NOTICE OF
ANNUAL GENERAL MEETING 2017

TRANS HEX GROUP

NOTICE OF ANNUAL GENERAL MEETING

TRANS HEX GROUP LIMITED
REG. NO. 1963/007579/06

405 VOORTREKKER ROAD, PO BOX 723, PAROW 7499, CAPE TOWN • REPUBLIC OF SOUTH AFRICA
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TRANS HEX GROUP

30 June 2017

Dear Shareholder

NOTICE OF ANNUAL GENERAL MEETING

In this booklet you will find a detailed Notice of Annual General Meeting ("**Notice**") in respect of Trans Hex Group Limited's 37th Annual General Meeting which will be held on Friday, 4 August 2017. Also included are the audited summary consolidated annual financial statements for the year ended 31 March 2017, with explanatory notes and commentary, and a form of proxy.

Kindly note that a printed Integrated Annual Report will not be mailed to shareholders in order to contain costs.

The full Integrated Annual Report is, however, available for viewing and downloading on the Company's website at www.transhex.co.za. Printed copies will be available for collection at the Company's registered office and will be mailed to shareholders upon request. Please contact Ansonet Mostert on tel: 021 937 2022 or e-mail: ansonetm@transhex.co.za to request a printed copy.

Yours faithfully

GM van Heerden
Company Secretary

TRANS HEX GROUP LIMITED

(Incorporated in the Republic of South Africa)
Registration number 1963/007579/06
JSE share code: TSX
ISIN: ZAE000018552
("**Trans Hex**" or the "**Company**")

Notice is hereby given in terms of Section 62(1) of the Companies Act, No. 71 of 2008, as amended (the "**Companies Act**"), that the 37th Annual General Meeting of shareholders of Trans Hex will be held at the Company's registered offices, **405 Voortrekker Road, Parow, Cape Town, on Friday, 4 August 2017, at 10:00** for purposes of:

I) considering and, if deemed fit, adopting, with or without modification, the ordinary and special resolutions set out below:

Ordinary resolutions:

1. adopting the audited annual financial statements of Trans Hex for the year ended 31 March 2017;
2. re-electing two Directors;
3. ratifying the appointment of three Directors;
4. re-appointing the external auditors;
5. appointing the Audit and Risk Committee;
6. endorsing the Company's Remuneration Policy; and
7. approving the general authority to issue shares for cash.

Special resolutions:

1. approving the Non-executive Directors' remuneration for the year ending 31 March 2018;
2. approving the general authority to repurchase issued shares; and
3. approving the general authority to provide financial assistance to related and inter-related companies and corporations.

II) transacting any other business as may be conducted at an Annual General Meeting.

The date on which shareholders must have been recorded as such in the securities register of the Company for purposes of being entitled to receive this Notice is Friday, 23 June 2017. The date on which shareholders must be recorded in the securities register for purposes of being entitled to attend and vote at this meeting is Friday, 28 July 2017, with the last day to trade being Tuesday, 25 July 2017.

ORDINARY RESOLUTIONS

To consider and, if deemed fit, pass the following ordinary resolutions (numbers 1 to 7), with or without modification (in order for ordinary resolutions numbers 1 to 6 to be adopted, these resolutions require the support of more than 50% of the total number of votes exercised by shareholders present or represented by proxy at the meeting; ordinary resolution number seven requires the support of a 75% majority of the total numbers of votes exercised by shareholders present or represented by proxy at the meeting):

ORDINARY RESOLUTION NUMBER 1: Adopting the audited annual financial statements

"Resolved that the audited annual financial statements for the year ended 31 March 2017, including the reports of the Directors, external auditors and the Audit and Risk Committee, be and are hereby received and adopted."

The audited summary consolidated annual financial statements are contained in **Annexure 1** to this document, of which this Notice forms part. The full 2017 Integrated Annual Report, containing the audited annual financial statements and the relevant reports for the preceding year (including the report of the Human Resources and Social & Ethics Committee), is available at www.transhex.co.za or can be obtained from the Company's registered office.

ORDINARY RESOLUTION NUMBERS 2.1 and 2.2: Re-electing two Directors

"Resolved that the following Directors, who retire by rotation in terms of the Memorandum of Incorporation, and being eligible and offering themselves for re-election, be and are hereby re-elected as Directors:

2.1 Mr Marco Wentzel; and

2.2 Mr Quinton George."

Brief biographies of the aforementioned Directors are set out in **Annexure 2** to this document.

The re-elections numbered 2.1 and 2.2 constitute separate ordinary resolutions and will be considered by separate votes.

ORDINARY RESOLUTION NUMBERS 3.1, 3.2 and 3.3: Ratifying the appointment of three Directors

"Resolved that the appointments of the following Directors be ratified:

3.1 Mr Piet Viljoen as a Non-executive Director, with effect from 18 January 2017;

3.2 Mr Athol Rhoda as an Independent Non-executive Director, with effect from 8 May 2017; and

3.3 Mr James Gurney as an Alternate Director to Mr Wentzel, with effect from 12 June 2017."

Brief biographies of the aforementioned Directors are set out in **Annexure 2** to this document.

The appointments numbered 3.1, 3.2 and 3.3 constitute separate ordinary resolutions and will be considered by separate votes.

ORDINARY RESOLUTION NUMBER 4: Re-appointing the external auditors

"Resolved that PricewaterhouseCoopers Inc. be and are hereby re-appointed as the independent external auditors of the Company, and that Hugo Zeelie be and is hereby appointed as the individual designated auditor of the Company, for the ensuing period terminating on the conclusion of the next Annual General Meeting of the Company."

The Board has evaluated the performance of PricewaterhouseCoopers Inc. and recommends their re-appointment as external auditors of the Company.

ORDINARY RESOLUTIONS NUMBERS 5.1, 5.2, 5.3 AND 5.4: Appointing the Audit and Risk Committee for the ensuing year

"Resolved that the following Directors, who are eligible and offer themselves for election, be and are hereby appointed as members of the Audit and Risk Committee for the ensuing period terminating on the conclusion of the next Annual General Meeting of the Company, as recommended by the Board in accordance with Section 94(2) of the Companies Act.

5.1 Mr Athol Rhoda – Independent Non-executive Director;

5.2 Mr Marco Wentzel – Non-executive Director;

5.3 Mr Quinton George – Non-executive Director; and

5.4 Mr Piet Viljoen – Non-executive Director."

Brief biographies of the aforementioned Directors are set out in **Annexure 2** to this document.

The appointments numbered 5.1, 5.2, 5.3 and 5.4 constitute separate ordinary resolutions and will be considered by separate votes.

Shareholders are advised that Mr Wentzel is the Chairman of the Board of Directors of the Company and a member of the Audit and Risk Committee. The Board is satisfied that Mr Wentzel has acted and will continue to act with sufficient integrity, objectivity and independence such that the interests of stakeholders have not been, and will not be, prejudiced by his dual role as Chairman of the Board and member of the Audit and Risk Committee.

The Board has reviewed and assessed the independence of Mr Rhoda, who has been appointed as a Lead Independent Non-executive Director, and is fully satisfied that he meets the applicable requirements and standards to be classified as an Independent Non-executive Director.

ORDINARY RESOLUTION NUMBER 6: Endorsing the Company's Remuneration Policy

"Resolved that the Company's Remuneration Policy be and is hereby endorsed by way of a non-binding advisory vote, as recommended in the King Code of Governance for South Africa 2009, commonly referred to as King III."

The Company's Remuneration Policy is set out in **Annexure 3** of this document.

ORDINARY RESOLUTION NUMBER 7: General authority to issue shares for cash

"Resolved that the Board be and is hereby authorised, by way of a general authority, to allot and issue not more than 10 569 895 ordinary shares, representing 10% of the issued share capital of the Company (excluding treasury shares), for cash, subject to the Company's Memorandum of Incorporation, the Companies Act, and the Listings Requirements of the JSE Limited ('**JSE**'), as amended ('**JSE Listings Requirements**'), and provided that:

- this authority shall be valid until the Company's next Annual General Meeting or for 15 months from the date of this resolution, whichever period is shorter;
- the equity securities which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- such shares may only be issued to public shareholders as defined in paragraph 4.25 to 4.27 of the JSE Listings Requirements and not to related parties;

- the maximum discount (if any) at which such shares may be issued is 10% of the weighted average traded price of the Company's shares on the JSE over the 30 business days preceding the date that the price of issue is agreed between the Company and the party subscribing for the shares; and
- after the Company has issued shares in terms of this general authority representing, on a cumulative basis within the period for which this general authority remains valid, 5% or more of the number of shares in issue prior to that issue, the Company is required to publish an announcement containing full details of the issue."

Reason and effect
The reason for and effect of ordinary resolution number seven is to grant the Directors of the Company the authority, subject to the provisions of the Company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, to issue not more than 10 569 895 ordinary shares for cash.

SPECIAL RESOLUTIONS

To consider and, if deemed fit, pass the following special resolutions (numbers 1 to 3), with or without modification (in order to be adopted, these resolutions require the support of at least 75% of the total number of votes exercised by shareholders present or represented by proxy at the meeting):

SPECIAL RESOLUTION NUMBER 1: Authority to pay Non-executive Directors' remuneration for the year ending 31 March 2018

"Resolved that the Board's recommendation, set out in the table below, in respect of remuneration of Non-executive Directors, in their capacity as Non-executive Directors, as contemplated in Section 66(9) of the Companies Act, with effect from 1 April 2017, be and is hereby approved."

Designation	Fees for the year ended 31 March 2017	Proposed fees for the year ending 31 March 2018
Annual retainer:		
Non-executive Director	**R90 000**	**R95 400**
Chairman of the Human Resources and Social & Ethics Committee	**R135 000**	**R143 100**
Chairman of the Audit and Risk Committee	**R157 475**	**R166 925**
Chairman of the Board	**R180 000**	**R609 180**
Fee per meeting:		
Board meeting	**R18 000**	**R19 080**
Audit and Risk Committee meeting	**R16 200**	**R17 175**
Human Resources and Social & Ethics Committee meeting	**R10 800**	**R11 450**

Note: If the same person is Chairman of both Board sub-committees, then the annual retainer amount will be R214 625.

Further details on the basis of calculation of the remuneration are included in the Remuneration Policy as set out in **Annexure 3**.

Reason and effect
The reason for and the effect of special resolution number one is to approve the remuneration payable by the Company to its Non-executive Directors for their services as Non-executive Directors of the Company for the period ending 31 March 2018.

SPECIAL RESOLUTION NUMBER 2: General authority to repurchase issued shares

"Resolved that the Company (or any of its subsidiaries) be authorised, with effect from the date of this Annual General Meeting, by means of a general approval, to repurchase or purchase, as the case may be, such number of ordinary shares issued by the Company and at such price and on such other terms and conditions as the Directors may from time to time determine, but subject always to the provisions of Section 48 of the Companies Act and the JSE Listings Requirements, which as at the date of this Notice include, amongst others, the following:

– this authority shall not extend beyond 15 months from the date of this resolution or the date of the next Annual General Meeting of the Company, whichever is the earlier;

– the repurchase or purchase of shares shall be effected through the order book operated by the trading system of the JSE and be done without any prior understanding or arrangement between the Company and the counterparty (reported trades being prohibited);

– the acquisition must be authorised by the Company's Memorandum of Incorporation;

– the repurchase of shares shall not, in the aggregate, in any one financial year, exceed 10% of the Company's issued ordinary share capital at the time that this authority is given, provided that a subsidiary of the Company or subsidiaries of the Company collectively, shall not hold in excess of 10% of the number of shares issued by the Company;

– the acquisition must not be made at a price more than 10% above the weighted average of the market value for the ordinary shares of the Company for the five business days immediately preceding the date of acquisition;

– at any point in time, the Company may only appoint one agent to effect any repurchase/(s) on the Company's behalf;

- the Company or its subsidiary may not repurchase securities during a prohibited period, unless there is a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period;
- an announcement containing full details of such acquisitions of shares must be published as soon as the Company and/or its subsidiary/(ies) has/have acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue at the date of this Annual General Meeting at which this special resolution is considered and, if approved, passed, and for each 3% in aggregate of the initial number acquired thereafter; and
- prior to entering the market to proceed with a repurchase, the Board of the Company must pass a resolution confirming that the Board of Directors has authorised the repurchase, that the Company satisfied the solvency and liquidity test contemplated in Section 4 of the Companies Act, and that since the test was done there have been no material changes to the financial position of the Company and its subsidiaries (the '**Group**')."

Disclosure in terms of the JSE Listings Requirements

In terms of the JSE Listings Requirements, the following disclosures are required with reference to the repurchase of the Company's shares as set out in special resolution number two above:

Statement of Directors
The Company's Directors undertake that, after considering the effect of the maximum repurchase permitted, they will not implement any such repurchase unless the provisions of Sections 4 and 48 of the Companies Act will be complied with and for a period of 12 months after shareholder approval for such general repurchase:

(i) the Company and the Group will be able, in the ordinary course of business, to pay its debts;

(ii) the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group, recognised and measured in accordance with International Financial Reporting Standards;

(iii) the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes; and

(iv) the working capital resources of the Company and the Group will be adequate for ordinary business purposes.

The Company and the Group have complied with the applicable provisions of the Companies Act and the JSE Listings Requirements.

Directors' responsibility statement
The Directors, collectively and individually, accept full responsibility for the accuracy of the information pertaining to the above special resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the above special resolution contains all information required by law and the JSE Listings Requirements.

The following further disclosures required in terms of the JSE Listings Requirements are set out in the Annexures detailed below and attached to this Notice:

– Major shareholders – **Annexure 4**

– Material changes – **Annexure 5**

– Share capital of the Company – **Annexure 6**

Please refer to the additional disclosure of information contained in this Notice, which disclosure is required in terms of the JSE Listings Requirements.

Reason and effect
The reason for and effect of special resolution number two is to grant the Company's Board of Directors a general authority to approve the repurchase of its shares or to permit a subsidiary of the Company to purchase shares in the Company.

SPECIAL RESOLUTION NUMBER 3: General authority to provide financial assistance to related and inter-related companies and corporations in terms of Sections 44 and/or 45 of the Companies Act

"Resolved that the Directors of the Company be and are hereby authorised in terms of, and subject to, the provisions of Sections 44 and/or 45 of the Companies Act to cause the Company to, from time to time, provide any direct and/or indirect financial assistance (whether by way of loan, guarantee, the provision of security or otherwise) for a period of two years commencing on the date of this special resolution to any of its present or future subsidiaries and/or any other company or corporation which is or becomes related or inter-related to the Company for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by the Company or a related or inter-related company or corporation or for the purchase of any securities of the Company or related or inter-related company or corporation; provided that the Board is satisfied that immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test contemplated in Section 4 of the Companies Act; that the terms under which the financial assistance is proposed to be given, are fair and reasonable to the Company; and, that the conditions or restrictions in respect of the granting of the financial assistance which may be set out in the Company's Memorandum of Incorporation have been satisfied."

Reason and effect
The reason for and effect of special resolution number three is to grant the Directors of the Company the authority, subject to the provisions of the Companies Act, to provide financial assistance to any company or corporation which is related or inter-related to the Company.

II) TRANSACTING ANY OTHER BUSINESS AS MAY BE CONDUCTED AT AN ANNUAL GENERAL MEETING

IMPORTANT NOTICE REGARDING ATTENDANCE AT ANNUAL GENERAL MEETING

Certificated and "own name" dematerialised shares – proxy
Shareholders holding certificated shares and shareholders of the Company who have dematerialised their shares and have elected own name registration in the sub-register maintained by the Central Securities Depository Participant ("**CSDP**"), may attend, speak and vote at the Annual General Meeting or furnish a proxy.

Dematerialised shareholders other than with "own name" registration
Shareholders who have dematerialised their shares through a CSDP or broker and who have not elected own name registration in the sub-register maintained by a CSDP and who wish to attend the Annual General Meeting, should instruct their CSDP or broker to issue them with the necessary authority to attend, or if they do not wish to attend the Annual General Meeting, they may provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP or broker.

Satisfactory identification
In terms of Section 63(1) of the Companies Act, before any person may attend or participate in a shareholders' meeting such as the meeting convened in terms of this Notice, that person must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder, or as a proxy for a shareholder, has been reasonably verified. The Company will regard presentation of an original of a meeting participant's valid driver's licence, identity document or passport to be satisfactory identification.

Voting
On a show of hands every shareholder present in person or by proxy and if a member is a body corporate, its representative, shall have one vote and on a poll every shareholder present in person or by proxy and if the person is a body corporate, its representative, shall have one vote for every share held or represented by him/her.

Proxies
A form of proxy is attached for completion by registered certificated shareholders and dematerialised shareholders with own name registration who are unable to attend the Annual General Meeting in person. Forms of proxy must be completed and returned to the Company's transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg 2196, (postal address: PO Box 61051, Marshalltown 2107), by no later than 10:00 on Wednesday, 2 August 2017. Registered certificated shareholders and dematerialised shareholders with own name registration who complete and lodge forms of proxy will nevertheless be entitled to attend and vote in person at the Annual General Meeting to the exclusion of their appointed proxy/(ies) should such shareholders wish to so do.

Each shareholder holding certificated shares and each shareholder of the Company who has dematerialised its shares and has elected own name registration is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in his/her stead.

Shares held by a share trust or scheme will not have their votes at the Annual General Meeting taken into account for purposes of the resolutions proposed in terms of the JSE Listings Requirements.

Shares held as treasury shares will not have their votes taken into account at the Annual General Meeting.

The Company may provide for any shareholders' meeting to be conducted by electronic communication, or for one or more shareholders, or proxies for shareholders to participate in any shareholders' meeting by electronic communication.

By order of the Board

GM van Heerden
Company Secretary

30 June 2017

REGISTERED OFFICE
405 Voortrekker Road
Parow
Cape Town 7500
Telephone: +27 21 937 2000
Fax: +27 21 937 2100

TRANSFER SECRETARIES
Computershare Investor Services (Pty) Ltd
PO Box 61051
Marshalltown 2107
Telephone: +27 11 370 5000
Fax: +27 11 688 5200

ANNEXURE 1: AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TRANS HEX GROUP LTD

Opinion

The summary consolidated financial statements of Trans Hex Group Ltd, set out on pages 9 to 16 of the Notice of the Annual General Meeting, which comprise the summary consolidated statement of financial position as at 31 March 2017, the summary consolidated income statement, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Trans Hex Group Ltd for the year ended 31 March 2017.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited's ("**JSE**") requirements for summary financial statements, as set out in Note 13 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 20 June 2017. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's Responsibility for the Summary Consolidated Financial Statements

The Directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE's requirements for summary financial statements, set out in Note 13 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements.*

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: H Zeelie
Registered Auditor

Stellenbosch
20 June 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)
• 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.	**52 296**	(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		
The 40% investment in West Coast Resources (Pty) Ltd 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

	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:

	Baken R'000	Bloeddrif R'000	Total R'000
2017			
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			
Carrying value pre-impairment	96 601	–	96 601
Recoverable amount	(41 505)	–	(41 505)
Impairment loss recognised	55 096	–	55 096

	2017 R'000	2016 R'000
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.		
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

	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

	2017 R'000	2016 R'000
• 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 equalled the share of losses previously not recognised.

	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

		2017 R'000	2016 R'000
7.	**Inventories**		
	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**		
	(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.

10. Segment information

Operating segments

Year ended 31 March 2017	South Africa	Continuing Angola	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	South Africa	Continuing Angola	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).

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 requirements of the JSE Limited ("**JSE**") for summary financial statements and the requirements of the Companies Act, No. 71 of 2008, applicable to summary financial statements. The JSE requires summary financial statements 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 Standards 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).

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 (Pty) Ltd, 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: R24,0 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 above.

OPERATING PERFORMANCE

Detailed project information

Detailed project information (unaudited)	Year ended 31 March 2017 Average grade per 100 m³	Carats produced	Average carats per stone	Average price per carat achieved (US$)	Year ended 31 March 2016 Average grade per 100 m³	Carats produced	Average carats per stone	Average price per carat achieved US$
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 m³ (2016: 1,28 carats/100 m³) 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 m³ in 2016 to 0,62 carats/100 m³ 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 (Pty) Ltd 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 m³ compared to 16 517 carats at an average grade of 30,48 carats/100 m³ 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 m³ in 2016 to 33,28 carats/100 m³ 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 (Pty) Ltd 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.

ANNEXURE 2: DIRECTORS' BIOGRAPHIES

Marco Wentzel (38)
Non-executive Director (appointed April 2016) and Chairman of the Board
Representation on Trans Hex committees: Audit and Risk, Human Resources and Social & Ethics

Mr Wentzel holds directorships at JSE-listed Stellar Capital Partners Ltd, Advantage Wealth (Pty) Ltd, Quantech (Pty) Ltd, Truckworx SA (Pty) Ltd and Bunono Sanitary (Pty) Ltd.

Athol Rhoda (57)
CTA (UCT), CA(SA)
Independent Non-executive Director (appointed May 2017)
Representation on Trans Hex committees: Audit and Risk, Human Resources and Social & Ethics

Mr Rhoda is a qualified Chartered Accountant (CA) SA with considerable experience in financial services and the mining industry. He previously served in various senior positions in multinationals, including De Beers, AngloGold and the Standard Bank Group.

Quinton George (45)
Non-executive Director (appointed April 2016)
Representation on Trans Hex committees: Audit and Risk, Human Resources and Social & Ethics

Mr George is the Chief Executive Officer ("**CEO**") of, and a major shareholder in, M Cubed Holdings Ltd, an unlisted public investment company. He also serves as chairman of JSE-listed Mine Restoration Investments Ltd. He was previously the CEO of Trinity Asset Management (Pty) Ltd.

Piet Viljoen (54)
BComm Hons, CFA
Non-executive Director (appointed April 2016)
Representation on Trans Hex committees: Audit and Risk, Human Resources and Social & Ethics

Mr Viljoen is the Chairman of Regarding Capital Management (Pty) Ltd and Executive Chairman of RECM and Calibre Ltd. He founded Regarding Capital Management (Pty) Ltd in 2003 and has over 25 years of industry experience. He started out as a lecturer at the University of Pretoria, and then joined the Reserve Bank as an economic analyst. He became a portfolio manager at Allan Gray Investment Counsel in 1991 and in 1995 he moved to Investec Asset Management.

James Gurney (46)
BSc Hons Geochemistry (UCT)
Alternate Director (appointed June 2017)

Mr Gurney is the co-founder and CEO of the MS Group of Companies and has over 20 years' experience as a consultant to diamond exploration and development projects.

ANNEXURE 3: REMUNERATION POLICY

INTRODUCTION

Trans Hex aims to attract, retain, incentivize and reward top quality staff at all levels, with particular emphasis on scarce or critical skills. The Company's remuneration policy is designed to support this strategic goal in a way that aligns the interests of employees, managers, executives and directors with those of shareholders.

The remuneration policy is not intended to be a 'one-size-fits-all' statement of rules and procedures, but rather to serve as the basis for a flexible approach that tailors itself to the variable and changing needs of a dynamic organization over time.

There are however a number of key principles that form the foundations of the remuneration policy:

- Trans Hex is a listed diamond-mining company, operating in the small to mid-cap sector of the market.
- Whilst the Company's Head Office is located in Cape Town, its mining operations are situated in remote geographical locations.
- The Company must compete in the broader mining industry for the attraction and retention of core skills, such as artisans, engineers and management.

- The Company strives to comply with all statutory and regulatory requirements and is committed to applying best practice guidelines in all aspects of remuneration and benefits.
- The Company aims to offer remuneration packages that, at all employment levels, are market competitive, fair, reasonable and defensible in all respects.

Key features of the remuneration system

Trans Hex is a member of the PwC Remchannel remuneration survey service. The Company uses the Paterson grading system of job evaluation.

Contracts of employment are prepared in compliance with employment legislation. As a general principle, employment contracts are concluded on a permanent basis (i.e. for an indefinite period), except where business needs and prevailing circumstances dictate the use of either fixed-term or short-term temporary contracts. The notice period for the termination of employment contracts is typically one month, but for critical positions this can be extended by mutual agreement to a maximum of six months.

Job grades, salary scales and employee benefit costs are benchmarked against mining industry standards and reviewed annually. The midpoints of the Company's salary scales are adjusted annually compared to industry percentiles in line with the changing size, structure, financial performance and general circumstances of the Company over time.

The Company's salary scales have a range of 20% on either side of the midpoint to allow for the appropriate positioning of individuals according to factors such as qualifications, experience, performance, growth, development and market imperatives.

The Human Resources and Social & Ethics Committee ("**HRSE Committee**") approves all salary increases, for all categories of staff, in advance each year. Any material changes to allowances, benefits, bonus schemes, or any other aspect of remuneration policy are approved by the HRSE Committee prior to implementation.

The Company provides a market-competitive basic salary plus compulsory medical aid and retirement fund membership at all job levels. Various fixed and variable allowances are paid at certain job levels or to certain job categories.

Severance payments upon termination of service are governed by legislation, by union agreement, individual contract and Company policy and practice. In the case of retrenchment, the Company's standard policy at all job levels is to pay the contractual notice period (if not worked) and severance pay equal to three weeks' remuneration per year of service with the Company.

The Company does not provide any special retirement benefits other than the standard benefits available to employees as members of either the Trans Hex Provident Fund or the Trans Hex Retirement Fund.

The terms of service of the executive directors are linked to their terms of service as employees. Their remuneration consists only of remuneration as employees and they receive no additional remuneration as directors.

All components of the Company's remuneration system are subject to regular internal and external audits.

Employees covered by collective bargaining

All employees based at the Company's projects who are below the level of first line management (job grade D1) are members of the National Union of Mineworkers ("**NUM**") bargaining unit. As such, their salary levels, annual increases, allowances and benefit packages are negotiated annually, on a collective basis, between the Company and the trade union.

Non-union staff and management

Staff at Head Office and all members of management throughout the Company are treated individually, in accordance with their contracts of employment and the remuneration and benefit schemes and practices applicable to their job grades.

Salaries are reviewed annually, effective on 1 April. The HRSE Committee determines the extent of any general cost-of-living increase as well as any additional provision for individual adjustments based on performance, retention and market-matching criteria.

All non-union staff, managers and executives have detailed job profiles which stipulate the key performance areas of their positions and serve as the basis for performance management and the determination of any applicable performance-linked salary increases and/or bonuses.

Details of the remuneration packages paid to the Chief Executive Officer, other executive directors and prescribed officers are disclosed in the Integrated Annual Report.

Staff bonuses

Employees in the NUM bargaining unit and staff who are not members of executive management receive a guaranteed 13th cheque annually.

Management performance bonuses

Members of management, excluding executives, participate in a non-guaranteed discretionary bonus scheme whereby a bonus pool is approved by the HRSE Committee and apportioned by the CEO according to performance and retention criteria. The average bonus pool allocated under this scheme amounts to 15% of the total annual basic salaries of qualifying managers.

Executive performance bonuses

Effective prior to 31 March 2017

Executives are not paid a guaranteed annual bonus. The short-term executive bonus scheme is a purely performance-based scheme and operates under the direct control of the HRSE Committee.

In terms of the current rules of this scheme, executives may earn a bonus based on the extent to which they have achieved the targets and objectives set for them during the financial year by the CEO and the Board. The maximum bonus amounts payable are as follows:

- Chief Executive Officer: 50% of base remuneration
- Executive director: 45% of base remuneration
- Executive manager: 40% of base remuneration

Base remuneration consists of basic salary and, where applicable, car allowances and Company contributions to the retirement fund and medical aid scheme.

The Board determines the performance targets and objectives of the CEO, conducts his performance assessment and decides the quantum of his performance bonus.

The CEO determines the performance targets and objectives of the executive directors and managers, conducts their performance assessments and proposes the quantum of their performance bonuses for approval by the Board.

With effect from 1 April 2017

The Board has resolved that a full review of executive pay structures should be carried out under the auspices of the HRSE Committee. External specialists have been engaged to provide assistance. The intention is to complete the review and implement changes during the 2018 financial year.

Details of performance bonuses paid to the CEO, other executive directors and prescribed officers are disclosed in the Integrated Annual Report.

Long-term executive retention scheme

The Company does not have a share option scheme and does not issue shares to its executives or directors.

It does however operate a share appreciation entitlement scheme, details of which are outlined below. The Board has however resolved that a full review of executive pay structures should be carried out under the auspices of the HRSE Committee. External specialists have been engaged to provide assistance. The intention is to complete the review and implement any resultant changes during the 2018 financial year.

As part of the above process, the Board has resolved to terminate the current long-term executive retention scheme in a fair and appropriate manner. Accordingly, no further awards of entitlements will be made to executives under this scheme.

Details of the scheme

The Company operates a share appreciation entitlement scheme, the aims of which are to promote the long-term retention of a critical nucleus of Company executives and senior management, to motivate them in their job performance and to align their interests with those of shareholders.

The target group for this scheme is defined as all senior managers and executives in job grade E1 and above.

The HRSE Committee made an initial allocation of share appreciation entitlements ("**SAEs**") to participating employees upon the introduction of the scheme in 2006 and has since used best practice allocation and grant policies to determine annual allocation amounts.

Prior to 2015

All SAEs were issued at a specified grant price, being the average closing price of one Trans Hex Group Limited share recorded on the JSE Securities Exchange on the five trading days preceding the date on which they were granted, with 20% vesting on each of the first to the fifth anniversaries of the date on which they were issued.

Vested entitlements may be exercised at any time on or after the date on which they vested, provided that entitlements not exercised within ten years from the date of grant will lapse. On exercise, the participating employee will receive, in respect of each entitlement exercised, the difference (in cash, less income tax) between the closing price of one THG share recorded on the JSE Securities Exchange on the day preceding his request to exercise and the grant price of the entitlements exercised.

Effective from 2015
All SAEs are issued at a specified price, the "grant price", being the volume-weighted average price of one Trans Hex Group Limited share recorded on the JSE Securities Exchange for the 30 trading days preceding the date on which they are granted.

One sixth (1/6th) of each award of SAEs will vest on the third anniversary of the date on which they are issued, two sixths (2/6th) on the fourth anniversary and three sixths (3/6th) on the fifth anniversary.

Vested entitlements may be exercised at any time on or after the date on which they vested, provided that entitlements not exercised within five years from the date of grant, plus 90 trading days, will lapse.

On exercise, the participating employee will receive, in respect of each entitlement exercised, the difference (in cash, less income tax) between:

A. the "exercise price", i.e. the volume-weighted average price of one THG share recorded on the JSE for the 30 trading days preceding his request to exercise, and
B. the "strike price", i.e. the price calculated as at market close on the day preceding his request to exercise, by way of an XIRR function based on the grant price of the entitlements exercised, the value of dividends per share declared since the grant date, and a cost of capital ("hurdle rate") of 15% per annum.

Details of the number and value of SAEs issued are disclosed in the Integrated Annual Report.

Non-executive directors
Non-executive directors are appointed on a three-year rotation basis.

Each non-executive director is paid a fixed annual retainer for services as a director, with the chairmen of the Board and its sub-committees receiving a premium in recognition of their roles and added responsibilities. In addition, a fixed fee is paid for attendance and service at each Board meeting and each sub-committee meeting.

Alternate directors are not paid unless serving in office or attending meetings in the place of a director. Non-executive directors who attend sub-committee meetings by invitation are not paid for such attendance.

Non-executive directors' remuneration is reviewed annually by the HRSE Committee. Fees applicable for the next financial year are submitted to shareholders for approval at the Annual General Meeting. The amounts paid to individual directors are disclosed in the Integrated Annual Report.

ANNEXURE 4: MAJOR SHAREHOLDERS AS AT 31 MARCH 2017

Trans Hex's ordinary shares are quoted on the JSE and trades on the JSE's **Basic Resources – Mining** sector under the share code: TSX.

According to information available to the Directors, shareholders beneficially holding (either directly or via nominee companies) in excess of 3% of the issued share capital, were as follows:

Shareholder	Number of shares	%
Cream Magenta 140 (Pty) Ltd	27 038 143	25,50
Metcap 14 (Pty) Ltd	27 038 143	25,50
RECM and Calibre Ltd	27 038 143	25,50
Investec	5 492 852	5,18
Total	86 607 281	81,68

According to information available to the Directors, shareholders (by group) holding in excess of 3% of the issued share capital, were as follows:

Shareholder	Number of shares	%
Cream Magenta 140 (Pty) Ltd	27 038 143	25,50
Metcap 14 (Pty) Ltd	27 038 143	25,50
RECM and Calibre Ltd	27 038 143	25,50
Investec Asset Management	9 295 511	8,77
Total	90 409 940	85,27

ANNEXURE 5: MATERIAL CHANGES

The Directors report that, other than the facts and developments reported on in the Integrated Annual Report, there have been no material changes in the affairs, financial or trading position of the Company since the signature date of the Integrated Annual Report and the distribution thereof.

ANNEXURE 6: SHARE CAPITAL OF THE COMPANY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When any company in Trans Hex purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable additional costs (net of income taxes) is deducted from equity attributable to Trans Hex's equity holders until the shares are cancelled, reissued or disposed of. When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable additional transaction costs and the related income tax effects, is included in equity attributable to Trans Hex's shareholders.

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

JSE SPONSOR
One Capital
www.onecapital.co.za

TRANSFER SECRETARIES
Computershare Investor Services (Pty) Limited
www.computershare.com/za/

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)

www.transhex.co.za

TRANS HEX
GROUP

FORM OF PROXY

TRANS HEX GROUP

(Registration number: 1963/007579/06)
Share code: TSX
ISIN: ZAE000018552
("**Trans Hex**" or the "**Company**")

For completion by shareholders who have not dematerialised their shares or who have dematerialised their shares but with own name registration.

For use at the Annual General Meeting of Trans Hex to be held at the Company's registered offices, 405 Voortrekker Road, Parow, Cape Town on **Friday, 4 August 2017, at 10:00**.

I/We ______________________________ (name in block letters)

of ______________________________ (address)

being the holder(s) of ______________________________ ordinary shares

hereby appoint:

1. ______________________________ or failing him/her

2. ______________________________ or failing him/her

3. the Chairman of the meeting, as my/our proxy to vote for me/us at the Annual General Meeting for purposes of considering and, if deemed fit, adopting, with or without modification, the ordinary and special resolutions to be proposed thereat and in each adjournment or postponement thereof and to vote for/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name in accordance with the following instructions (see "Notes to Proxy Forms"):

	For	Against	Abstain
Ordinary resolution number 1: Adopting the audited annual financial statements of Trans Hex for the year ended 31 March 2017			
Ordinary resolution number 2.1: Re-electing a Director – Mr Marco Wentzel			
Ordinary resolution number 2.2: Re-electing a Director – Mr Quinton George			
Ordinary resolution number 3.1: Ratifying the appointment of a Director – Mr Piet Viljoen			
Ordinary resolution number 3.2: Ratifying the appointment of a Director – Mr Athol Rhoda			
Ordinary resolution number 3.3: Ratifying the appointment of an Alternate Director – Mr James Gurney			
Ordinary resolution number 4: Re-appointing external auditors PricewaterhouseCoopers Inc			
Ordinary resolution number 5.1: Appointing Audit and Risk Committee member Mr Athol Rhoda			
Ordinary resolution number 5.2: Appointing Audit and Risk Committee member Mr Marco Wentzel			
Ordinary resolution number 5.3: Appointing Audit and Risk Committee member Mr Quinton George			
Ordinary resolution number 5.4: Appointing Audit and Risk Committee member Mr Piet Viljoen			
Ordinary resolution number 6: Endorsing the Company's Remuneration Policy			
Ordinary resolution number 7: Approving the general authority to issue shares for cash			
Special resolution number 1: Approving Non-executive Directors' remuneration for the year ending 31 March 2018			
Special resolution number 2: Approving the general authority to repurchase issued shares			
Special resolution number 3: Approving the general authority to provide financial assistance to related and inter-related companies and corporations			

Please indicate your voting instruction by way of inserting the number of shares or by a cross in the space provided.

Signed at ______________________ on this the __________ day of ______________________ 2017.

Signature(s) ______________________________

Assisted by (where applicable) (state capacity and full name)

____

Each shareholder holding certificated shares and each shareholder of the Company who has dematerialised its shares and has elected own name registration is entitled to appoint one or more proxy/(ies) (who need not be shareholder/[s] of the Company) to attend, speak and vote in his/her stead at the Annual General Meeting.

NOTES TO PROXY FORMS

Dematerialised shareholders other than with “own name” registration

Shareholders who have dematerialised their shares through a Central Securities Depository Participant (**“CSDP”**) or broker and who have not elected own name registration in the sub-register maintained by a CSDP and who wish to attend the Annual General Meeting, should instruct their CSDP or broker to issue them with the necessary authority to attend, or if they do not wish to attend the Annual General Meeting, they may provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP or broker. They should not fill in this proxy form.

1. A shareholder may insert the name of a proxy or the name of two alternative proxies of the entitled shareholder’s choice in the space/(s) provided, with or without deleting “the Chairman of the meeting”, but any such deletion must be initialled by the shareholder. The person whose name appears first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. Shareholders must insert an “X” in the relevant box provided according to how they wish their votes to be cast. However, if shareholders wish to cast their votes in respect of a lesser number of shares than they own in the Company they must insert the number of shares held in respect of which they wish to vote or abstain from voting. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of the shareholder’s votes exercisable at the Annual General Meeting. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.

3. Forms of proxy must be received by the transfer secretaries by no later than 10:00 on **Wednesday, 2 August 2017**, or handed to the Chairman of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder’s rights.

   Computershare Investor Services (Pty) Ltd
   Rosebank Towers
   15 Biermann Avenue
   Rosebank 2196
   PO Box 61051
   Marshalltown 2107

4. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.

5. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person at the Annual General Meeting to the exclusion of any proxy appointed in terms of this form of proxy.

6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the Chairman of the Annual General Meeting.

7. Any alteration or correction made to this form of proxy must be initialled by the signatory/(ies).

8. Subject to any rights of cancellation/revocation by any shareholder/(s), this proxy remains valid only for one year or until the end of the Annual General Meeting held on **Friday, 4 August 2017, at 10:00**, or any postponement thereof – whichever occurs first.

9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of Trans Hex.

10. The Chairman of the Annual General Meeting may accept any form of proxy which is completed, other than in accordance with these notes, if the Chairman is satisfied as to the manner in which the shareholder wishes to vote.

Please note that in terms of Section 58 of the Companies Act, No. 71 of 2008:

- The appointment of a proxy is revocable unless the proxy appointment expressly states otherwise. If the appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy; and delivering a copy of the revocation instrument to the proxy, and to the Company. The revocation will take effect on the later of (i) the date stated in the revocation instrument; or (ii) the date on which the revocation instrument was delivered to the proxy and the Company.
- A proxy may delegate his/her authority to act on a member’s behalf to another person, subject to any restriction set out in this proxy form.
- A proxy form must be delivered to the transfer secretaries of the Company, namely Computershare Investor Services (Pty) Ltd, before a proxy exercises any of a shareholder’s rights as a shareholder at the Annual General Meeting.