

**AUDITED SUMMARY
CONSOLIDATED FINANCIAL
STATEMENTS**
FOR THE YEAR ENDED 31 MARCH 2018



**TRANS HEX
GROUP**

HEADLINES

SALE OF THE LOWER ORANGE RIVER ("LOR") OPERATIONS

The Board of Directors of the Company approved the sale of the LOR operations on 27 March 2018. Consequently, the assets and liabilities relating to these operations have been presented as a disposal group held-for-sale in terms of IFRS 5. The results of the LOR operations for the year ended 31 March 2018 are presented as discontinued operations as this represents a separate major line of business.

ACQUISITION OF AN ADDITIONAL 27,2% INTEREST IN WEST COAST RESOURCES (PTY) LTD

On 1 February 2018, the Group acquired a further 27,2% equity interest in West Coast Resources (Pty) Ltd, thereby increasing its interest to 67,2% and obtaining control of West Coast Resources (Pty) Ltd. Up to this date, the 40% investment in West Coast Resources (Pty) Ltd was accounted for as an investment in an associate under the equity method.

It should be noted that the consolidation of West Coast Resources (Pty) Ltd from 1 February 2018, and the re-presentation of the results of the LOR operations as discontinued operations, impacted the comparability of the results for the year ended 31 March 2018 with the results for the year ended 31 March 2017.

- Group net profit from continuing operations amounted to R26,2 million (2017: loss of R65,2 million).
- Group net loss from discontinued operations, including retrenchment costs of R99,3 million, amounted to R213,0 million (2017: loss of R117,4 million).
- Group net loss for the year amounted to R186,8 million (2017: loss of R182,6 million).
- The Group's net cash position at the end of the year was R79,4 million (2017: R225,4 million).
- Loss per share amounted to 175,6 cents (2017: loss of 173,5 cents) and headline loss per share amounted to 216,5 cents (2017: loss of 114,6 cents).
- Net asset value per share amounted to 218,0 cents (2017: 337,0 cents).

SUMMARY CONSOLIDATED INCOME STATEMENT

	Notes	2018 R'000	2017 R'000
Continuing operations			
Sales revenue		192 542	91 068
Cost of goods sold		(172 205)	(100 285)
Gross profit/(loss)		20 337	(9 217)
Share of results and impairment of associated companies	1	38 662	(18 959)
Royalties		(1 005)	(389)
Selling and administration costs		(61 192)	(88 802)
Mining loss		(3 198)	(117 367)
Exploration costs		(6 574)	(2 947)
Other gains – net	2	45 724	18 775
Finance income		25 020	29 222
Finance costs		(32 981)	(591)
Profit/(loss) before income tax		27 991	(72 908)
Income tax		(1 745)	7 733
Profit/(loss) for the year from continuing operations		26 246	(65 175)
Discontinued operations			
Loss for the year from discontinued operations	3	(213 033)	(117 442)
Loss for the year		(186 787)	(182 617)
Attributable to:			
Continuing operations			
Owners of the parent		26 246	(65 175)
Non-controlling interest		24 777	(66 044)
		1 469	869
Discontinued operations			
Owners of the parent		(213 033)	(117 442)
		(186 787)	(182 617)
Earnings/(loss) per share – basic and diluted (cents)			
Continuing operations		23,1	(62,4)
Discontinued operations		(198,7)	(111,1)
Total		(175,6)	(173,5)
Shares in issue adjusted for treasury shares ('000)		115 136	105 699
Headline loss			
Continuing operations	4	(9 361)	(23 499)
Discontinued operations		(222 781)	(97 702)
Total		(232 142)	(121 201)
Headline loss per share (cents)			
Continuing operations		(8,7)	(22,2)
Discontinued operations		(207,8)	(92,4)
Total		(216,5)	(114,6)
Average ZAR/US\$ exchange rate		12,19	14,02

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018 R'000	2017 R'000
Loss for the year	(186 787)	(182 617)
Other comprehensive profit/(loss) net of tax:	(4 376)	3 896
Items that will not be reclassified to profit or loss		
Re-measurements of post-employment benefit obligations	320	–
Before-tax amount	320	–
Tax expense	–	–
Items that may be subsequently reclassified to profit or loss		
Translation differences on foreign subsidiaries before and after tax	232	5 108
Recycling of foreign currency translation differences on repayment of long-term receivables from foreign operations	(4 928)	(1 212)
Total comprehensive loss for the year	(191 163)	(178 721)
Attributable to:		
Continuing operations	21 870	(61 279)
Owners of the parent	20 401	(62 148)
Non-controlling interest	1 469	869
Discontinued operations		
Owners of the parent	(213 033)	(117 442)
	(191 163)	(178 721)

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2018 R'000	2017 R'000
ASSETS			
Non-current assets		772 044	316 064
Property, plant and equipment	5	498 669	51 439
Investment in associates	6	75 458	195 822
Investments held by environmental trust		70 459	65 803
Other financial assets		127 458	3 000
Current assets		172 287	364 705
Inventories	7	74 522	59 276
Trade and other receivables		18 398	80 026
Current income tax		3	3
Cash and cash equivalents		79 364	225 400
Assets of a disposal group classified as held-for-sale	8	36 308	–
Total assets		980 639	680 769
EQUITY AND LIABILITIES			
Capital and reserves		182 145	356 375
Non-controlling interest		69 654	–
Non-current liabilities		338 213	119 464
Borrowings	9	111 813	–
Deferred income tax liabilities		33 943	–
Provisions	10	192 457	119 464
Current liabilities		291 024	204 930
Trade and other payables		63 243	123 391
Interest in joint ventures	3	69 595	81 539
Borrowings	9	158 186	–
Liabilities of a disposal group classified as held-for-sale	8	99 603	–
Total equity and liabilities		980 639	680 769
Net asset value per share (cents)		218	337

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	2018 R'000	2017 R'000
Balance at 1 April	356 375	535 096
Shares issued during the year	18 402	–
Total comprehensive loss for the year	(191 163)	(178 721)
Acquisition of subsidiary	68 185	–
Balance at end of year	251 799	356 375

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	2018 R'000	2017 R'000
Cash utilised in operations	(226 734)	(120 788)
Movements in working capital	(37 730)	12 402
Income tax (paid)/received	(3)	468
Net cash utilised in operating activities	(264 467)	(107 918)
Cash flows from investment activities	36 385	(17 306)
Property, plant and equipment		
Proceeds from disposal	15 087	–
Replacement	–	(32 147)
Additional	(6 579)	(6 196)
Proceeds from repayment of loan to Trans Hex Angola	20 160	18 886
Loan to associate	(8 903)	(27 010)
Dividends received	10 716	11 594
Interest received	5 904	17 567
Cash flows from financing activities	83 992	(3)
Proceeds from borrowings	95 000	–
Repayment of borrowings	(6 848)	–
Interest paid	(4 160)	(3)
Net decrease in cash and cash equivalents	(144 090)	(125 227)
Cash and cash equivalents at beginning of year	225 400	353 499
Effects of exchange rates on cash and cash equivalents	(1 946)	(2 872)
Cash and cash equivalents at end of year	79 364	225 400

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	2018 R'000	2017 R'000
1. SHARE OF RESULTS OF ASSOCIATED COMPANIES		
Consists of the following categories:		
Somiluana – Sociedade Mineira, S.A.	47 503	52 296
The 33% investment in Somiluana is accounted for as an investment in an associate under the equity method.		
West Coast Resources (Pty) Ltd		
On 1 February 2018, West Coast Resources (Pty) Ltd became a subsidiary of the Group. Up to this date, the 40% investment in West Coast Resources (Pty) Ltd was accounted for as an investment in an associate under the equity method. Included in the prior year results is an amount of R43 million, representing the Group's share of an impairment charge to mining rights after tax.		
Share of results and impairment of associate	(8 841)	(71 255)
Share of results of associate	(8 841)	(27 837)
Impairment charge to mining rights, after tax	–	(43 418)
	38 662	(18 959)
2. OTHER GAINS – NET		
Other gains – net consist of the following categories:		
Loss on scrapping of property, plant and equipment	(1 357)	–
Net foreign exchange gains	4 371	8 944
Gain on bargain purchase with acquisition of subsidiary	38 142	–
Loss on re-measurement to fair value with acquisition of subsidiary	(7 575)	–
Commission on third-party sale of diamonds	12 143	9 831
	45 724	18 775

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	2018 R'000	2017 R'000
3. DISCONTINUED OPERATIONS		
Angola		
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 R2,3 million (2017: R28,9 million) is included below.		
Angolan joint ventures		
Balance at beginning of year	81 539	120 650
Share of profit	(2 314)	(28 912)
Foreign exchange profits	(9 630)	(10 199)
Closing balance at end of year	69 595	81 539
Profit for the year	2 314	28 912
Lower Orange River operations		
In line with the Company's strategy of responsibly managing the Lower Orange River ("LOR") operations in the final years of their viable economic life cycles, these operations were gradually downscaled. Production was finally halted on 31 October 2017 following the successful conclusion of a formal consultation process with the National Union of Mineworkers.		
The results of these operations were as follows:		
Revenue	205 874	449 115
Cost of goods sold	(426 109)	(531 370)
Gross loss	(220 235)	(82 255)
Royalties	(1 029)	(2 280)
Mining loss	(221 264)	(84 535)
Other gains – net	9 748	–
Finance costs	(3 831)	(4 800)
Impairment of assets*	–	(27 417)
Loss before income tax	(215 347)	(116 752)
Income tax	–	(29 602)
Loss for the year	(215 347)	(146 354)
Total	(213 033)	(117 442)

* During the previous 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.

**NOTES TO THE SUMMARY CONSOLIDATED
ANNUAL FINANCIAL STATEMENTS CONTINUED**

	2018 R'000	2017 R'000
4. RECONCILIATION OF HEADLINE EARNINGS		
Continuing operations		
Profit/(loss) for the year	24 777	(66 044)
Gain on bargain purchase with acquisition of subsidiary	(38 142)	–
Loss on re-measurement to fair value with acquisition of subsidiary	7 575	–
Loss on sale of assets	1 357	–
Foreign currency translation differences on repayment of long-term receivables from foreign operations recycled to profit or loss	(4 928)	(1 212)
Taxation impact	–	339
Impairment of assets acquired by associate	–	43 418
Headline loss	(9 361)	(23 499)
Discontinued operations		
Loss for the year	(213 033)	(117 442)
Profit on sale of assets	(9 748)	–
Impairment of assets	–	27 417
Taxation impact	–	(7 677)
Headline earnings	(222 781)	(97 702)

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

5. PROPERTY, PLANT AND EQUIPMENT

On 1 February 2018, the Group acquired a further 27,2% of the equity and voting interest in West Coast Resources (Pty) Ltd, thereby increasing its interest to 67,2%. Furthermore, the LOR operations were classified as discontinued operations.

Reconciliation of carrying value at the beginning and end of the year:

	Land and buildings R'000	Mining rights R'000	Mining plant and equipment R'000	Total R'000
2018				
Opening balance	2 981	–	48 458	51 439
Additions	568	–	6 011	6 579
Acquired as part of a business combination	41 117	313 455	153 022	507 594
Classified as held-for-sale	–	–	(33 064)	(33 064)
Transfers	392	–	(392)	–
Disposals	–	–	(6 697)	(6 697)
Depreciation charge	(503)	(7 994)	(18 685)	(27 182)
Closing balance	44 555	305 461	148 653	498 669
2017				
Opening balance	8 115	–	74 840	82 955
Additions	453	–	37 890	38 343
Impairment of assets	–	–	(27 417)	(27 417)
Exchange rate differences	–	–	(2)	(2)
Depreciation charge	(5 587)	–	(36 853)	(42 440)
Closing balance	2 981	–	48 458	51 439

**NOTES TO THE SUMMARY CONSOLIDATED
ANNUAL FINANCIAL STATEMENTS CONTINUED**

	2018 R'000	2017 R'000
6. INVESTMENT IN ASSOCIATES		
Loan to associate: Somiluana – Sociedade Mineira, S.A.	7 945	29 840
Balance at beginning of year	29 840	52 912
Repayment of loan amount	(20 159)	(18 886)
Foreign exchange (profits)/losses	(1 736)	(4 186)
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 2018, the loan outstanding by Somiluana amounted to US\$20,1 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\$9,8 million has been paid back and as at 31 March 2018, the recognised portion of the loan receivable by the Group amounted to US\$0,7 million, translated to R7,9 million.		
Investment in associate: Somiluana – Sociedade Mineira, S.A.	67 513	38 820
Balance at beginning of year	38 820	–
Share of results of associated company	47 503	52 296
Dividends paid	(10 716)	(11 594)
Foreign exchange differences	(8 094)	(1 882)
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	–	28 677
Balance at beginning of year	–	–
Loan advances during the year	–	27 010
Capitalised interest	–	1 667
Investment in associate: West Coast Resources (Pty) Ltd	–	98 485
Balance at beginning of year	–	166 865
Share of results of associated company	–	(71 255)
Capitalised interest	–	2 875
On 1 February 2018, the Group increased its interest in West Coast Resources (Pty) Ltd to 67,2%. At year-end the results of West Coast Resources (Pty) Ltd have therefore been consolidated and no current year numbers are disclosed under the Investments in Associates Note.		
	75 458	195 822

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	2018 R'000	2017 R'000
7. INVENTORIES		
Diamonds	61 622	55 068
Consumables	12 900	4 208
	74 522	59 276
<p>The carrying value of diamond inventories included above, carried at net realisable value, amounted to R4 081 444 (2017: R33 167 323).</p> <p>Cost of inventories included in cost of goods sold amounted to R163 million (2017: R90 million).</p>		
8. ASSETS AND LIABILITIES OF A DISPOSAL GROUP HELD-FOR-SALE		
<p>The Board of Directors of the Company approved the sale of the LOR operations on 27 March 2018 for a total consideration of R72 million. Consequently, the assets and liabilities relating to these operations have been presented as a disposal group held-for-sale. The results for the year ended are presented as discontinued operations as this represents a separate major line of business.</p> <p>Assets of a disposal group classified as held-for-sale:</p>		
Property, plant and equipment	33 064	–
Consumables	3 244	–
	36 308	–
<p>Liabilities of a disposal group classified as held-for-sale:</p>		
Rehabilitation liabilities – LOR operations	99 603	–
9. BORROWINGS		
Non-current		
<p>Loan secured by a second mortgage bond to the value of R38 775 000 over certain immovable properties and a general notarial bond over certain movable assets to the value of R173 383 700. The loan carries interest at the prime overdraft rate plus 0,4% compounded monthly and is repayable in 66 monthly instalments, the first of which was paid on 1 September 2016. The total amount, inclusive of capitalised interest, available under this loan is R189 010 000.</p>		
	146 178	–
Less: Portion of loan repayable within one year, included in current liabilities	(34 365)	–
	111 813	–
Current		
<p>Revolving loan facilities 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 loans carry interest at the rate of 2% per month. The total amount available under the facility is R148 000 000.</p>		
	123 821	–
Portion of non-current liabilities repayable within one year, included in current liabilities	34 365	–
	158 186	–

**NOTES TO THE SUMMARY CONSOLIDATED
ANNUAL FINANCIAL STATEMENTS CONTINUED**

	2018 R'000	2017 R'000
10. PROVISIONS		
Provision for post-employment medical benefits	11 017	11 071
Provision for long-service awards	3 016	13 917
Provision for rehabilitation liabilities	178 424	94 476
	192 457	119 464
11. BUSINESS COMBINATIONS		
On 1 February 2018, the Group acquired a further 27,2% of the equity and voting interest in West Coast Resources (Pty) Ltd, thereby increasing its interest to 67,2%. The purchase consideration was discharged by the issue of 9 436 838 ordinary shares of no par value for a total consideration of R18,4 million, based on the ruling market price on that day of R1,95 per share.		
The fair value exercise over the opening balance sheet of West Coast Resources (Pty) Ltd remains provisional at 31 March 2018 as permitted by IFRS 3 as the fair value of the acquired assets and liabilities is still being finalised. This is expected to be finalised during the next year.		
The following table summarises the provisional purchase price allocation for the acquisition, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.		
Recognised amounts of identifiable assets acquired and liabilities assumed at book value:		
Total assets	744 180	–
Property, plant and equipment	194 139	–
Mining rights	313 455	–
Other financial assets	123 016	–
Inventories	107 829	–
Trade and other receivables	5 603	–
Cash and cash equivalents	138	–
Total liabilities	536 300	–
Provisions	166 890	–
Deferred income tax liabilities	32 201	–
Borrowings	202 934	–
Trade and other payables	134 275	–
Total identifiable net assets	207 880	–

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

	2018 R'000	2017 R'000
11. BUSINESS COMBINATIONS <small>CONTINUED</small>		
Net asset value purchased (67,2%)	139 695	–
Fair value of consideration transferred	(18 402)	–
Previously held equity	(83 151)	–
Provisional gain on bargain purchase	38 142	–
<p>The provisional gain on business combination arises due to the decrease in the Company share price from the agreed consideration share price of R4,14 to the closing date share price of R1,95.</p> <p>Acquisition-related costs were charged to administrative expenses in the consolidated income statement of the Group.</p>		
	1 017	–
<p>From the date of acquisition, West Coast Resources (Pty) Ltd contributed R123 million of revenue and a profit after tax of R4 million to the net profit of the Group. If the business combination had taken place at the beginning of the year, revenue from continuing operations would have been R372 million and the net loss after tax of the Group would have been R231 million.</p>		
12. CAPITAL COMMITMENTS		
(including amounts authorised, but not yet contracted)	12 247	36 291

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

13. FAIR VALUE ESTIMATION

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

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

Financial assets are classified as Level 1 according to the fair value hierarchy. Investments held by the environmental trust are the only financial assets carried at fair value. However, this fund consists primarily of cash and cash equivalents with the largest driver of the growth in the trust fund being attributable to interest received.

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

**NOTES TO THE SUMMARY CONSOLIDATED
ANNUAL FINANCIAL STATEMENTS CONTINUED**

14. SEGMENT INFORMATION

Operating segments

	CONTINUING			DISCONTINUED		
	South Africa	Angola	Total	South Africa	Angola	Total
2018						
Carats sold	78 185	–	78 185	16 698	–	16 698
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	192 542	–	192 542	205 874	–	205 874
Cost of goods sold	(172 205)	–	(172 205)	(426 109)	–	(426 109)
Gross profit/(loss)	20 337	–	20 337	(220 235)	–	(220 235)
Share of results and impairment of associated companies	(8 841)	47 503	38 662	–	–	–
Royalties	(1 005)	–	(1 005)	(1 029)	–	(1 029)
Selling and administration costs	(50 007)	(11 185)	(61 192)	–	–	–
Mining (loss)/profit	(39 516)	36 318	(3 198)	(221 264)	–	(221 264)
Exploration costs	(6 574)	–	(6 574)	–	–	–
Other gains/(losses) – net	47 466	(1 742)	45 724	9 748	–	9 748
Profit for the year from discontinued operations	–	–	–	–	2 314	2 314
Finance income	25 020	–	25 020	–	–	–
Finance costs	(32 981)	–	(32 981)	(3 831)	–	(3 831)
Impairment of assets	–	–	–	–	–	–
(Loss)/profit before income tax	(6 585)	34 576	27 991	(215 347)	2 314	(213 033)
Depreciation included in the above	(16 319)	(3)	(16 322)	(10 860)	–	(10 860)
Net assets/(liabilities)	302 742	81 947	384 689	(63 295)	(69 595)	(132 890)
Capital expenditure	2 111	–	2 111	4 468	–	4 468
Net asset value per share (cents)	262	71	333	(55)	(60)	(115)

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

14. SEGMENT INFORMATION (continued)

Operating segments (continued)

	CONTINUING			DISCONTINUED		
	South Africa	Angola	Total	South Africa	Angola	Total
2017						
Carats sold	10 304	–	10 304	29 883	–	29 883
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	91 068	–	91 068	449 115	–	449 115
Cost of goods sold	(100 285)	–	(100 285)	(531 370)	–	(531 370)
Gross loss	(9 217)	–	(9 217)	(82 255)	–	(82 255)
Share of results and impairment of associated companies	(71 254)	52 295	(18 959)	–	–	–
Royalties	(389)	–	(389)	(2 280)	–	(2 280)
Selling and administration costs	(68 520)	(20 282)	(88 802)	–	–	–
Mining (loss)/profit	(149 380)	32 013	(117 367)	(84 535)	–	(84 535)
Exploration costs	(2 947)	–	(2 947)	–	–	–
Other gains/(losses) – net	19 046	(271)	18 775	–	–	–
Profit for the year from discontinued operations	–	–	–	–	28 912	28 912
Finance income	29 133	89	29 222	–	–	–
Finance costs	(591)	–	(591)	(4 800)	–	(4 800)
Impairment of assets	–	–	–	(27 417)	–	(27 417)
(Loss)/profit before income tax	(104 739)	31 831	(72 908)	(116 752)	28 912	(87 840)
Depreciation included in the above	(1 796)	(5)	(1 801)	(40 639)	–	(40 639)
Net assets/(liabilities)	388 763	85 438	474 201	(36 287)	(81 539)	(117 826)
Capital expenditure	880	–	880	37 463	–	37 463
Net asset value per share (cents)	367	81	448	(34)	(77)	(111)

Revenue from transactions with certain customers can amount to 10% or more of total revenue. During the year under review no individual customer was responsible for aggregate sales in excess of 10% of revenue (2017: R82,3 million).

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS CONTINUED

15. 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 R8 million (2017: R135 million).

16. EVENTS AFTER THE REPORTING PERIOD

Post year-end, Trans Hex Operations (Pty) Ltd (“**THO**”), a wholly owned subsidiary of Trans Hex, entered into an agreement with Lower Orange River Diamonds (Pty) Ltd (“**LOR Diamonds**”), in terms of which THO has agreed to, *inter alia*, dispose of the business conducted by THO, as a going concern, relating to and in connection with the exploration, prospecting, mining for, recovery, treatment, production and disposal of diamonds in respect of the LOR operations, consisting of certain assets, liabilities and the transfer of employees; and cede and transfer the mining right associated with the LOR operations, to LOR Diamonds, for a total cash consideration of R72 million.

Details of the above transaction were released on SENS on 18 April 2018 and are available on Trans Hex’s website at www.transhex.co.za. The transaction is subject to, *inter alia*, shareholder approval and a circular containing the full details thereof is expected to be distributed to shareholders by 3 August 2018.

17. ACCOUNTING POLICIES

The summary consolidated financial statements are prepared in accordance with the JSE Limited Listings Requirements (“**Listings Requirements**”) for preliminary reports and the requirements of the Companies Act, No. 71 of 2008, applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts; the measurement and recognition requirements of International Financial Reporting Standards (“**IFRS**”); the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee; Financial Pronouncements as issued by the Financial Reporting 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.

18. PREPARATION OF FINANCIAL STATEMENTS

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

19. REPORT OF INDEPENDENT AUDITOR

These summary consolidated financial statements for the year ended 31 March 2018 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived.

A copy of the Auditor’s Report on the summary consolidated financial statements and of the Auditor’s Report on the annual consolidated financial statements are available for inspection at the Group’s registered office, together with the financial statements identified in the respective Auditor’s Reports.

The Auditor’s Report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor’s engagement, they should obtain a copy of the Auditor’s Report together with the accompanying financial information from Trans Hex’s registered office.

OVERVIEW

In this commentary, results are compared with the 12 months of the 2017 financial year (in brackets).

On 1 February 2018, West Coast Resources (Pty) Ltd became a subsidiary of the Group. Up to this date, the 40% investment in West Coast Resources (Pty) Ltd was accounted for as an investment in an associate under the equity method.

In line with the Company's strategy of responsibly managing the LOR operations in the final years of their viable economic life cycles, these operations were gradually downscaled. Production was finally halted on 31 October 2017 following the successful conclusion of a formal consultation process with the National Union of Mineworkers. These operations are disclosed as discontinued operations.

Sales revenue from continuing operations amounted to R192,5 million compared to R91,1 million during the previous corresponding period.

The cost of goods sold increased to R172,2 million compared to R100,3 million during the 2017 financial year.

Gross profit amounted to R20,3 million compared to a gross loss of R9,2 million during the corresponding period.

Share of results from associated companies amounted to R38,7 million (2017: loss of R19,0 million), to which Somilwana contributed a profit of R47,5 million and West Coast Resources (Pty) Ltd a loss of R8,8 million.

Selling and administration costs reduced to R61,2 million (2017: R88,8 million).

Loss before tax from the South African continuing operations amounted to R6,6 million (2017: loss of R104,7 million).

Profit from the Angolan continuing operations amounted to R34,6 million (2017: profit of R31,8 million), consisting of Somilwana's equity-accounted profit of R47,5 million less Angolan head office costs of R12,9 million.

The Group reports an after-tax profit for the year from continuing operations of R26,2 million (2017: loss of R65,2 million).

Loss from the discontinued operations amounted to R213,0 million (2017: R117,4 million), consisting of profit from the Luarica and Fucaúma operations of R2,3 million (2017: profit of R28,9 million) less loss from the LOR operations of R215,3 million (2017: loss of R146,4 million).

The Group therefore reports a loss for the year of R186,8 million (2017: loss of R182,6 million).

Cash and cash equivalents at the end of the year amounted to R79,4 million (2017: R225,4 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.

The total carat resource at Bloeddrif Mine decreased by 0,2%, or 447 carats, due to depletion through mining.

The total carat resource at West Coast Resources (Pty) Ltd decreased by 3,2%, primarily due to depletion through mining activities. The indicated and inferred diamond resource carats decreased by 8,9% and 1,4% respectively, i.e. a decrease of 166 174 carats in total.

Total carats in reserve at Somilwana Mine decreased by 11,2% due to depletion through mining activities and a 10% decrease in diamond prices. Indicated resources decreased by 1,3%. New resource blocks were delineated during the 2017/18 resource review, based on an increased confidence of the geological model and grades based on actual mining.

The Competent Person for Trans Hex, Mr SBE Damons, has reviewed and approved the information contained in this announcement as it pertains to mineral resources and mineral reserves. Mr Damons is an employee of Trans Hex and serves as the Company's Mineral Resource Manager.

OVERVIEW CONTINUED

OPERATING PERFORMANCE

Detailed project information (unaudited)

	2018				2017			
	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								
West Coast Resources	27,84	173 920	0,23	153	14,47	80 506	0,27	166
Baken	2,43	13 944	1,17	946	2,19	24 024	1,29	1 015
Bloeddrif	2,60	620	1,52	877	0,62	2 641	2,07	1 892
Shallow Water	–	9 012	0,24	431	–	9 867	0,30	596
Angola								
Somilwana	44,78	136 402	0,66	504	46,38	137 219	0,64	500

* Note:

1. Calculated per 100 m³ for South Africa and Angola, and per 100 tons for West Coast Resources (Pty) Ltd.
2. Average grade in South Africa is calculated excluding shallow water production.

West Coast Resources operations

On 1 February 2018, the Group increased its interest in West Coast Resources (Pty) Ltd to 67,2%.

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

During the period, production amounted to 173 920 carats compared to 80 506 carats in 2017.

Sales amounted to R302,5 million at an average price of US\$153 per carat (2017: sales of R172,1 million at an average price of US\$166 per carat).

The average grade increased by 92,4% to 27,84 carats/100 tons compared to 14,47 carats/100 tons in 2017 due to process improvements allowing for greater gravel control and higher than estimated grades achieved. The average stone size amounted to 0,23 carats per stone (2017: 0,27 carats per stone).

Lower Orange River operations

In line with the Company's strategy to responsibly manage these ageing assets in the final years of their economic life cycles, operations at Bloeddrif and Baken ceased during the period under review and the mines were placed under care and maintenance in May 2017 and October 2017 respectively.

Angolan operations

Production at Somilwana Mine, in which Trans Hex holds a 33% stake, amounted to 136 402 carats (2017: 137 219 carats). Total sales amounted to US\$66,3 million at an average price of US\$504 per carat (2017: sales of US\$69,7 million at an average price of US\$500 per carat). Repayments of US\$1,6 million (2017: US\$1,3 million) were made to Trans Hex against the outstanding investment amount and the Group received US\$825 000 (2017: US\$825 000) in dividends.

Operations during the year focused exclusively on diamond-bearing calonda formation gravels and 66% of production originated from the Nzagi Valley, 28% from the Landamona Valley, 2% from the Lulau area and the balance from test blocks as well as Liziria and Terrace formation.

OVERVIEW CONTINUED

Somilwana Mine is still 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, Somilwana Mine purchased mining equipment and started to implement other projects geared towards accelerating drilling programmes of identified target areas and increasing its gravel treatment and diamond recovery capacities. A second drill rig was acquired and commissioned in February 2018.

OUTLOOK

West Coast Resources operations

Prospecting will continue to target high-priority areas that may identify additional resources for mining.

Mining activities will remain focused on the Langklip area and on other sections of the Koingnaas area.

Production for the 2019 financial year is expected to be in the order of 240 000 carats, compared to 2018 financial year actual production of 173 920 carats.

Shallow water operations

Production from the Shallow water operations for the 2019 financial year is expected to be in the order of 10 000 carats, compared to 2018 financial year actual production of 9 012 carats.

Lower Orange River operations

Post financial year-end, THO, a wholly owned subsidiary of Trans Hex, entered into an agreement with LOR Diamonds, in terms of which THO has agreed to, *inter alia*, dispose of the business conducted by THO, as a going concern, relating to and in connection with the exploration, prospecting, mining for, recovery, treatment, production and disposal of diamonds in respect of the LOR operations, consisting of certain assets, liabilities and the transfer of employees; and cede and transfer the mining right associated with the LOR operations, to LOR Diamonds, for a total cash consideration of R72 million.

Details of the above transaction were released on SENS on 18 April 2018 and are available on Trans Hex's website at www.transhex.co.za. The transaction is subject to, *inter alia*, shareholder approval and a circular containing the full details thereof is expected to be distributed to shareholders by 3 August 2018.

Angolan operations

During the 2019 financial 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 2019 financial year is expected to be in the order of 145 000 carats.

Market

Towards the middle of the 2017 calendar year, a shortage of stock in Indian factories spurred market strength. Trading slowed down towards the end of the calendar year, but rebounded at the start of 2018, highlighted by strong premiums in the secondary market.

Following positive sales for diamond jewellery during the United States of America's holiday season, the need for the industry to restock led to strong rough prices overall, a trend that is set to continue as the market remains solid in the short term.

New business

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

OVERVIEW CONTINUED**DIVIDEND**

The Board has resolved not to declare a final dividend.

CHANGES TO THE BOARD OF DIRECTORS

Mr Marco Wentzel was appointed as Non-executive Chairman of the Board, effective 1 April 2017.

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

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

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

The designation of Mr Quinton George 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.

Mr Greg van Heerden resigned as Company Secretary, effective 31 January 2018.

Statucor (Pty) Ltd, an independent governance advisory firm, was appointed Company Secretary, effective 1 February 2018.

Mr George resigned as an Independent Non-executive Director, effective 1 March 2018.

Mr Marais was appointed as a Non-executive Director, effective 1 March 2018.

The designation of Mr Marais changed from Non-executive Director to Independent Non-executive Director, effective 27 March 2018.

Mr Marais was appointed as a member of the Audit and Risk Committee and the Human Resources and Social & Ethics Committee, effective 27 March 2018.

By order of the Board

MVZ Wentzel

Chairman

Parow

21 June 2018

L Delport

Chief Executive Officer

REGISTERED OFFICE

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

JSE SPONSOR

One Capital

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd

COMPANY SECRETARY

Statucor (Pty) Ltd

DIRECTORATE

MVZ Wentzel (Chairman), AG Rhoda, PG Viljoen, AJ Marais, JL Gurney (Alternate), L Delport (Chief Executive Officer),
IP Hestermann (Financial Director)

www.transhex.co.za

