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 2017

HEADLINES

- Group net loss amounted to R182,6 million (2016: loss of R100,8 million).
- Sales revenue from the wholly owned South African operations decreased by 19,5% compared to the corresponding period to R540,2 million (2016: R671,4 million).
- Gross loss from South African land operations amounted to R91,5 million (2016: loss of R6,8 million).
- Impairment charges in respect of the Lower Orange River operations amounted to R27,4 million (2016: R55,1 million).
- Equity accounting loss from West Coast Resources (Pty) Ltd amounted to R71,3 million (2016: loss of R13,6 million), including the Group's share of an impairment charge to mining rights after tax of R43,4 million.
- Equity accounting profit from Somiluana Mine in Angola amounted to R52,3 million (2016: loss of R15,8 million).
- The Group's net cash position at the end of the year was R225,4 million (2016: R353,5 million).
- Loss per share amounted to 173,5 cents (2016: loss of 94,4 cents) and headline loss per share amounted to 114,6 cents (2016: loss of 56,9 cents).
- Net asset value per share amounted to 337,0 cents (2016: 506,0 cents).

SUMMARY CONSOLIDATED INCOME STATEMENT

	Notes	2017 R'000	2016 R'000
Continuing operations			
Sales revenue		**540 183**	671 374
Cost of goods sold		**(631 655)**	(678 158)
Gross loss		**(91 472)**	(6 784)
Share of results and impairment of associated companies	1	**(18 959)**	(29 431)
Royalties		**(2 669)**	(3 248)
Selling and administration costs		**(88 802)**	(92 542)
Mining loss		**(201 902)**	(132 005)
Exploration costs		**(2 947)**	(2 048)
Other gains – net	2	**18 775**	15 115
Finance income		**29 222**	23 211
Finance costs		**(5 391)**	(4 680)
Impairment	3	**(27 417)**	(55 096)
Loss before income tax		**(189 660)**	(155 503)
Income tax		**(21 869)**	30 730
Loss for the year from continuing operations		**(211 529)**	(124 773)
Discontinued operations			
Profit for the year from discontinued operations	4	**28 912**	24 023
Loss for the year		**(182 617)**	(100 750)
Attributable to:			
Continuing operations		**(211 529)**	(124 773)
- Owners of the parent		**(212 398)**	(123 788)
- Non-controlling interest		**869**	(985)
Discontinued operations			
- Owners of the parent		**28 912**	24 023
		(182 617)	(100 750)
(Loss)/earnings per share – basic and diluted (cents)			
- Continuing operations		**(200,9)**	(117,1)
- Discontinued operations		**27,4**	22,7
Total		**(173,5)**	(94,4)
Shares in issue adjusted for treasury shares ('000)		**105 699**	105 699
Headline (loss)/earnings	5		
- Continuing operations		**(150 113)**	(84 119)
- Discontinued operations		**28 912**	24 023
Total		**(121 201)**	(60 096)

SUMMARY CONSOLIDATED INCOME STATEMENT (cont.)

	2017 R'000	2016 R'000
Headline (loss)/earnings per share (cents)		
- Continuing operations	(142,0)	(79,6)
- Discontinued operations	27,4	22,7
Total	(114,6)	(56,9)
Average ZAR/US$ exchange rate	14,02	14,06

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2017 R'000	2016 R'000
Loss for the year	(182 617)	(100 750)
Other comprehensive profit/(loss) net of tax:	3 896	(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	5 108	(21 179)
Recycling of foreign currency translation differences on repayment of long-term receivables from foreign operations	(1 212)	–
Total comprehensive loss for the year	(178 721)	(120 192)
Attributable to:		
Continuing operations	(207 633)	(144 215)
- Owners of the parent	(208 502)	(143 230)
- Non-controlling interest	869	(985)
Discontinued operations		
- Owners of the parent	28 912	24 023
	(178 721)	(120 192)

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2017 R'000	2016 R'000
ASSETS			
Non-current assets		**316 064**	388 784
Property, plant and equipment		**51 439**	82 955
Investment in associates	6	**195 822**	219 777
Investments held by environmental trust		**65 803**	61 186
Other financial assets		**3 000**	3 000
Deferred income tax assets		**–**	21 866
Current assets		**364 705**	502 079
Inventories	7	**59 276**	110 997
Trade and other receivables		**80 026**	37 109
Current income tax		**3**	474
Cash and cash equivalents		**225 400**	353 499
Total assets		**680 769**	890 863
EQUITY AND LIABILITIES			
Capital and reserves		**356 375**	535 965
Non-controlling interest		**–**	(869)
Non-current liabilities			
Provisions		**119 464**	112 449
Current liabilities		**204 930**	243 318
Trade and other payables		**123 391**	122 668
Interest in joint ventures	4	**81 539**	120 650
Total equity and liabilities		**680 769**	890 863
Net asset value per share (cents)		**337**	506

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	2017 R'000	2016 R'000
Balance at 1 April	**535 096**	665 858
Total comprehensive loss for the year	**(178 721)**	(120 192)
Dividends paid	**–**	(10 570)
Balance at end of year	**356 375**	535 096

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	2017 R'000	2016 R'000
Cash utilised in operations	(120 788)	(32 982)
Movements in working capital	12 402	708
Income tax received	468	2 220
Net cash utilised in operating activities	(107 918)	(30 054)
Cash flows from investment activities	(17 306)	(17 069)
Property, plant and equipment		
- Proceeds from disposal	–	2 931
- Replacement	(32 147)	(51 045)
- Additional	(6 196)	(5 714)
Proceeds from repayment of loan to Trans Hex Angola	18 886	18 386
Loan to associate	(27 010)	–
Dividends received	11 594	–
Interest received	17 567	18 373
Cash flows from financing activities	(3)	(10 588)
Interest paid	(3)	(18)
Dividends paid	–	(10 570)
Net decrease in cash and cash equivalents	(125 227)	(57 711)
Cash and cash equivalents at beginning of year	353 499	407 180
Effects of exchange rates on cash and cash equivalents	(2 872)	4 030
Cash and cash equivalents at end of year	225 400	353 499

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	2017 R'000	2016 R'000
1. Share of results of associated companies		
Consists of the following categories:		
• Somiluana – Sociedade Mineira, S.A. The 33% investment in Somiluana is accounted for as an investment in an associate under the equity method.	52 296	(15 835)
• West Coast Resources (Pty) Ltd The 40% investment in West Coast Resources is accounted for as an investment in an associate under the equity method.		
Included in the results for the year ended 31 March 2017 is the Group's share of an impairment charge to mining rights after tax of R43,4 million.		
Share of results and impairment of associate	(71 255)	(13 596)
Share of results of associate	(27 837)	(13 596)
Impairment charge to mining rights, after tax	(43 418)	–
	(18 959)	(29 431)
2. Other gains – net		
Other gains – net consist of the following categories:		
• Net foreign exchange gains	8 944	10 368
• Commission on sale of diamonds	9 831	4 747
	18 775	15 115

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	2017 R'000	2016 R'000
3. Impairment of assets		
Impairment of property, plant and equipment		
Mining plant and equipment	27 417	55 096

During the current year, the recoverable amount of the mining areas, each considered a separate cash-generating unit ("**CGU**"), was calculated based on value-in-use calculations. The impairment loss was limited to the fair value less costs to sell of the individual assets comprising these CGUs. In assessing the fair value less costs to sell of individual assets, independent market-related valuations were obtained to assess the price at which the assets included in each CGU could be sold in an orderly transaction between market participants. The impairment recognised during the current financial year was calculated with reference to these valuations. The valuation inputs used were these market values and costs associated with the disposal of these assets. Market values obtained were specific to the assets of the entity and thus along with the costs of disposal are considered unobservable inputs. The fair value is thus classified as a Level 3 fair value. The impairment charges and recoverable amounts relating to these CGUs are outlined below:

2017	**Baken R'000**	**Bloeddrif R'000**	**Total R'000**
Carrying value pre-impairment	34 876	37 337	72 213
Recoverable amount	(30 232)	(14 564)	(44 796)
Impairment loss recognised	4 644	22 773	27 417

2016	Baken R'000	Bloeddrif 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

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 R28,9 million (2016: R24,0 million) is included below.

	2017 R'000	2016 R'000
Angolan joint ventures		
Balance at beginning of year	120 650	119 450
Share of income from joint ventures	(28 912)	(24 023)
Profit before income tax	(28 912)	(24 023)
Taxation	–	–
Foreign exchange (profits)/losses	(10 199)	25 223
Closing balance at end of year	81 539	120 650

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

		2017 R'000	2016 R'000
5.	**Reconciliation of headline earnings**		
	Continuing operations		
	Loss for the year	**(212 398)**	(123 788)
	- Impairment of assets	**27 417**	55 096
	- Taxation impact	**(7 677)**	(15 427)
	- Foreign currency translation differences on repayment of long-term receivables from foreign operations recycled to profit or loss	**(1 212)**	–
	- Taxation impact	**339**	–
	- Impairment of assets acquired by associate	**43 418**	–
	Headline loss	**(150 113)**	(84 119)
	Discontinued operations		
	Profit for the year	**28 912**	24 023
	Headline earnings	**28 912**	24 023
6.	**Investment in associates**		
	• Loan to associate: Somiluana – Sociedade Mineira, S.A.	**29 840**	52 912
	Balance at beginning of year	**52 912**	59 276
	Repayment of loan amount	**(18 886)**	(18 386)
	Foreign exchange (profits)/losses	**(4 186)**	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. In terms of the Somiluana mining contract, the Group has a contractual right to be reimbursed for the exploration costs incurred and as at 31 March 2017, the loan outstanding by Somiluana amounted to US$21,7 million.

During the 2011 financial year, an amount of US$10,5 million was recognised as a loan receivable by the Group. This represented the recoverable amount of the loan receivable from Somiluana when the entity was formed on 12 May 2010.

To date US$8,3 million has been paid back and as at 31 March 2017, the recognised portion of the loan receivable by the Group amounted to US$2,2 million, translated to R29,8 million.

	2017 R'000	2016 R'000
• Investment in associate: Somiluana – Sociedade Mineira, S.A.	**38 820**	–
Balance at beginning of year	**–**	13 898
Share of results of associated company	**52 296**	(15 835)
Dividends paid	**(11 594)**	–
Foreign exchange differences	**(1 882)**	1 937

The 33% investment in Somiluana is accounted for as an investment in an associate under the equity method. During the 2016 financial year, Somiluana recorded losses to the extent that the Group's share of these losses exceeded its investment in Somiluana. 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. During the 2016 financial year, the total amount of unrecognised losses amounted to R13,0 million. During the current year, Somiluana reported profits and the Group resumed the recognition of its share of these profits after its share of profits equaled the share of losses previously not recognised.

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	2017 R'000	2016 R'000
• Loan to associate: West Coast Resources (Pty) Ltd	**28 677**	–
Balance at beginning of year	**–**	–
Loan advances during the year	**27 010**	–
Capitalised interest	**1 667**	–

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.

	2017 R'000	2016 R'000
• Investment in associate: West Coast Resources (Pty) Ltd	**98 485**	166 865
Balance at beginning of year	**166 865**	180 461
Share of results of associated company	**(71 255)**	(13 596)
Capitalised interest	**2 875**	–

The 40% investment in West Coast Resources (Pty) Ltd is accounted for as an investment in an associate under the equity method.

	2017 R'000	2016 R'000
	195 822	219 777

7. Inventories

	2017 R'000	2016 R'000
Diamonds	**55 068**	105 322
Consumables	**4 208**	5 675
	59 276	110 997

The carrying value of diamond inventories included above, carried at net realisable value, amounted to R33 167 323 (2016: R11 018 880).

Cost of inventories included in cost of goods sold amounted to R621 million (2016: R667 million).

8. Capital commitments

	2017 R'000	2016 R'000
(including amounts authorised, but not yet contracted)	**36 291**	43 999

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

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.

The nominal value less impairment provisions of trade receivables, cash and cash equivalents, trade payables, other financial assets and borrowings, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for the Group for similar financial instruments.

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

10. Segment information

Operating segments

Year ended 31 March 2017	**Continuing South Africa**	**Continuing Angola**	**Continuing Total**	**Discontinued Angola**
Carats sold	**40 187**	**–**	**40 187**	**–**
	R'000	**R'000**	**R'000**	**R'000**
Revenue	**540 183**	**–**	**540 183**	**–**
Cost of goods sold	**(631 655)**	**–**	**(631 655)**	**–**
Gross loss	**(91 472)**	**–**	**(91 472)**	**–**
Share of results and impairment of associated companies	**(71 254)**	**52 295**	**(18 959)**	**–**
Royalties	**(2 669)**	**–**	**(2 669)**	**–**
Selling and administration costs	**(68 520)**	**(20 282)**	**(88 802)**	**–**
Mining (loss)/profit	**(233 915)**	**32 013**	**(201 902)**	**–**
Exploration costs	**(2 947)**	**–**	**(2 947)**	**–**
Other gains/(losses) – net	**19 046**	**(271)**	**18 775**	**–**
Profit for the year from discontinued operations	**–**	**–**	**–**	**28 912**
Finance income	**29 133**	**89**	**29 222**	**–**
Finance costs	**(5 391)**	**–**	**(5 391)**	**–**
Impairment of assets	**(27 417)**	**–**	**(27 417)**	**–**
(Loss)/profit before income tax	**(221 491)**	**31 831**	**(189 660)**	**28 912**
Depreciation included in the above	**(42 435)**	**(5)**	**(42 440)**	**–**
Net assets/(liabilities)	**352 476**	**85 438**	**437 914**	**(81 539)**
Capital expenditure	**38 343**	**–**	**38 343**	**–**
Net asset value per share (cents)	**333**	**81**	**414**	**(77)**

Year ended 31 March 2016	Continuing South Africa	Continuing Angola	Continuing Total	Discontinued 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/(losses) – 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)

Revenue from transactions with certain customers can amount to 10% or more of total revenue. During the year under review such individual customers were responsible for aggregate sales of R82,3 million (2016: Rnil).

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

11. Contingent liabilities

The Group is subject to claims which arise in the ordinary course of business. The Group has provided performance guarantees to banks and other third parties amounting to R135 million (2016: R135 million).

12. Events after the reporting period

On 16 May 2017, all production operations at Bloeddrif Mine were halted and the Mine was placed under care and maintenance. This decision is in line with the Company's strategy of responsibly managing the Lower Orange River ("**LOR**") operations in the final years of their economic life cycles. The Company has given the representative trade union formal notice of possible retrenchments in terms of Section 189 of the Labour Relations Act, No. 66 of 1995, and will engage in a full process of consultation with the trade union before any decision on potential retrenchments is taken. This will include exploring all reasonable ways and means of avoiding or minimising enforced retrenchments.

As this decision was only taken after year-end, no provision for restructuring or retrenchment has been raised in the financial statements.

13. 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, No. 71 of 2008, 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; 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.

14. Preparation of financial statements

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

15. Report of independent auditor

These summary consolidated financial statements for the year ended 31 March 2017 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. 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 2016 financial year (in brackets).

Sales revenue from the South African operations decreased by 19,5% in Rand terms from R671,4 million in 2016 to R540,2 million in 2017, mainly due to a 17,5% decrease in carats sold and a slight (2,2%) decrease in the average US$ diamond price.

South African production decreased by 24,6% to 36 532 carats (2016: 48 435 carats), mainly as a result of the new operating model which was introduced at the LOR operations towards the end of the 2016 financial year, as well as underperformance at Bloeddrif Mine.

The cost of goods sold decreased to R631,7 million (2016: R678,2 million), mainly due to lower labour, fuel and maintenance costs and depreciation offset by stock movement.

Gross loss for the South African operations amounted to R91,5 million (2016: loss of R6,8 million).

Impairment charges in respect of the LOR operations amounted to R27,4 million (2016: R55,1 million).

At West Coast Resources, in which Trans Hex holds a 40% stake, production amounted to 80 506 carats (2016: 24 930 carats). Sales amounted to R172,1 million at an average price of US$166 per carat (2016: sales of R49,4 million at an average price of US$208 per carat). The 40% equity accounted loss for the year amounted to R71,3 million (2016: loss of R13,6 million). Included in the results is the Group's share of an impairment charge to mining rights after tax of R43,4 million.

The South African operations showed a loss before tax of R221,5 million (2016: loss of R119,1 million).

In Angola, production at Somiluana Mine, in which Trans Hex holds a 33% stake, increased to 137 219 carats (2016: 99 572 carats) due to a 45,1% increase in average grade, partly offset by a 5,0% decrease in gravel treated. Total sales amounted to US$69,7 million at an average price of US$500 per carat (2016: sales of US$34,2 million at an average price of US$351 per carat). Repayments of US$1,3 million (2016: US$1 million) were made to Trans Hex against the outstanding investment amount and the Group received US$825 000 (2016: US$330 000) in dividends.

Profit from the Angolan continuing operations amounted to R31,8 million (2016: loss of R36,4 million), consisting of Somiluana's equity accounted profit of R52,3 million less Angolan head office costs of R20,5 million.

The Group reports an after-tax loss for the year from continuing operations of R211,5 million (2016: loss of R124,8 million).

Profit from the discontinued Luarica and Fucaúma operations amounted to R28,9 million (2016: R21,5 million).

The Group therefore reports a loss for the year of R182,6 million (2016: loss of R100,8 million).

Cash and cash equivalents at the end of the year amounted to R225,4 million (2016: R353,5 million).

MINERAL RESOURCES AND MINERAL RESERVES

The total carats in reserve at Baken Mine decreased by 99,8%, or 73 965 carats, year-on-year mainly as a result of financial factors, including an unfavourable ZAR/US$ exchange rate, lower diamond prices and an increase in operating unit cost. The total carat resource also decreased by 6,0%, primarily due to depletion through mining activities. Indicated resources decreased by 8,1% and inferred resources by 4,6%, i.e. a decrease of 44 081 carats in total.

Total carats in reserve at Bloeddrif Mine decreased by 99,1% primarily due to changes in economic assumptions which prevent the conversion of resources to reserves in certain areas. The total carat resource decreased by 2,1%, or 3 051 carats, due to a resource review of the palaeo B1 cut-off meander during the year, as well as depletion through mining.

The total carat resource at West Coast Resources (Pty) Ltd decreased by 12,4%, mainly due to a resource review during the year, as well as depletion through mining activities (1,3%). Probable reserves decreased by 50,3%, due to the same resource review. Indicated resources decreased by 26,7% and inferred resources by 6,9%, i.e. a decrease of 744 028 carats in total.

Total carats in reserve at Somiluana Mine increased by more than 48,5% due to bulk sampling activities which, after evaluation, indicated high-grade areas which significantly added to the reserves. Indicated resources increased by 59,0%, mainly as a result of continuous sonic drilling activities on the east bank of the Luana River.

The competent persons for Trans Hex, Mr LM Cilliers and Dr JA Grills, have reviewed and approved the information contained in this announcement.

OPERATING PERFORMANCE

Detailed project information (unaudited)	Year ended 31 March 2017 Average grade per 100 m^3	Carats produced	Average carats per stone	Average price per carat achieved (US$)	Year ended 31 March 2016 Average grade per 100 m^3	Carats produced	Average carats per stone	Average price per carat achieved (US$)
South Africa								
Baken	**2,19**	**24 024**	**1,29**	**1 015**	1,28	37 603	1,42	986
Bloeddrif	**0,62**	**2 641**	**2,07**	**1 892**	0,80	3 538	2,19	1 472
Shallow water	**–**	**9 867**	**0,30**	**596**	–	7 294	0,34	520
Total South Africa	**1,75**	**36 532**	**0,70**	**959**	1,22	48 435	0,97	981
West Coast Resources	**33,28**	**80 506**	**0,27**	**166**	53,34	24 930	0,30	208
Angola								
Somiluana	**46,38**	**137 219**	**0,64**	**500**	31,96	99 572	0,57	351

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

Lower Orange River operations

During the year under review, stripping of overburden in the main channel at Baken continued. The average grade increased by 71% to 2,19 carats/100 m^3 (2016: 1,28 carats/100 m^3) mainly due to re-evaluation of ore accounting procedures that resulted in positive grade adjustments. The average price of Baken stones increased from US$986 per carat in 2016 to US$1 015 per carat in 2017, despite a 9% decrease in average stone size to 1,29 carats per stone (2016: 1,42 carats per stone).

Results at Bloeddrif Mine were once again negatively affected by a substantial decrease in average grade from 0,80 carats/100 m^3 in 2016 to 0,62 carats/100 m^3 in 2017.

In line with Trans Hex's strategy to responsibly manage these ageing assets in the final years of their economic life cycles, operations at Bloeddrif ceased post year-end due to the grade of gravel dropping below the threshold for economic mining.

West Coast Resources operations

Operational and infrastructure improvements are continuing in order to further expand the operational footprint.

During the period, mining activities produced 79 041 carats at an average grade of 32,73 carats/100 m^3 compared to 16 517 carats at an average grade of 30,48 carats/100 m^3 in 2016. In addition, the final recovery plant treated final recovery tailings and produced 1 465 carats (2016: 8 413 carats).

The average grade decreased by 38% from 53,34 carats/100 m^3 in 2016 to 33,28 carats/100 m^3 in 2017 due to the treated gravel originating mainly (98,2%) from mining operations. The average stone size amounted to 0,27 carats per stone (2016: 0,30 carats per stone).

Angolan operations

Operations during the year focused exclusively on diamond-bearing calonda formation gravels and 90% of production originated from the Nzagi Valley and the balance from the Lulau area and test blocks.

In August 2016, a record 25 042 carats were recovered from a small high-grade canal found in Nzagi, offsetting low production in preceding months.

The Mine is pursuing an aggressive drilling programme in order to identify new resources in calonda formation gravels, as well as terraces and floodplains.

During the year under review, the Mine purchased mining equipment and has started to implement other projects geared towards accelerating drilling programmes of identified target areas and increasing its gravel treatment and diamond recovery capacities by 2018.

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.

Bloeddrif Mine has been placed under care and maintenance.

Production from the wholly owned South African operations for the 2018 financial year is expected to be in the order of 37 000 carats, compared to 2017 actual production of 36 532 carats.

West Coast Resources operations

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.

Production for the 2018 financial year is expected to be in the order of 150 000 carats, compared to 2017 actual production of 80 506 carats.

Angolan operations

During the coming year, mining operations will continue on the east bank of the Luana River at Nzagi, in the south-west at Lulau, and at other areas currently being evaluated.

Production results and geological work through drilling and bulk sampling indicate that carat production for the 2018 financial year is expected to be in the order of 120 000 carats.

Market

The demonetisation of the Indian currency towards the end of the 2016 calendar year resulted in a liquidity squeeze amongst traders in India, causing a slight drop in global demand and prices.

At financial year-end, demand and prices recovered amidst renewed capacity in the Indian polishing factories and lower stock levels.

Firm prices are expected to persist in the short-term as market sentiment remains solid in the commercial and manufacturing sectors. A slower market is traditionally expected between June and August, in line with the European holidays.

New business

The Group is actively evaluating potential new diamond properties and pursuing opportunities to expand its diamond-marketing activities.

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 Theunis de Bruyn resigned from the Board of Directors, effective 16 January 2017.

Mr Piet Viljoen, who was previously the Alternate Director to Mr de Bruyn, was appointed as a Non-executive Director, effective 17 January 2017.

Messrs Bernard van Rooyen and Alwyn Martin retired, effective 31 March 2017.

Messrs Richard Tait and Leon van Schalkwyk, as well as Ms Boipelo Lekubo resigned from the Board of Directors, effective 31 March 2017.

Mr Marco Wentzel was appointed Chairman of the Board, effective 1 April 2017.

Mr Athol Rhoda was appointed as an Independent Non-executive Director and Chairman of the Audit and Risk Committee and the Human Resources and Social & Ethics Committee, effective 8 May 2017.

Messrs Wentzel, Viljoen and Quinton George were appointed as members of the Audit and Risk Committee and the Human Resources and Social & Ethics Committee, effective 8 May 2017.

Mr James Gurney was appointed as an Alternate Director to Mr Wentzel, effective 12 June 2017.

By order of the Board

MVZ Wentzel
Chairman

L Delport
Chief Executive Officer

Parow
20 June 2017

REGISTERED OFFICE

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

JSE SPONSOR

One Capital

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd

DIRECTORATE

MVZ Wentzel (Chairman), AG Rhoda, QJ George, PG Viljoen, JL Gurney (Alternate), L Delport (Chief Executive Officer), IP Hestermann (Financial Director), GM van Heerden (Company Secretary)