

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")

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**HEADLINES**

- Group net loss amounted to R199,2 million (September 2016: profit of R32,5 million).
- Sales revenue from the wholly owned South African operations decreased by 45,6% to R149,7 million (September 2016: R275,3 million).
- Cost of goods sold amounted to R340,7 million (2016: R261,4 million), including retrenchment costs of R111,4 million at the Lower Orange River operations.
- Gross loss from South African land operations amounted to R191,0 million (September 2016: profit of R13,9 million).
- Equity accounting loss from West Coast Resources (Pty) Ltd amounted to R13,1 million (September 2016: loss of R9,0 million).
- Equity accounting profit from Somiluana Mine in Angola amounted to R18,7 million (September 2016: profit of R34,2 million).
- The Group's net cash position at the end of the period was R41,3 million (September 2016: R322,4 million).
- Loss per share amounted to 188,4 cents (September 2016: earnings of 31,8 cents) and headline loss per share amounted to 195,1 cents (September 2016: earnings of 31,4 cents).
- Net asset value per share amounted to 142,0 cents (September 2016: 540,0 cents).

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	30/09/17 Unaudited R'000	30/09/16 Unaudited R'000	31/03/17 Audited R'000
Continuing operations				
Sales revenue		149 729	275 319	540 183
Cost of goods sold		(340 724)	(261 440)	(631 655)
Gross (loss)/profit		(190 995)	13 879	(91 472)
Share of results and impairment of associated companies	1	5 629	25 155	(18 959)
Royalties		(695)	(1 309)	(2 669)
Selling and administration costs		(40 167)	(48 588)	(88 802)
Mining loss		(226 228)	(10 863)	(201 902)
Exploration costs		(2 061)	(1 571)	(2 947)
Other gains – net	2	19 575	9 269	18 775
Finance income		12 658	13 973	29 222
Finance costs		(3 975)	(2 695)	(5 391)
Impairment	3	-	-	(27 417)
(Loss)/profit before income tax		(200 031)	8 113	(189 660)
Income tax		(1)	793	(21 869)
(Loss)/profit for the period from continuing operations		(200 032)	8 906	(211 529)
Discontinued operations				
Profit for the period from discontinued operations	4	868	23 620	28 912
(Loss)/profit for the period		(199 164)	32 526	(182 617)
Attributable to:				
Continuing operations		(200 032)	8 906	(211 529)
- Owners of the parent		(200 032)	9 988	(212 398)
- Non-controlling interest		-	(1 082)	869
Discontinued operations		868	23 620	28 912
- Owners of the parent		(199 164)	32 526	(182 617)
(Loss)/earnings per share – basic and diluted (cents)				
- Continuing operations		(189,2)	9,5	(200,9)
- Discontinued operations		0,8	22,3	27,4
Total		(188,4)	31,8	(173,5)
Shares in issue adjusted for treasury shares ('000)		105 699	105 699	105 699

	Notes	30/09/17 Unaudited R'000	30/09/16 Unaudited R'000	31/03/17 Audited R'000
Headline (loss)/earnings	5			
- Continuing operations		(207 042)	9 552	(150 113)
- Discontinued operations		868	23 620	28 912
Total		(206 174)	33 172	(121 201)
Headline (loss)/earnings per share (cents)				
- Continuing operations		(195,9)	9,1	(142,0)
- Discontinued operations		0,8	22,3	27,4
Total		(195,1)	31,4	(114,6)
Average ZAR/US\$ exchange rate		12,98	14,72	14,02

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	30/09/17 Unaudited R'000	30/09/16 Unaudited R'000	31/03/17 Audited R'000
(Loss)/profit for the period	(199 164)	32 526	(182 617)
Other comprehensive (loss)/profit net of tax:	(7 381)	2 785	3 896
Items that may be subsequently reclassified to profit or loss			
Translation differences on foreign subsidiaries before and after tax	(5 079)	3 391	5 108
Recycling of foreign currency differences on repayment of long-term receivables from foreign operations	(2 302)	(606)	(1 212)
Total comprehensive (loss)/income for the period	(206 545)	35 311	(178 721)
Attributable to:			
Continuing operations	(207 413)	11 691	(207 633)
- Owners of the parent	(207 413)	12 773	(208 502)
- Non-controlling interest	-	(1 082)	869
Discontinued operations	868	23 620	28 912
- Owners of the parent	(206 545)	35 311	(178 721)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30/09/17 Unaudited R'000	30/09/16 Unaudited R'000	31/03/17 Audited R'000
ASSETS				
Non-current assets		362 691	427 015	316 064
Property, plant and equipment		49 881	81 312	51 439
Investment in associates	6	241 709	256 424	195 822
Investments held by environmental trust		68 101	63 539	65 803
Other financial assets		3 000	3 000	3 000
Deferred income tax assets		–	22 740	–
Current assets		201 613	472 624	364 705
Inventories	7	94 652	129 078	59 276
Trade and other receivables		65 645	21 158	80 026
Current income tax		5	–	3
Cash and cash equivalents		41 311	322 388	225 400
Total assets		564 304	899 639	680 769
EQUITY AND LIABILITIES				
Capital and reserves		149 830	572 358	356 375
Non-controlling interest		–	(1 951)	–
Non-current liabilities				
Provisions		134 220	116 230	119 464
Current liabilities		280 254	213 002	204 930
Borrowings	8	32 000	–	–
Trade and other payables		166 735	122 674	123 391
Interest in joint ventures	4	81 519	90 252	81 539
Current income tax liabilities		–	76	–
Total equity and liabilities		564 304	899 639	680 769
Net asset value per share (cents)		142	540	337

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	30/09/17 Unaudited R'000	30/09/16 Unaudited R'000	31/03/17 Audited R'000
Balance at 1 April	356 375	535 096	535 096
Total comprehensive (loss)/income for the period	(206 545)	35 311	(178 721)
Dividends paid	–	–	–
Balance at end of period	149 830	570 407	356 375

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	30/09/17 Unaudited R'000	30/09/16 Unaudited R'000	31/03/17 Audited R'000
Cash utilised in operations	(211 971)	(12 391)	(120 788)
Movements in working capital	22 347	(899)	12 402
Income tax received	–	471	468
Net cash utilised in operating activities	(189 624)	(12 819)	(107 918)
Cash flows from investment activities	(26 073)	(16 694)	(17 306)
Property, plant and equipment			
- Proceeds from disposal	4 708	–	–
- Replacement	(2 943)	(14 416)	(32 147)
- Additional	(1 839)	(1 166)	(6 196)
Proceeds from repayment of loan to Trans Hex Angola	–	1 935	18 886
Loan to associate	(39 228)	(20 000)	(27 010)
Dividends received	4 347	4 572	11 594
Interest received	8 882	12 381	17 567
Cash flows from financing activities	31 955	(1)	(3)
Interest paid	(45)	(1)	(3)
Borrowings	32 000	–	–
Net decrease in cash and cash equivalents	(183 742)	(31 111)	(125 227)
Cash and cash equivalents at beginning of period	225 400	353 499	353 499
Effects of exchange rates on cash and cash equivalents	(347)	(1 597)	(2 872)
Cash and cash equivalents at end of period	41 311	322 388	225 400

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	30/09/17 Unaudited R'000	30/09/16 Unaudited R'000	31/03/17 Audited 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.	18 743	34 195	52 296
- 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	(13 114)	(9 040)	(71 255)
Share of results of associate	(13 114)	(9 040)	(27 837)
Impairment charge to mining rights, after tax	–	–	(43 418)
	5 629	25 155	(18 959)
2. Other gains – net			
Other gains – net consist of the following categories:			
- Net foreign exchange gains	7 446	4 955	8 944
- Commission on sale of diamonds	7 421	4 314	9 831
- Profit on sale of assets	4 708	–	–
	19 575	9 269	18 775

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	30/09/17 Unaudited R'000	30/09/16 Unaudited R'000	31/03/17 Audited R'000
3. Impairment of assets			
Impairment of property, plant and equipment			
Mining plant and equipment	-	-	27 417

During the previous financial 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 at in an orderly transaction between market participants. The impairment recognised during the previous 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	31/03/17 Audited 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

For the year ended 31 March 2017, an impairment charge of R27,4 million was recognised. No additional impairment was recognised at 30 September 2017.

	30/09/17 Unaudited R'000	30/09/16 Unaudited R'000	31/03/17 Audited 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 R0,9 million (31/03/17: R28,9 million; 30/09/16: R23,7 million) is included below.

Angolan joint ventures

Balance at beginning of period	81 539	120 650	120 650
Share of income from joint ventures	(868)	(23 620)	(28 912)
- Profit before income tax	(868)	(23 620)	(28 912)
- Taxation	-	-	-
Foreign exchange losses/(profits)	848	(6 778)	(10 199)
Closing balance at end of period	81 519	90 252	81 539

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	30/09/17 Unaudited R'000	30/09/16 Unaudited R'000	31/03/17 Audited R'000
5. Reconciliation of headline earnings			
Continuing operations			
(Loss)/profit for the period	(200 032)	9 988	(212 398)
- Impairment of assets	-	-	27 417
- Taxation impact	-	-	(7 877)
- Foreign currency differences on repayment of long-term receivables from foreign operations recycled to profit or loss	(2 302)	(606)	(1 212)
- Taxation impact	-	170	339
- Impairment of assets acquired by associate	-	-	43 418
- Profit on sale of assets	(4 708)	-	-
- Taxation impact	-	-	-
Headline (loss)/earnings	<u>(207 042)</u>	<u>9 552</u>	<u>(150 113)</u>
Discontinued operations			
Profit for the period	<u>868</u>	<u>23 620</u>	<u>28 912</u>
Headline earnings	<u>868</u>	<u>23 620</u>	<u>28 912</u>
6. Investment in associates			
- Loan to associate: Somiluana – Sociedade Mineira, S.A.	<u>30 159</u>	<u>47 611</u>	<u>29 840</u>
Balance at beginning of period	<u>29 840</u>	<u>52 912</u>	<u>52 912</u>
Repayment of loan amount	-	(1 935)	(18 886)
Foreign exchange differences	<u>319</u>	<u>(3 366)</u>	<u>(4 186)</u>
The loan to Somiluana represents a portion of the exploration costs previously incurred by the Group which is recoverable from the mining company. The loan does not form part of the net investment in the associate as settlement of the loan is considered likely to occur in the foreseeable future.			
- Investment in associate: Somiluana – Sociedade Mineira, S.A.	<u>54 042</u>	<u>28 028</u>	<u>38 820</u>
Balance at beginning of period	<u>38 820</u>	-	-
Share of results of associated company	<u>18 743</u>	<u>34 195</u>	<u>52 296</u>
Dividends paid	<u>(4 347)</u>	<u>(4 572)</u>	<u>(11 594)</u>
Foreign exchange differences	<u>826</u>	<u>(1 595)</u>	<u>(1 882)</u>
The 33% investment in Somiluana is accounted for as an investment in an associate under the equity method.			
- Loan to associate: West Coast Resources (Pty) Ltd	<u>71 487</u>	<u>20 735</u>	<u>28 677</u>
Balance at beginning of period	<u>28 677</u>	-	-
Loan advances during the period	<u>39 228</u>	<u>20 000</u>	<u>27 010</u>
Capitalised interest	<u>3 582</u>	<u>735</u>	<u>1 667</u>
The loan does not form part of the net investment in the associate as settlement of the loan is considered likely to occur in the foreseeable future.			
- Investment in associate: West Coast Resources (Pty) Ltd	<u>86 021</u>	<u>160 050</u>	<u>98 485</u>
Balance at beginning of period	<u>98 485</u>	<u>166 865</u>	<u>166 865</u>
Share of results of associated company	<u>(13 114)</u>	<u>(9 040)</u>	<u>(71 255)</u>
Capitalised interest	<u>650</u>	<u>2 225</u>	<u>2 875</u>
The 40% investment in West Coast Resources (Pty) Ltd is accounted for as an investment in an associate under the equity method.			
	<u>241 709</u>	<u>256 424</u>	<u>195 822</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	30/09/17 Unaudited R'000	30/09/16 Unaudited R'000	31/03/17 Audited R'000
7. Inventories			
Diamonds	88 680	124 289	55 068
Consumables	5 972	4 789	4 208
	<u>94 652</u>	<u>129 078</u>	<u>59 276</u>

8. Borrowings

Related party loan	32 000	–	–
	<u>32 000</u>	<u>–</u>	<u>–</u>

Revolving loan facility secured by a special notarial bond to the value of R264 000 000 over certain movable assets, cession of certain book debts, shares and claims. The loan carries interest at the rate of 2% per month and is repayable by 31 December 2019. The total amount available under the facility is R220 000 000.

9. Capital commitments

(including amounts authorised, but not yet contracted)	26	20 143	36 291
--	----	--------	--------

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

10. Fair value estimation

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

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

Financial assets are classified as Level 1 according to the fair value hierarchy. Investments held by the environmental trust are the only financial assets carried at fair value. However, this fund consists primarily of cash and cash equivalents with the largest driver of 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. Segment information

Operating segments

Period ended 30 September 2017	Continuing			Discontinued Angola
	South Africa	Angola	Total	
	R'000	R'000	R'000	R'000
Carats sold	14 029	-	14 029	-
Revenue	149 729	-	149 729	-
Cost of goods sold	(340 724)	-	(340 724)	-
Gross loss	(190 995)	-	(190 995)	-
Share of results of associated companies	(13 114)	18 743	5 629	-
Royalties	(695)	-	(695)	-
Selling and administration costs	(32 923)	(7 244)	(40 167)	-
Mining (loss)/profit	(237 727)	11 499	(226 228)	-
Exploration costs	(2 061)	-	(2 061)	-
Other gains – net	19 690	(115)	19 575	-
Profit for the period from discontinued operations	-	-	-	868
Finance income	12 658	-	12 658	-
Finance costs	(3 975)	-	(3 975)	-
Impairment of assets	-	-	-	-
(Loss)/profit before income tax	(211 415)	11 384	(200 031)	868
Depreciation included in the above	(6 289)	(1)	(6 290)	-
Net assets/(liabilities)	84 875	137 075	221 950	(81 519)
Capital expenditure	4 696	-	4 696	-
Net asset value per share (cents)	80	130	210	(77)

Period ended 30 September 2016	Continuing			Discontinued Angola
	South Africa	Angola	Total	
	R'000	R'000	R'000	R'000
Carats sold	18 192	-	18 192	-
Revenue	275 319	-	275 319	-
Cost of goods sold	(261 440)	-	(261 440)	-
Gross profit	13 879	-	13 879	-
Share of results of associated companies	(9 040)	34 195	25 155	-
Royalties	(1 309)	-	(1 309)	-
Selling and administration costs	(36 124)	(12 443)	(48 567)	-
Mining (loss)/profit	(32 595)	21 732	(10 863)	-
Exploration costs	(1 571)	-	(1 571)	-
Other gains – net	9 448	(179)	9 269	-
Profit for the period from discontinued operations	-	-	-	23 620
Finance income	13 973	-	13 973	-
Finance costs	(2 695)	-	(2 695)	-
Impairment of assets	-	-	-	-
(Loss)/profit before income tax	(13 440)	21 553	8 906	23 620
Depreciation included in the above	(17 240)	(4)	(17 244)	-
Net assets/(liabilities)	546 633	114 026	660 659	(90 252)
Capital expenditure	15 294	-	15 294	-
Net asset value per share (cents)	517	132	625	(85)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**11. Segment information (continued)**

Operating segments				
Year ended 31 March 2017	Continuing			Discontinued
	South Africa	Angola	Total	Angola
	R'000	R'000	R'000	R'000
Carats	40 187	–	40 187	–
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)

Revenue from transactions with certain customers can amount to 10% or more of total revenue. During the period under review such individual customers were responsible for aggregate sales of R71,3 million (31/03/17: R82,3 million; 30/09/16: R74,5 million).

12. Contingent liabilities

There have been no material changes to contingent liabilities previously reported in the 2017 Integrated Annual Report.

13. Events after the reporting period

Trans Hex entered into a consultation process, in accordance with section 189 of the Labour Relations Act, No. 66 of 1995, with regard to potential retrenchments at its Baken Mine, as published on SENS on Friday, 1 September 2017. Baken Mine was placed on care and maintenance effective from Wednesday, 1 November 2017.

Furthermore, Trans Hex shareholders were advised in an announcement published on SENS on Monday, 9 October 2017 and in a circular posted to shareholders on Thursday, 2 November 2017 (“**Circular**”) of a potential acquisition by the Group of a further 27,2% shareholding in West Coast Resources (Pty) Ltd from RAC Investments Holdings (Pty) Ltd (“**Transaction**”) and a potential future specific issue of shares for cash (“**Specific Issue**”).

Save for the above, there are no events which may be expected to have a material effect on the Group which occurred between the reporting date and the issuing of this announcement.

14. Accounting policies

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements.

15. Preparation of financial statements

The preparation of the condensed consolidated financial statements was supervised by the Financial Director, IP Hestermann CA(SA). The condensed consolidated financial statements have not been reviewed or audited by the Company's external auditors.

OVERVIEW

In this commentary, results are compared with the first six months of the 2017 financial year (in brackets).

Sales revenue from the South African operations decreased by 45,6% in Rand terms from R275,3 million in September 2016 to R149,7 million in September 2017. The average US\$ diamond price decreased by 20,1%, mainly due to a weaker market and a decrease in average stone size. Sales were negatively affected by an 11,8% strengthening of the Rand against the US\$ and a 22,9% decrease in carats sold.

South African production decreased by 16,2% to 15 917 carats (September 2016: 18 997 carats) mainly due to the closure of Bloeddrif Mine and underperformance at Baken Mine.

The cost of goods sold increased to R340,7 million (September 2016: R261,4 million) mainly due to retrenchment costs of R111,4 million, offset by lower maintenance costs, depreciation and stock movement of R14,7 million.

Gross loss for the South African operations amounted to R191,0 million (September 2016: profit of R13,9 million).

At West Coast Resources (Pty) Ltd, in which Trans Hex holds a 40% stake, production amounted to 60 344 carats (September 2016: 37 153 carats). Sales amounted to R118,5 million at an average price of US\$156 per carat (September 2016: sales of R78,4 million at an average price of US\$176 per carat). The 40% equity accounted loss for the period amounted to R13,1 million (September 2016: loss of R9,0 million).

The South African operations showed a loss before tax of R211,4 million (September 2016: loss of R13,4 million).

In Angola, production at Somiluana Mine, in which Trans Hex holds a 33% stake, decreased significantly to 67 083 carats (September 2016: 91 033 carats) due to a 15,0% decrease in average grade and a 13,3% decrease in gravel treated. Total sales amounted to US\$27,7 million at an average price of US\$531 per carat (September 2016: sales of US\$32,5 million at an average price of US\$477 per carat). The Group received US\$330 000 (September 2016: US\$330 000) in dividends.

Profit from the Angolan continuing operations amounted to R11,4 million (September 2016: profit of R21,6 million), consisting of Somiluana's equity accounted profit of R18,7 million less Angolan head office costs of R7,3 million.

The Group reports an after-tax loss for the period from continuing operations of R200,0 million (September 2016: profit of R8,9 million).

Profit from the discontinued Luarica and Fucaúma operations amounted to R0,9 million (September 2016: R23,6 million).

The Group therefore reports a loss for the period of R199,2 million (September 2016: profit of R32,5 million).

Cash and cash equivalents at the end of the reporting period amounted to R41,3 million (September 2016: R322,4 million).

MINERAL RESOURCES AND MINERAL RESERVES

No adjustments have been made to the statement of mineral resources and mineral reserves as contained in the 2017 Integrated Annual Report. Reconciliation of production data takes place annually and an updated mineral resources and reserves statement will be published in the 2018 Integrated Annual Report.

OPERATING PERFORMANCE

Detailed project information (unaudited)	Period ended 30 September 2017				Period ended 30 September 2016			
	Average grade *	Carats produced	Average carats per stone	Average price per carat achieved (US\$)	Average grade *	Carats produced	Average carats per stone	Average price per carat achieved (US\$)
South Africa								
Baken	2,15	10 904	1,18	879	2,30	13 108	1,34	1 043
Bloeddrif	2,60	620	1,52	877	0,51	1 111	2,51	2 196
Shallow water	–	4 393	0,25	502	–	4 778	0,30	585
Total South Africa	2,17	15 917	0,59	822	1,80	18 997	0,73	1 028
West Coast Resources	20,41	60 344	0,24	156	14,77	37 153	0,28	176
Angola								
Somiluana	48,89	67 083	0,65	531	57,50	91 033	0,63	477

* Average grade is calculated per 100 m³ for South Africa and Angola, and per 100 tons for West Coast Resources. Average grade in South Africa is calculated excluding shallow water production.

Lower Orange River operations

Stripping of overburden in the main channel at Baken Mine continued during the period. The average grade decreased slightly from 2,30 carats/100 m³ in September 2016 to 2,15 carats/100 m³ in September 2017. The average price of Baken stones decreased from US\$1 043 per carat in September 2016 to US\$879 per carat in September 2017 in line with the weaker market and a smaller average stone size.

In line with the Company's strategy of responsibly managing the Lower Orange River operations in the final years of their viable economic life cycles, these operations have gradually been downscaled. Production at Reuning Mine was halted during the 2015 financial year and production at Bloeddrif Mine ceased in May 2017.

Production at Baken Mine was halted on Tuesday, 31 October 2017 following the successful conclusion of a formal consultation process with the National Union of Mineworkers.

West Coast Resources operations

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

During the period, production increased by 62,4% to 60 344 carats (September 2016: 37 153 carats) due to an increase in gravel treated and the mining of higher grade channel blocks which resulted in a significant increase in average grade from 14,77/100 tons in September 2016 to 20,41 carats/100 tons in September 2017. The average price per carat decreased slightly from US\$176 per carat in September 2016 to US\$156 in September 2017 mainly as a result of the weaker market and a smaller average stone size.

Angolan operations

Operations at Somiluana Mine remained focused on the east bank of the Luana River at Nzagi, in the south-west at Lulau and on the south bank of the Landa Mona River.

During the period, production decreased by 26,3% from 91 033 carats in September 2016 to 67 083 carats in September 2017, mainly as a result of a decrease in average grade and a high overburden stripping ratio which negatively impacted gravel volumes.

OUTLOOK*Lower Orange River operations*

Baken Mine and Bloeddrif Mine have 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 23 000 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 Koingnaas area and on other sections of the Langklip area.

Production for the 2018 financial year is expected to be in the order of 140 000 carats, compared to 2017 actual production of 80 506 carats.

Angolan operations

Mining operations will continue on the east bank of the Luana River at Nzagi, the south bank of the Landa Mona River 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 market softened for rough and polished stock during the period, as margins came under pressure in the both the manufacturing and trading sectors.

A surplus in polished diamond inventory, particularly in the Indian factories, and concerns regarding high debt levels further negatively impacted prices.

Marginal price increases are expected for the remainder of the calendar year, with prices set to recover towards the start of 2018.

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 an interim dividend.

CHANGES TO THE BOARD OF DIRECTORS

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

Mr Quinton George's designation changed from Non-executive Director to Independent Non-executive Director, effective 18 July 2017.

Mr Albertus Marais was appointed as an Alternate Director to Mr George, effective 21 August 2017.

PROPOSED ACQUISITION BY TRANS HEX OF A FURTHER 27,2% SHAREHOLDING IN WEST COAST RESOURCES (PTY) LTD AND POTENTIAL FUTURE SPECIFIC ISSUE OF SHARES FOR CASH

Trans Hex published an announcement on SENS on Monday, 9 October 2017 advising shareholders of the Transaction and Specific Issue.

The Transaction and the Specific Issue are to be proposed to shareholders for approval at a general meeting of shareholders to be held on Thursday, 30 November 2017.

All announcements pertaining to the Transaction and the Specific Issue and the Circular are available on the Company's website at www.transhex.co.za.

By order of the Board

MVZ Wentzel
Chairman

L Delport
Chief Executive Officer

Parow
9 November 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), AJ Marais (Alternate), L Delport (Chief Executive Officer), IP Hestermann (Financial Director), GM van Heerden (Company Secretary)