(89 630)	(6 783)
Net income tax received/(paid)	2 297	(12 576)	(43 680)
Net cash (utilised in)/generated from operating activities	(44 892)	(33 598)	107 120
Cash flows from investment activities	(7 235)	(12 813)	(45 936)
Property, plant and equipment			
• Proceeds from disposal of property, plant and equipment	–	–	19
• Replacement of property, plant and equipment	(23 019)	(14 950)	(38 263)
• Additions to property, plant and equipment	(4 130)	(6 106)	(9 657)
Proceeds from repayment of loan to associate	9 833	–	7 477
Investment in associate	–	–	(57 200)
Investment in other financial assets	–	–	(3 000)
Proceeds from disposal of investment	–	–	35 000
Interest received	10 081	8 243	19 688
Cash flows from financing activities	(10 612)	(918)	(54 241)
Borrowings repaid	–	(843)	(1 281)
Interest paid	(7)	(75)	(84)
Dividends paid	(10 605)	–	(52 876)
Effects of exchange rates on cash and cash equivalents	3 015	854	2 687
Net (decrease)/increase in cash and cash equivalents	(59 724)	(46 475)	9 630
Cash and cash equivalents at beginning of period	407 180	397 550	397 550
Cash and cash equivalents at end of period	347 456	351 075	407 180

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	30/09/15 Unaudited R'000	30/09/14 Unaudited R'000	31/03/15 Audited R'000
1. Share of results of associated companies			
Share of results of associated companies consists of the following categories:			
• Somiluana – Sociedade Mineira, S.A.	7 095	–	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	(8 799)	–	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 profit for the year ended 31 March 2015 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.			
	(1 704)	–	135 976
2. Other gains – net			
Other gains – net consist of the following categories:			
• Net foreign exchange gains	10 392	4 529	10 612
• Profit on sale of assets and investments	–	–	35 019
• Commission on sale of diamonds	801	–	3 196
• Marketing and management fee	396	–	–
• Foreign exchange gains on repayment of long-term receivables from foreign operation	–	4 542	4 542
	11 590	9 071	53 369

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	30/09/15 Unaudited R'000	30/09/14 Unaudited R'000	31/03/15 Audited R'000
3. Impairment of assets			
Impairment of property, plant and equipment			
• Mining plant and equipment	–	–	82 867
• Mine development costs	–	–	3 303
	–	–	86 170

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:

Discount rate (%)	13,42	14,15	13,42
Diamond price per carat (US\$)	994 – 1 355	1 061 – 1 705	1 292 – 1 679
Forecast US\$/ZAR exchange rate	13,29 – 14,02	11,18 – 12,10	11,65 – 12,25

The South African businesses consist of a number of CGUs that are represented by mining areas operated by the Group. Baken and Reuning are two separate CGUs that form part of the South African reporting segment. The recoverable values of these CGUs were derived from the value-in-use calculations performed, which were in excess of the fair value less costs to sell. The Reuning CGU was impaired during the 2015 financial year and placed under care and maintenance.

	Baken R'000	30/09/15 Unaudited Total R'000
Carrying value pre-impairment	109 496	109 496
Recoverable amount	(114 671)	(114 671)
Recoverable amount in excess of carrying value	(5 175)	(5 175)

As the recoverable amount is higher than the carrying value no impairment charge is required for the interim period. This outcome is consistent with the corresponding interim period.

	Baken R'000	Reuning R'000	31/03/15 Audited Total R'000
Carrying value pre-impairment	184 219	16 720	200 939
Recoverable amount	(113 195)	(1 574)	(114 769)
Impairment loss recognised	71 024	15 146	86 170

For the year ended 31 March 2015 an impairment charge of R86,2 million was recognised.

30/09/15 Unaudited R'000	30/09/14 Unaudited R'000	31/03/15 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 R11,2 million (31/03/2015: R21,5 million; 30/09/2014: R10,6 million) is included below.

Angolan joint ventures

Balance at beginning of period	119 450	125 188	125 188
Profit for the period from discontinued operations	(11 244)	(10 642)	(21 508)
Profit before income tax	(11 244)	(10 642)	(21 508)
Taxation	-	-	-
Foreign exchange differences	17 800	7 497	15 770
Closing balance at end of period	126 006	122 043	119 450

5. Reconciliation of headline earnings

Continuing operations

(Loss)/profit for the period	(43 241)	25 370	169 950
• Profit on sale of assets	-	-	(19)
• Taxation impact	-	-	5
• Profit on sale of investment	-	-	(35 000)
• Taxation impact	-	-	-
• Impairment of assets	-	-	86 170
• Taxation impact	-	-	(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	(43 241)	25 370	61 668

Discontinued operations

Profit for the period	11 244	10 642	21 508
Headline earnings	11 244	10 642	21 508

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	30/09/15 Unaudited R'000	30/09/14 Unaudited R'000	31/03/15 Audited R'000
6. Investments in associates			
• Loan to associate: Somiluana – Sociedade Mineira, S.A.	57 767	61 509	59 276
Balance at beginning of period	59 276	59 580	59 580
Repayment of loan amount	(9 833)	–	(7 477)
Foreign exchange differences	8 324	1 929	7 173
The loan to Somiluana represents a portion of the exploration costs previously incurred by the Group which is recoverable from the newly formed 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.	24 071	–	13 898
Balance at beginning of period	13 898	–	–
Share of results of associated company	7 095	–	12 715
Foreign exchange differences	3 078	–	1 183
The 33% investment in Somiluana is accounted for as an investment in an associate under the equity method. During the first six months of 2014 the investment's liabilities exceeded its assets and, therefore, no equity accounted profit or loss was accounted for in the previous period.			
• Investment in associate: West Coast Resources (Pty) Ltd	171 662	–	180 461
Balance at beginning of period	180 461	–	–
Proportionate shareholder funding	–	–	52 000
Preferential loan	–	–	5 200
Share of results of associated company	(8 799)	–	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.			
	253 500	61 509	253 635
7. Inventories			
Diamonds	126 834	193 250	99 456
Consumables	4 465	20 110	6 412
	131 299	213 360	105 868
Slow-moving consumable stock to the value of R14,0 million for the year ended 31 March 2015 has been written off.			
8. Capital commitments			
(including amounts authorised, but not yet contracted)	28 434	38 640	66 528
These commitments will be financed from the Group's own resources or with borrowed funds.			

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

9. 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.

10. Segment information

Operating segments

Six months ended 30 September 2015	Continuing			Discontinued
	South Africa	Angola	Total	Angola
Carats sold	22 629	–	22 629	–
	R'000	R'000	R'000	R'000
Revenue	268 660	–	268 660	–
Cost of goods sold	(299 433)	–	(299 433)	–
Gross loss	(30 773)	–	(30 773)	–
Share of results of associated companies	(8 799)	7 095	(1 704)	–
Royalties	(1 335)	–	(1 335)	–
Selling and administration costs	(36 012)	(5 625)	(41 637)	–
Mining (loss)/profit	(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)	–
(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)

Six months ended 30 September 2014	Continuing			Discontinued
	South Africa	Angola	Total	Angola
Carats sold	25 073	–	25 073	–
	R'000	R'000	R'000	R'000
Revenue	414 064	–	414 064	–
Cost of goods sold	(337 711)	–	(337 711)	–
Gross profit	76 353	–	76 353	–
Royalties	(8 343)	–	(8 343)	–
Selling and administration costs	(38 888)	(4 761)	(43 649)	–
Mining profit/(loss)	29 122	(4 761)	24 361	–
Exploration costs	(2 943)	–	(2 943)	–
Other gains – net	9 970	(899)	9 071	–
Profit for the period from discontinued operations	–	–	–	10 642
Finance income	11 310	–	11 310	–
Finance costs	(2 978)	–	(2 978)	–
Profit/(loss) before income tax	44 481	(5 660)	38 821	10 642
Depreciation included in the above	(46 594)	(16)	(46 610)	–
Net assets/(liabilities)	627 590	66 510	694 100	(122 043)
Capital expenditure	21 056	–	21 056	–
Net asset value per share (cents)	593	63	656	(115)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. Segment information (continued)

Twelve months ended 31 March 2015	Continuing			Discontinued
	South Africa	Angola	Total	Angola
	R'000	R'000	R'000	R'000
Carats sold	62 819	–	62 819	–
Revenue	939 685	–	939 685	–
Cost of goods sold	(788 847)	–	(788 847)	–
Gross profit	150 838	–	150 838	–
Share of results of associated companies	123 261	12 715	135 976	–
Royalties	(20 656)	–	(20 656)	–
Selling and administration costs	(66 368)	(9 531)	(75 899)	–
Mining profit	187 075	3 184	190 259	–
Exploration costs	(2 171)	–	(2 171)	–
Other gains/(losses) – net	54 159	(790)	53 369	–
Profit for the period 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	785 281	(119 422)
Capital expenditure	47 920	–	47 920	–
Net asset value per share (cents)	657	86	743	(113)

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 R35,7 million (31/03/2015: R0,0 million; 30/09/2014: R51,8 million).

11. Mineral resources and mineral reserves

No adjustments have been made to the statement of mineral resources and mineral reserves as contained in the 2015 Integrated Annual Report. Reconciliation of production data takes place annually and an updated mineral resources and reserves statement will be published in the 2016 Integrated Annual Report.

12. Contingent liabilities

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

13. 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.

14. Accounting policies

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard (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 and the requirements of the Companies Act of South Africa. 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.

15. Preparation of financial statements

The preparation of the unaudited condensed consolidated interim 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 2015 financial year (in brackets).

Sales revenue from the South African operations decreased by 35,1% in Rand terms from R414,1 million to R268,7 million. The disposal of Remhoogte and the ending of operations at Reuning accounted for 22,9% of the decrease. Sales from the Lower Orange River ("LOR") Operations and Shallow Water Operations decreased by 15,0% due to a decline of 30,3% in US\$ diamond prices. Revenue was, however, positively affected by a 14,6% weakening in the Rand.

South African production decreased by 26,2% to 23 940 carats (September 2014: 32 450 carats) due to the removal of Reuning and Remhoogte (10,7%) and a 23,6% decrease in average grade at the remaining LOR Operations to 1,07 carats/100 m³ (September 2014: 1,40 carats/100 m³) while volumes treated increased by 6,3%.

The cost of goods sold decreased to R299,4 million (September 2014: R337,7 million), mainly due to the termination of the Reuning operations, a decrease in contractor fees in respect of Remhoogte (R64,5 million), lower depreciation, and a stock movement of R48,2 million. The LOR unit cost of production for current operations increased by 4,4% due to an 11% increase in operating costs, while volumes treated increased by 6,3%.

Gross loss for the South African operations amounted to R30,8 million (September 2014: profit of R76,3 million).

The South African operations recorded a loss before tax of R56,6 million (September 2014: profit of R44,5 million).

At West Coast Resources, in which Trans Hex holds a 40% stake, production from the Kleinzee tailings dumps amounted to 4 821 carats. Sales amounted to R7,2 million, at an average price of US\$170 per carat. The equity accounted loss for the period amounted to R8,8 million.

In Angola production at Somiluana Mine, in which Trans Hex holds a 33% stake, amounted to 67 981 carats (September 2014: 44 400 carats), due to a 19,8% increase in gravel treated and a 27,8% increase in average grade. Total sales amounted to US\$20,2 million at an average price of US\$300 per carat (September 2014: sales of US\$21,3 million at an average price of US\$513 per carat). Repayments of US\$750 000 were made to Trans Hex against the outstanding investment amount. The balance of cash generated was retained to develop the Mine.

Profit from the Angolan continuing operations amounted to R1,4 million (September 2014: loss of R5,7 million), consisting of Somiluana's equity accounted profit of R7,1 million less head office costs of R5,7 million.

The Group reports an after-tax loss for the period from continuing operations of R43,8 million (September 2014: profit of R25,2 million).

Profit from the discontinued Luarica and Fucaúma operations amounted to R11,2 million (September 2014: R10,6 million).

The Group therefore reports a loss for the period of R32,5 million (September 2014: profit of R35,8 million).

Cash and cash equivalents at the end of the reporting period amounted to R347,5 million (September 2014: R351,1 million).

OPERATING PERFORMANCE

Detailed project information

Detailed project information (unaudited)	Six months ended 30 September 2015				Six months ended 30 September 2014			
	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	1,11	18 566	1,37	923	1,42	22 731	1,35	1 379
Bloeddrif	0,85	2 340	2,02	1 462	1,30	2 970	2,45	2 004
Reuning	–	–	–	–	0,33	563	2,59	2 453
Remhoogte	–	–	–	–	–	2 900	3,35	3 643
Shallow water	–	3 033	0,33	479	–	3 286	0,30	457
Total South Africa	1,07	23 940	0,99	932	1,31	32 450	1,08	1 557
West Coast Resources	297,46	4 821	0,38	170	–	–	–	–
Angola								
Somiluana	38,26	67 981	0,56	300	29,94	44 400	0,53	513

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

South Africa

Stripping of overburden in the main channel at Baken continued during the six months under review. The average grade decreased to 1,12 carats/100 m³ (September 2014: 1,42 carats/100 m³).

Results at Bloeddrif Mine were negatively affected by a decrease in average grade from 1,34 carats/100 m³ in September 2014 to 0,85 carats/100 m³ in September 2015 and a decrease in average stone size from 2,46 carats per stone in September 2014 to 2,02 carats per stone in September 2015.

Production from the South African operations decreased to 23 940 carats (September 2014: 32 450 carats), mainly as a result of the disposal of Remhoogte and the ending of operations at Reuning mine and a decrease in the average grade at the remaining LOR operations.

West Coast Resources (Pty) Ltd, South Africa

Production from the Kleinzee tailings dumps for the period amounted to 4 821 carats and sales amounted to R7,2 million at an average price of US\$170 per carat.

The initial drilling programme targeted areas to be stripped and mined in the first six to twelve months of production. The drill is currently targeting high-priority areas that may identify additional resources for mining.

A 10 ton/hour mobile sampling plant was commissioned in July and is currently treating samples from the scheduled production blocks to verify grade distribution in the blocks in preparation for production.

Somiluana – Sociedade Mineira, S.A., Angola

Mining and exploration activities during the period remained focused on the east bank of the Luana River where the grades and diamond values continue to exceed resource estimations.

OUTLOOK**Lower Orange River Operations**

Production at the LOR is expected to improve during the second half of the year as higher grade gravels are accessed through overburden stripping.

South African production for the 2016 financial year is expected to be in the order of 53 000 carats.

West Coast Resources (Pty) Ltd, South Africa

Construction of the production plant is progressing well and the 50 tons/hour DMS plant has been commissioned. The front-end of the plant will be commissioned before the end of the calendar year.

Stripping operations have commenced. The first production gravel is scheduled to be treated before the end of the calendar year and full production is expected early in 2016.

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

Somiluana – Sociedade Mineira, S.A., Angola

Somiluana Mine continues to increase its production capacity through the reinvestment of surplus internal cash flows. Due to the encouraging results and in order to speed up the expansion of the production footprint, external funding is being considered. Production results and geological work through drilling and bulk testing indicate that carat production for the 2016 financial year will surpass the 94 000 carats achieved in 2015.

Market

Sentiment in the rough market remains depressed, intensified by slowing growth figures in China and unstable stock markets. Weak demand and trading therefore continued, particularly in Asia, as consumer spending decreased significantly.

Demand in general continues to be low amid high stock levels and tight liquidity. The surplus polished and rough product is likely to keep prices under pressure.

However, interest in Trans Hex's tender sales continues to be healthy, confirming that demand for the Company's product remains strong.

DIVIDEND

The Board has resolved not to declare an interim dividend.

By order of the Board

BR van Rooyen

Chairman

Parow

4 November 2015

L Delpont

Chief Executive Officer

REGISTERED OFFICE

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TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd

DIRECTORATE

BR van Rooyen (Chairman), L Delpont (Chief Executive Officer), IP Hestermann (Financial Director), AR Martin, T de Bruyn, BP Lekubo, DR Wolstenholme, GM van Heerden (Company Secretary)

