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**CONDENSED CONSOLIDATED**
**FINANCIAL STATEMENTS**
**30 September 2020**


DISCOVER DEVELOP DELIVER DIVERSIFY

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**Tharisa plc**
(Incorporated in the Republic of Cyprus with limited liability)
(Registration number HE223412)
JSE share code: THA
LSE share code: THS
A2X share code: THA
ISIN: CY0103562118
LEI: 213800WW4YWMVVZIJM90
('Tharisa' or the 'Company')

**REPORT FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020**
**Investment in mine optimisation delivers dividends**

**Highlights**

- Leading safety performance with LTFIR at 0.09 per 200 000 operating hours worked
- Revenue increased 18.4% to US$406.0 million (FY2019: US$342.9 million)
- Strong financial results with EBITDA increasing 119.8% to US$113.1 million (FY2019: US$51.6 million) at an EBITDA margin of 27.9%
- Operating profit up 262.0% to US$87.6 million (FY2019: US$24.2 million)
- Earnings per share up 305.0% to US16.2 cents (FY2019: US4.0 cents)
- Net cash flows from operating activities up 4.4% at US$73.0 million (FY2019: US$69.9 million)
- Strong balance sheet with a net debt to equity ratio of 6.6%
- Financial metrics underpinned by strong operational performance with 142.1 koz of PGMs (6E basis), up 1.7%, and 1 344.8 kt of chrome produced, up 4.2%

**FY2020 Dividend**
Continued commitment to capital discipline with a final dividend increasing by 367% to US 3.5 cents per share equating to a payout ratio of 17.1%, above the stated policy of an annual dividend at a minimum of 15% of consolidated net profit after tax.

**Guidance**
FY2021 production guidance of 155 koz to 165 koz PGMs (6E basis) and 1.45 Mt to 1.55 Mt of chrome concentrates.

**Safety**

Safety is a core value and Tharisa continues to strive for zero harm at its operations. An LTIFR of 0.09 per 200 000 man hours worked was recorded.

The Company achieved a number of safety milestones throughout the year:

- 28 September 2020 – 5 year fatality free
- 16 September 2020 – 365 days LTI free for the mining production team
- 30 July 2020 - Genesis Plant achieved 365 LTI free days
- 19 June 2020 - Tharisa Mine achieved 4 million fatality free shifts
- 5 March 2020 – 5 years LTI free for the Tharisa Mine laboratory


The Company has a continuous education campaign to prevent complacency around the COVID-19 pandemic. For full details on all the preventative measures Tharisa has implemented, please go to https://www.tharisa.com/pdf/covid-19/covid-19-presentation-of-compliance.pdf

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## Operational Review

REEF MINED
# 4.97 Mt
up 7.4%
(2019: 4.62 Mt)

PGM PRODUCTION (5PGE+Au)
# 142.1 koz
up 1.78%
(2019: 139.7 koz)

CHROME CONCENTRATE PRODUCTION
# 1.34 Mt
up 4.2%
(2019: 1.29 Mt)

STRIP RATIO
# 12.1 $m^3$:$m^3$
up 45.7%
(2019: 8.3$m^3$:$m^3$)

PGM PRICE
# US$1 704/oz
up 57.6%
(2019: US$1 081/oz)

CHROME CONCENTRATE PRICE
# US$140/t
down 13.5%
(2019: US$162/t)

REVENUE
# US$406.0 m
up 18.4%
(2019: US$342.9 m)

OPERATING PROFIT
# US$87.6 m
up 262.0%
(2019: US$24.2 m)

EBITDA
# US$113.4 m
up 119.8%
(2019: US$51.6 m)

PROFIT BEFORE TAX
# US$75.8 m
up 576.8%
(2019: US$11.2 m)

EPS
# US 16.2 cents
up 305.0%
(2019: US 4.0 cents)

DIVIDEND
# US 3.50 cents
up 367.0%
(2019: US 0.75 cents)

ROIC
# 18.8%
(2019: 5.2%)

The year under review has seen our company deliver on almost every operational and financial metric, be that in improvements in operational performance and financial returns, the consolidation of our strategic positions in our long-term growth projects, as well as continued progress with our safety record. In any given year this performance would be highly credible. To achieve such milestones in the face of the largest global health challenge in three generations, COVID-19, is an extraordinary feat, which was enabled by the quality and capability of our people.

It is with pride that the year under review saw our LTFIR rate fall by two thirds to 0.09 per 200 000 man hours worked, which is a record for the Tharisa Mine as well as being one of the best safety records in the South African mining industry.

Beyond delivering on the operational and financial metrics, Tharisa should be measured on its ability to grow sustainably from the asset base we have developed over the past decade, through the development of our pipeline for the future benefit for all of our stakeholders. It is therefore extremely rewarding to inform you that Tharisa is firmly on that path for long-term sustainable growth.

The engine of our business is the Tharisa open cast mine in the Bushveld Complex, South Africa. It is one of the few mines which co-produces both PGMs and chrome commercially from the same ore body. The mine has benefited from the remedial action taken in 2018 and 2019 with the optimisation of the pit layout, improved waste stripping, with the substantial further investment in our mining fleet, coupled with the continuous optimisation of the production plants. These actions have positioned Tharisa to benefit from an increasing PGM basket price contributing to the revenue increase of 18.4% to US$406.0 million and EBITDA rising by 119.8% to US$113.4 million, equating to earnings per share of US 16.2 cents per share, up 305%.Tharisa generated net cash from operating activities of US$73.0 million (2019: US$69.9 million). Taking into account the disruption of the COVID-19 pandemic, which saw South Africa implement one of the harshest national lockdowns not only in Africa but globally, Tharisa delivered record production across several months during the financial year, underscoring the health of the business in the face of unparalleled uncertainty.

Tharisa has benefited from the increase in its PGM basket price supported by demand fundamentals, which increased to US$1 704/oz (2019: US$1 081/oz). Tharisa's production of PGMs saw an improvement to the previous year, with 142.1 koz versus 139.7 koz. Of this production, rhodium comprised 13.5 koz and, with the relatively higher rhodium content within our prill split resulted in a meaningful contribution to the revenue line with the metal trading at an average price of US$8 348/oz for the year. Driven by growing demand and an increasing deficit, current rhodium spot prices are trading at above US$16 000/oz.
Notwithstanding growth in the stainless steel industry, which is reliant on chrome as an input, metallurgical grade chrome concentrate prices reduced from an average of US$162/t to US$140/t, down 13.6%. Tharisa is a key producer in the global and diversified market of speciality grade chrome concentrates and cash flows benefitted from a 3.0% increase in production of 321.6 kt of higher margin specialty grade chrome versus 312.1 kt the previous year, out of our total production of 1.34 Mt of chrome concentrate, up 4.2% from 1.29 Mt.

The commodities which we mine have excellent fundamentals and we believe the pricing of these will remain favourable for some time to come. Driven by the demand for PGMs, which remain largely un-substitutable, as emission controls continue to tighten for the internal combustion engine, and the rapid development of the hydrogen economy, means PGMs demand fundamentals will continue to support the pricing environment and in turn benefit Tharisa for years to come.

With a stainless steel industry that has seen sustained growth even in 2020, chrome remains in demand with forecast growth in 2021 for stainless steel of 5% CAGR. Tharisa continues to be a significant supplier to the Asian economies of chrome concentrate. With approximately one third of our output in speciality products, we continue to benefit from other markets beyond the stainless steel market, and remain one of the largest suppliers of chemical grade chrome to the world's chemical industries.

In October 2020, we announced the re-start of the Vulcan Plant construction, which, using proprietary ground-breaking use of existing technologies developed by Arxo Metals, a wholly owned subsidiary, will process the chrome fines from the Voyager and Genesis plants, boosting our production by some 25% of chrome concentrates per annum. This project should achieve project completion within FY2021 with the benefits being derived in the following year.

As with any business, we continue to face headwinds. Of concern is the South African government's recent proposal to impose an export tax on chrome ores in an effort to support the ailing ferrochrome industry. It remains unclear how, when or if the tax will be administered. A detailed third-party analysis has shown that any potential benefits, which rely on a multitude of factors occurring in parallel, are far outweighed by the harm the primary and non-integrated chrome industry will suffer. This proposed tax will not provide lasting or coherent support to the ferrochrome industry, and the only sustainable and viable aid to this downstream industry is subsidised electricity pricing. As Tharisa, and other members of ChromeSA, we are opposed to any export tax or intervention that may prejudice our business and as such we have a duty of care to protect and defend our position and indeed our stakeholders' interests.

In Zimbabwe, we have commenced the second phase of drilling which is progressing well. The original timelines for the Karo project have been negatively impacted by the constraints of COVID-19 and we anticipate that we have incurred a 12 month delay. We still are of the view that the Great Dyke of Zimbabwe presents a fantastic opportunity to mine high grade low cost PGMs and remains a focal area for our expansion strategy.

**Financial Review**

The sustainability of Tharisa's business, built on the co-product business model and robust balance sheet, was proven in this financial year, with strong earnings growth with earnings per share increasing to US 16.2 cents (2019: US 4.0 cents) and net debt to equity at a healthy 6.6%. These results are against a backdrop of extended national lockdowns as a consequence of the coronavirus, which came at a substantial cost to global economic growth. With this strong financial performance, Tharisa continued to generate healthy operating cash flows, providing returns to shareholders while in parallel investing in the business, ensuring all stakeholders benefit in the long-term.

The return to the ordinary shareholders on the equity attributable to the owners of the company (calculated as the profit attributable to the owners of the company divided by the average equity attributable to the owners of the company) was 12.8% (2019: 3.3%).

The return on invested capital ('ROIC'), calculated as the net operating profit after tax divided by the average invested capital (comprising total assets less cash and non-interest bearing short term liabilities), for the period under review was 18.8% (2019: 5.2%).

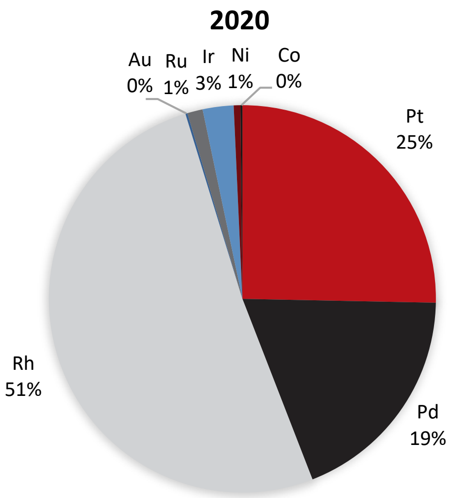
The Group's commodities are priced in US$ and the base cost currency for the Group's South African mining operation, is mainly in ZAR. The ZAR exchange rate remained volatile on the back of global markets suffering from 'trade wars', a weak South African economy and the sovereign downgrade by all the major ratings agencies to sub-investment grade, with the ZAR depreciating on average against the US$ by 12.5% to ZAR16.2 (2019: ZAR14.4).

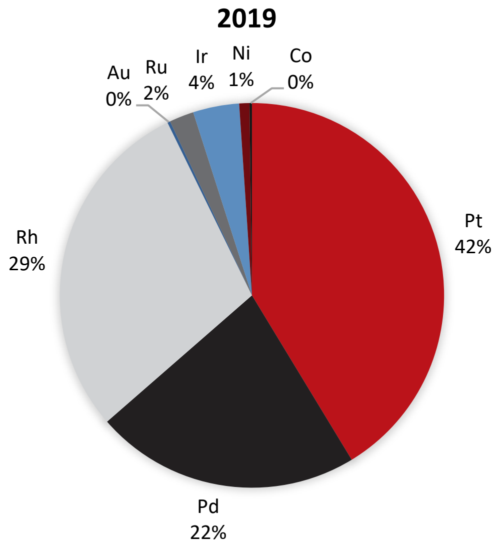
**Key Financial Metrics**

| | Unit | 2020 | 2019 |
|---|---|---|---|
| Revenue | US$'000 | 405 995 | 342 885 |
| EBITDA | US$'000 | 113 386 | 51 557 |
| Profit before tax | US$'000 | 75 752 | 11 155 |
| Profit attributable to owners of the company | US$'000 | 43 296 | 10 616 |
| Earnings per share | US$ cents | 16.2 | 4.0 |
| Dividend per share | US cents | 3.50 | 0.75 |
| Return on equity | % | 12.3 | 3.3 |
| Return on invested capital | % | 18.8 | 5.2 |
| Total debt | US$'000 | 70 614 | 71 216 |
| Net debt | US$'000 | 21 320 | 12 015 |
| Net debt/EBITDA | x | 0.2 | 0.2 |
| Net debt/equity | % | 6.6 | 3.7 |

Group revenue totalled US$406.0 million (2019: US$342.9 million), of which US$218.6 million (2019: US$130.1 million) was derived from the sales of PGM concentrate and US$161.3 million (2019: US$177.9 million) derived from the sale of chrome concentrates. The agency and trading segment contributed US$24.1 million (2019: US$34.9 million). Following the acquisition of the issued share capital of MetQ Proprietary Limited, a manufacturer of equipment principally for the mining industry, on 1 October 2019, a new segment being the manufacturing segment has been introduced, contributing US$2.0 million to revenue. Overall, revenue increased by 18.4%, on the back of increased sales volumes of both PGMs and chrome concentrates and a strong increase in the PGM basket price.

A breakdown of the PGM revenue is depicted below reflecting the performance in the rhodium price, which made up over half of the PGM revenue at an average price of US$8 348/oz (versus spot above US$16 000/oz at the time of writing and therefore increased contribution to the revenue basket:

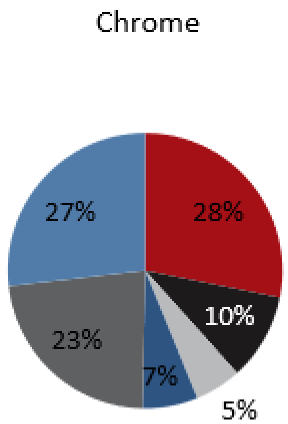


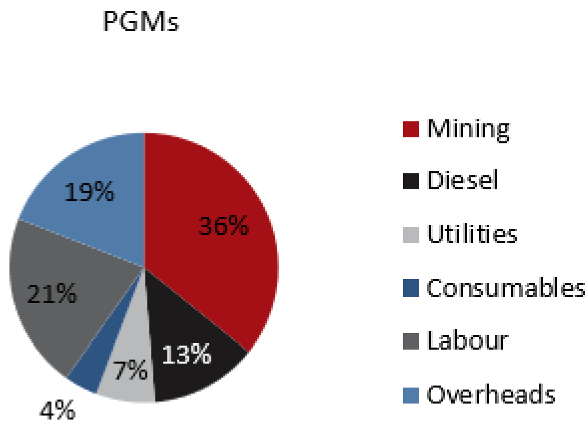




As a co-producer of PGMs and chrome concentrates, the shared costs of production for segmental reporting purposes are based on the relative contribution to revenue on an ex-works basis, allocated 75% (2019: 55%) to the PGM segment and 25% (2019: 45%) to the chrome segment.

Gross profit amounted to US$130.4 million (2019: US$60.4 million) with a gross profit margin of 32.1% (2019: 17.6%). The major factors contributing to the improved gross margin were the increase in the PGM basket price and the benefits of the weaker ZAR:US$ exchange rate.

The major cash cost of sales categories (excluding selling expenses) are summarised below:




Overall inflationary pressures in South Africa, as measured by the PPI, were well contained at 2.5% (2019: 4.1%). The cost of diesel which comprises approximately 13% of the on-mine cost of production, decreased with the average price per litre of diesel reducing by 8.2% per litre from ZAR14.25 (US$1.0) per litre to

ZAR13.08 (US$0.8) per litre. Electricity costs, while not being a significant input cost at approximately 7% of the on-mine cost of production, increased by 12.4% per kilowatt hour.

On a unit cost basis, the reef mining cost per tonne increased by 6.5% from US$24.7/t to US$26.3/t. This cost per reef tonne was incurred on a stripping ratio of 12.1 ($m^3$ waste: $m^3$ reef). On a per cube mined basis i.e. including both waste and reef, the cost reduced by 22.0% from US$9.1/$m^3$ to US$7.1/$m^3$ (the prior year stripping ratio was 8.3) on the back of the increased volumes moved. US$22.7 million (2019: US$0.2 million) was capitalised to deferred stripping.

The consolidated cash cost per tonne milled (i.e. including mining but excluding transport and freight) increased by 2.9% from US$41.9/t to US$43.1/t.

Selling costs incurred with the transport of the metallurgical grade chrome concentrate from the mine to the customer at China main ports decreased from US$63.2/t to US$59.2/t.

Administration expenses amounted to US$35.3 million (2019: US$37.3 million), a decrease of 5.4%. The major cost within administration expenses was employee costs at US$19.9 million (2019: US$22.8 million) comprising 56.4% of the administrative costs (2019: 61.1%).

After accounting for the administration expenses, results from operating activities amounted to US$87.6 million (2019: US$24.2 million).

EBITDA amounted to US$113.4 million (2019: US$51.6 million).

Finance costs, benefitting from a global reduction in interest rates, of US$6.9 million (2019: US$8.8 million) relate primarily to the corporate facilities in Tharisa Minerals, asset equipment finance and trade finance facility utilisation.

The Group generated a profit before tax of US$75.8 million (2019: US$11.2 million).

The tax charge amounted to US$20.8 million (2019: US$2.8 million), an effective charge of 27.5% (2019: 24.9% charge). A normalised tax rate should be circa 25%. However, certain expenditure incurred by the Company is not tax deductible. Cash tax paid amounted to US$3.4 million (2019: US$4.4 million).

Unredeemed capex available within the Group for set-off against future taxable profits amounts to US$36.5 million.

The comprehensive income for the period, as a consequence of foreign currency translation differences of US$24.1 million (2019: US$14.0 million), amounted to US$30.8 million (2019: US$5.6 million loss).

| | FY2020 (USc) | FY2019 (USc) | Change |
|---|---|---|---|
| Basic earnings per share | 16.2 | 4 | up 305.0% |
| Headline earnings per share | 16.9 | 4.9 | up 244.9% |
| Diluted earnings per share | 16.2 | 4 | up 305.0% |
| Diluted headline earnings per share | 16.8 | 4.9 | up 242.9% |

The total debt amounted to US$69.2 million, resulting in a debt-to-total equity ratio of 22.0% and a net debt-to-total equity ratio of 6.6%.

Of the total capex spend for the period of US$70.6 million, approximately US$24.7 million related to additions to the mining fleet, US$22.7 million to deferred stripping and US$23.2 million related to other mining assets. Of the US$23.2 million, US$11.8 million related to expansion capital. The depreciation charge amounted to US$27.9 million (2019: US$27.2 million).

Capex amounting to US$1.2 million was incurred as additional safety and health protocols were implemented to ensure continued operations. The capex spend included the construction and equipping of an on-site occupational healthcare facility, the purchase of land and buildings for an isolation and quarantine facility and the upgrade and equipping of this facility.

The Group generated net cash from operations before working capital of US$127.1 million (2019: US$54.5 million) and after taking into account the capex, a free cash flow of US$43.8 million (2019: US$26.0 million). Cash on hand amounted to US$49.3 million (2019: US$59.2 million).

There is continued focus on working capital management, with the current ratio at 1.8 times.

**Dividend**

In accordance with Tharisa's dividend policy of distributing at least 15% of annual NPAT, the Board has proposed a final dividend of US 3.5 cents per ordinary share (17.1% payout ratio) subject to the necessary shareholder approval. The Company did not declare an interim dividend due to the uncertainty arising as a consequence of the coronavirus pandemic and the South African national hard lockdown at that time.

By order of the Board

**P Pouroulis** *Chief Executive Officer* **MG Jones** *Chief Finance Officer*

*30 November 2020*

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The condensed consolidated financial statements for the year ended 30 September 2020 have been extracted from the audited financial statements of the Group, but have not been audited. The auditor's report on the audited financial statements does not report on all of the information contained herein. Shareholders are therefore advised that in order to obtain a full understanding of the financial position and results of the Group, these condensed consolidated financial statements should be read together with the full audited financial statements and full audit report.

These condensed consolidated financial statements and the audited financial statements, together with the audit report, are available on the Company's website, www.tharisa.com, and are available for inspection at the registered address of the Company.

The directors take full responsibility for the preparation of this report and the correct extraction of the financial information from the underlying financial statements.

The directors of the Company are responsible for the maintenance of adequate accounting records and the preparation of the financial statements and related information in a manner that fairly presents the state of affairs of the Company. These financial statements are prepared in accordance with International Financial Reporting Standards and incorporate full and responsible disclosure in line with the accounting policies of the Group, which are supported by prudent judgement.

The directors are also responsible for the maintenance of effective systems of internal control, which are based on established organisational structure and procedures. These systems are designed to provide reasonable assurance as to the reliability of the financial statements, and to prevent and detect material misstatement and loss.

Ernst & Young Cyprus Limited has expressed an unmodified audit opinion in the Independent Auditor's Report dated 27 November 2020 on the audited consolidated financial statements. That report also includes the communication of key audit matters and is available on the Company's website: www.tharisa.com.

The preparation of these condensed results was supervised by the Chief Finance Officer, Michael Jones, a Chartered Accountant (SA).

The condensed consolidated financial statements have been prepared on a going concern basis, as the directors believe that the Company and Group will continue to be in operation in the foreseeable future.

The consolidated annual financial statements have been approved by the Board on 27 November 2020.

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# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**for the year ended 30 September 2020**

| | Notes | **2020 US$'000** | 2019 US$'000 |
|---|---|---|---|
| Revenue | 5 | **405 995** | 342 885 |
| Cost of sales | 6 | **(275 563)** | (282 461) |
| Gross profit | | **130 432** | 60 424 |
| Other income | | **918** | 687 |
| Net foreign exchange (loss)/gain | | **(8 378)** | 354 |
| Administrative expenses | 7 | **(35 327)** | (37 252) |
| Results from operating activities | | **87 645** | 24 213 |
| Finance income | | **944** | 1 437 |
| Finance costs | | **(6 926)** | (8 812) |
| Changes in fair value of financial assets at fair value through profit or loss | 22 | **476** | 312 |
| Changes in fair value of financial liabilities at fair value through profit or loss | 22 | **(5 773)** | (4 343) |
| Share of loss of investment accounted for using the equity method | | **(614)** | (1 652) |
| Profit before tax | | **75 752** | 11 155 |
| Tax | 8 | **(20 801)** | (2 779) |
| **Profit for the year** | | **54 951** | 8 376 |
| | | | |
| **Other comprehensive income** | | | |
| | | | |
| *Items that may be classified subsequently to profit or loss:* | | | |
| Foreign currency translation differences for foreign operations, net of tax | | **(24 118)** | (13 985) |
| Other comprehensive income, net of tax | | **(24 118)** | (13 985) |
| | | | |
| **Total comprehensive income/(loss) for the year** | | **30 833** | (5 609) |
| | | | |
| Profit for the year attributable to: | | | |
| Owners of the company | | **43 296** | 10 616 |
| Non-controlling interest | | **11 655** | (2 240) |
| | | **54 951** | 8 376 |
| | | | |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the company | | **27 431** | 1 835 |
| Non-controlling interest | | **3 402** | (7 444) |
| | | **30 833** | (5 609) |
| | | | |
| Earnings per share | | | |
| Basic earnings per share (US$ cents) | 9 | **16.2** | 4.0 |
| Diluted earnings per share (US$ cents) | 9 | **16.2** | 4.0 |

The notes are an integral part of these condensed consolidated financial statements.

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# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
**as at 30 September 2020**

| | Notes | 2020 US$'000 | 2019 US$'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | **278 960** | 263 980 |
| Intangible assets | | **1 427** | 750 |
| Investment accounted for using the equity method | 11 | **10 303** | 8 781 |
| Other financial assets | 12 | **6 791** | 6 080 |
| Deferred tax assets | | **1 140** | 1 013 |
| **Total non-current assets** | | **298 621** | 280 604 |
| **Current assets** | | | |
| Inventories | 13 | **41 864** | 36 334 |
| Trade and other receivables | 14 | **112 056** | 73 857 |
| Contract assets | | **2 101** | 1 039 |
| Other financial assets | 12 | **2 169** | 1 390 |
| Current taxation | | **497** | 926 |
| Cash and cash equivalents | 15 | **49 293** | 59 201 |
| **Total current assets** | | **207 980** | 172 747 |
| **Total assets** | | **506 601** | 453 351 |
| **Equity and liabilities** | | | |
| Share capital and premium | 16 | **286 929** | 285 193 |
| Other reserve | | **47 245** | 47 245 |
| Foreign currency translation reserve | | **(104 850)** | (88 985) |
| Retained earnings | | **122 085** | 79 318 |
| Equity attributable to owners of the Company | | **351 409** | 322 771 |
| Non-controlling interests | | **(30 580)** | (33 982) |
| **Total equity** | | **320 829** | 288 789 |
| **Non-current liabilities** | | | |
| Provisions | 17 | **14 684** | 13 101 |
| Borrowings | 18 | **16 132** | 19 903 |
| Deferred tax liabilities | | **39 102** | 25 984 |
| **Total non-current liabilities** | | **69 918** | 58 988 |
| **Current liabilities** | | | |
| Borrowings | 18 | **54 481** | 51 313 |
| Other financial liabilities | 19 | **6 144** | 2 384 |
| Current taxation | | **176** | 60 |
| Trade and other payables | 20 | **52 952** | 50 778 |
| Contract liabilities | | **2 101** | 1 039 |
| **Total current liabilities** | | **115 854** | 105 574 |
| **Total liabilities** | | **185 772** | 164 562 |
| **Total equity and liabilities** | | **506 601** | 453 351 |

The consolidated financial statements were authorised for issue by the Board of Directors on 27 November 2020.

**Phoevos Pouroulis**
Director

**Michael Jones**
Director

The notes are an integral part of these condensed consolidated financial statements.

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**for the year ended 30 September 2020**

| | Notes | Share capital US$'000 | Share premium US$'000 | Other reserve US$'000 | Foreign currency translation reserve US$'000 | Retained earnings US$'000 | Total US$'000 | Non-controlling interest US$'000 | Total equity US$'000 |
|---|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | | | | |
| **Balance at 1 October 2018** | | 261 | 280 545 | 47 245 | (80 204) | 77 025 | 324 872 | (26 538) | 298 334 |
| **Total comprehensive income for the year** | | | | | | | | | |
| Profit for the year | | - | - | - | - | 10 616 | 10 616 | (2 240) | 8 376 |
| *Other comprehensive income:* | | | | | | | | | |
| Foreign currency translation differences | | - | - | - | (8 781) | - | (8 781) | (5 204) | (13 985) |
| **Total comprehensive income for the year** | | - | - | - | (8 781) | 10 616 | 1 835 | (7 444) | (5 609) |
| **Transactions with owners of the Company** | | | | | | | | | |
| *Contributions by and distributions to owners* | | | | | | | | | |
| Dividends paid | 27 | - | - | - | - | (6 594) | (6 594) | - | (6 594) |
| Issue of ordinary shares | 16 | 6 | 4 381 | - | - | - | 4 387 | - | 4 387 |
| Equity-settled share based payments | 16 | - | - | - | - | (859) | (859) | - | (859) |
| Deferred tax on equity-settled share based payments | | - | - | - | - | (870) | (870) | - | (870) |
| Contributions by owners of the Company | | 6 | 4 381 | - | - | (8 323) | (3 936) | - | (3 936) |
| Total transactions with owners of the Company | | 6 | 4 381 | - | - | (8 323) | (3 936) | - | (3 936) |
| **Balance at 30 September 2019** | | 267 | 284 926 | 47 245 | (88 985) | 79 318 | 322 771 | (33 982) | 288 789 |

The notes are an integral part of these condensed consolidated financial statements.

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# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**for the year ended 30 September 2020**

| | Note | Share capital US$'000 | Share premium US$'000 | Other reserve US$'000 | Foreign currency translation reserve US$'000 | Retained earnings US$'000 | Total US$'000 | Non-controlling interest US$'000 | Total equity US$'000 |
|---|---|---|---|---|---|---|---|---|---|
| | | **Attributable to owners of the Company** | | | | | | | |
| **Balance at 1 October 2019** | | **267** | **284 926** | **47 245** | **(88 985)** | **79 318** | **322 771** | **(33 982)** | **288 789** |
| **Total comprehensive income for the year** | | | | | | | | | |
| Profit for the year | | **-** | **-** | **-** | **-** | **43 296** | **43 296** | **11 655** | **54 951** |
| *Other comprehensive income:* | | | | | | | | | |
| Foreign currency translation differences | | **-** | **-** | **-** | **(15 865)** | **-** | **(15 865)** | **(8 253)** | **(24 118)** |
| **Total comprehensive income for the year** | | **-** | **-** | **-** | **(15 865)** | **43 296** | **27 431** | **3 402** | **30 833** |
| **Transactions with owners of the Company** | | | | | | | | | |
| *Contributions by and distributions to owners* | | | | | | | | | |
| Dividends paid | 27 | **-** | **-** | **-** | **-** | **(667)** | **(667)** | **-** | **(667)** |
| Issue of ordinary shares | 16 | **2** | **1 734** | **-** | **-** | **-** | **1 736** | **-** | **1 736** |
| Equity-settled share based payments | 16 | **-** | **-** | **-** | **-** | **138** | **138** | **-** | **138** |
| Contributions by owners of the Company | | **2** | **1 734** | **-** | **-** | **(529)** | **1 207** | **-** | **1 207** |
| Total transactions with owners of the Company | | **2** | **1 734** | **-** | **-** | **(529)** | **1 207** | **-** | **1 207** |
| **Balance at 30 September 2020** | | **269** | **286 660** | **47 245** | **(104 850)** | **122 085** | **351 409** | **(30 580)** | **320 829** |

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the ultimate shareholders at the end date of the period of two years from the end of the year of assessment to which the profits refer are both Cypriot tax residents and Cypriot domiciled entities. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the shareholders. These provisions do not apply for ultimate beneficial owners that are non-Cypriot tax resident individuals. Retained earnings is the only reserve that is available for distribution.

The notes are an integral part of these condensed consolidated financial statements.

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# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

**for the year ended 30 September 2020**

| | *Notes* | **2020 US$'000** | 2019 US$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | **54 951** | 8 376 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 10 | **27 949** | 27 236 |
| (Profit)/loss on disposal of property, plant and equipment | 10 | **(9)** | 33 |
| Share of loss of investment accounted for using the equity method | 11 | **614** | 1 652 |
| Impairment loss and net realisable value write down of inventory | 10 | **(114)** | 114 |
| Impairment and write off of property, plant and equipment | 10 | **3 090** | 4 141 |
| Changes in fair value of financial assets at fair value through profit or loss | | **(476)** | (312) |
| Changes in fair value of financial liabilities at fair value through profit or loss | | **5 773** | 4 343 |
| Net foreign exchange loss/(gain) | | **8 378** | (354) |
| Interest income | | **(944)** | (1 437) |
| Interest expense | | **6 926** | 8 812 |
| Tax | | **20 801** | 2 779 |
| Equity-settled share based payments | | **138** | (859) |
| | | **127 077** | 54 524 |
| Changes in: | | | |
| Inventories | | **(7 352)** | (15 207) |
| Trade and other receivables and contract assets | | **(50 577)** | 9 686 |
| Trade and other payables and contract liabilities | | **5 419** | 25 097 |
| Provisions | | **1 767** | 250 |
| Cash from operations | | **76 334** | 74 350 |
| Income tax paid | | **(3 376)** | (4 408) |
| **Net cash flows from operating activities** | | **72 958** | 69 942 |
| **Cash flows from investing activities** | | | |
| Interest received | | **867** | 1 333 |
| Additions to property, plant and equipment | 10 | **(70 558)** | (43 881) |
| Additions to intellectual property | | **(311)** | - |
| Net cash outflow from business combination | 21 | **(1 486)** | - |
| Proceeds from disposal of property, plant and equipment | 10 | **770** | 403 |
| Additions to investments accounted for using the equity method | 11 | **(2 136)** | (7 995) |
| Additions to other financial assets | 12 | **(1 556)** | (2 277) |
| **Net cash flows used in investing activities** | | **(74 410)** | (52 417) |
| **Cash flows from financing activities** | | | |
| Net proceeds from/(payment of) bank credit facilities | 18 | **2 487** | (14 347) |
| Advances received | 18 | **18 118** | 28 476 |
| Repayment of borrowings | 18 | **(15 609)** | (19 024) |
| Lease payments | 18 | **(5 673)** | (6 647) |
| Dividends | 27 | **(667)** | (6 594) |
| Interest paid | | **(4 311)** | (4 665) |
| **Net cash flows used in financing activities** | | **(5 655)** | (22 801) |
| **Net decrease in cash and cash equivalents** | | **(7 107)** | (5 276) |
| Cash and cash equivalents at the beginning of the year | 15 | **59 201** | 66 791 |
| Effect of exchange rate fluctuations on cash held | | **(2 801)** | (2 314) |
| **Cash and cash equivalents at the end of the year** | 15 | **49 293** | 59 201 |

The notes are an integral part of these condensed consolidated financial statements.

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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2020**

## 1. REPORTING ENTITY

Tharisa plc ('the Company') is a company domiciled in Cyprus. These condensed consolidated financial statements of the Company for the year ended 30 September 2020 comprise the Company and its subsidiaries (together referred to as 'the Group'). The Group is primarily involved in platinum group metals (PGM) and chrome mining, processing, trading and the associated logistics. The Company is listed on the main board of the Johannesburg Stock Exchange and has a secondary standard listing on the main board of the London Stock Exchange and a secondary listing on the A2X Exchange in South Africa.

## 2. BASIS OF PREPRATION

### Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with the Listings Requirements of the Johannesburg Stock Exchange and as a minimum, contain the information required by International Accounting Standards 34: Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to obtain an understanding of the changes in the financial position and performance of the Group since the last consolidated financial statements as at and for the year ended 30 September 2019. These condensed consolidated financial statements do not include all the information required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards ('IFRS'). The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 30 September 2020, which have been prepared in accordance with IFRS.

Statutory consolidated financial statements of the Company were additionally prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113. These have been approved and issued on the same date and there are no differences in the two sets of consolidated financial statements.

These condensed consolidated financial statements were approved by the Board of Directors on 27 November 2020.

### Use of estimates and judgements

Preparing the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements at and for the year ended 30 September 2020. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 30 September 2020 which contain detail of significant judgements and estimates.

### Basis of measurement

The condensed consolidated financial statements are prepared on the historical cost basis except as otherwise stated in the accounting policies set out below.

### Functional and presentation currency

The condensed consolidated financial statements are presented in United States Dollars ('US$') which is the Company's functional currency and presentation currency. Amounts are rounded to the nearest thousand.

### Operating environment and going concern

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 (also known as the Coronavirus) outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent and economically costly steps to help contain, and in many jurisdictions, now delay, the spread of the virus. These steps include requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, controlling or closing borders and "locking-down" cities/regions or even entire countries. These measures have slowed down economies globally including both the economies of Cyprus and South Africa. These measures also have the potential of having wider impacts on the respective economies as the measures may persist for an extended period.

**2. BASIS OF PREPRATION (continued)**

**Operating environment and going concern (continued)**
On 15 March 2020, the Cyprus Council of Ministers in an extraordinary meeting, announced that it considers that Cyprus is entering a state of emergency considering the uncertain situation as it unfolds daily, the growing spread of COVID-19 outbreak and the World Health Organization's data on the situation.

On 15 March 2020, the President of South Africa, announced the declaration of the COVID-19 pandemic as a 'national disaster'. Effective 27 March 2020, South Africa was placed in a five-week lockdown (initially three weeks which was subsequently extended) which imposed significant restrictions on economic and other activities.

The Group is fully supportive of the respective governments' initiatives in dealing with the COVID-19 pandemic and has and will implement all measures as instructed by the respective governments.

To this effect, mining operations with limited exceptions such as coal mines supplying the national energy producer were required to be placed on care and maintenance. The Group proceeded with a systematic process of placing its assets on care and maintenance while ensuring both the health and wellbeing of its employees. Mining was suspended on 25 March 2020 and the plants were placed on care and maintenance.

During the lockdown period, the Group developed and submitted an interim essential production plan whereby operations continued with a significantly reduced number of personnel on a shift basis. This plan received government support and permission and mining and limited processing operations at the Group's Voyager Plant (300 ktpm name plate capacity) resumed with the reduced number of personnel on site. Transport of chrome concentrate resumed on 1 April 2020 while limited deliveries of PGM concentrates resumed on 18 April 2020 with the PGM customers having declared force majeure for the lockdown periods.

On 23 April 2020, the President of South Africa announced the basis for a risk adjusted strategy for the return to economic activity following the national lockdown in South Africa. Effective 1 May 2020, South Africa was reduced from a level 5 lockdown to a level 4 lockdown. Level 4 provided inter alia for resumption of open cast mining at 100%. The Tharisa Mine accordingly resumed full operations post the initial lockdown period. Logistics resumed operating in the normal course.

There has been a gradual easing of lockdown restrictions in South Africa with South Africa being placed on a risk adopted level 1 lockdown, with the resumption of most economic activities with effect from 21 September 2020.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. Management has considered the unique circumstances and the risk exposures of the Group and has concluded that the main impact on the Group's business may arise from:

- an interruption of production either on a partial or whole basis;
- a disruption of the logistics operations;
- partial supply chain disruptions;
- the unavailability of personnel; and
- the impact on the demand fundamentals for its products thereby impacting on commodity prices.

The Group reassessed its operating and relevant cash flows using revised assumptions and incorporating downside scenarios in assessing actual and potential financing needs, taking into consideration the main impacts identified above. To strengthen the Group's liquidity and ultimately ensure the sustainability of operations, the Group proactively negotiated certain payment holidays, in some instances capital only and for others both capital and interest, with financial institutions (refer to note 18). The financier payment holiday was conditional *inter alia* on no dividends being paid by the Company. Major suppliers have been successfully engaged for extended credit terms. Capital expenditures projects, including the Vulcan Plant, were placed on hold.

From the analysis performed and taking into account the above factors and borrowing facilities available to the Group, the Directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

## 2. BASIS OF PREPARATION

**Standards and interpretations adopted in the current year**
The Group has adopted the following new and/or revised standards, interpretations and amendments which became effective for the year ended 30 September 2020:

- *IFRIC 23 – Uncertainty over Income Tax Treatment*
- *IAS 23 – Borrowing Costs (Amendment)*
- *IFRS 16- Amendment to Leases*

The adoption of these interpretations and amendments did not have a material impact on the Group.

**Standards and interpretations issued but not yet effective**
A number of standards, amendments to standards and interpretations have been issued but are not yet effective for annual periods beginning on 1 October 2019. Those that are relevant to the Group are presented below.

- *IFRS 3 – Business Combinations (Amendment)*
- *IAS 1 and IAS 8 – Definition of material (Amendment)*
- *Conceptual Framework*
- *Classification of Liabilities as Current or Non-current - Amendments to IAS 1*
- *Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16*
- *Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37*

The Group will adopt these standards and interpretations as they become effective.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 30 September 2020.

## 4. OPERATING SEGMENTS

For management purposes, the chief operating decision maker of the Group, being the executive directors of the Company and the executive directors of the subsidiaries, reports its results per segment. The Group currently has the following four segments:

- PGM segment
- Chrome segment
- Agency and trading segment
- Manufacturing segment

The Group established the manufacturing segment following the acquisition of the manufacturing entity (refer to note 21).

The operating results of each segment are monitored separately by the chief decision maker in order to assist them in making decisions regarding resource allocation as well as enabling them to evaluate performance. Segment performance is evaluated on a PGM ounce production and sales basis and a chrome concentrate tonnes production and sales basis. The Agency and Trading segment performance is evaluated on third-party chrome concentrate tonnes production and sales basis. Third-party logistics, third-party trading and third party chrome operations are evaluated individually but aggregated together as the agency and trading segment. For the manufacturing segment, performance is evaluated on sales and gross profit basis.

The Group's administrative costs, financing (including finance income and finance costs) and income taxes are managed on a group basis and are not allocated to a segment.

The accounting policies used by the Group in reporting segments internally are the same as those applied to the consolidated financial statements.

Due to the intrinsic nature of the Group's PGM and chrome concentrate production processes, assets are reported on a consolidated basis and cannot necessarily be allocated to a specific segment. Consequently, assets are not disclosed per segment in the following segmental information.

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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2020**

**4. OPERATING SEGMENTS (continued)**

| **2020** | **PGM US$'000** | **Chrome US$'000** | **Agency and trading US$'000** | **Manufacturing US$'000** | **Total US$'000** |
|---|---|---|---|---|---|
| Revenue | **218 619** | **161 267** | **24 109** | **2 000** | **405 995** |
| Cost of sales | | | | | |
| Manufacturing costs | **(132 038)** | **(58 761)** | **(12 584)** | **(1 598)** | **(204 981)** |
| Selling costs | **(396)** | **(44 140)** | **(4 477)** | **-** | **(49 013)** |
| Freight services | **-** | **(17 979)** | **(3 590)** | **-** | **(21 569)** |
| | **(132 434)** | **(120 880)** | **(20 651)** | **(1 598)** | **(275 563)** |
| Gross profit | **86 185** | **40 387** | **3 458** | **402** | **130 432** |
| 2019 | | | | | |
| Revenue | 130 064 | 177 881 | 34 940 | - | 342 885 |
| Cost of sales | | | | | |
| Manufacturing costs | (100 735) | (88 861) | (17 061) | - | (206 657) |
| Selling costs | (899) | (41 302) | (10 012) | - | (52 213) |
| Freight services | - | (17 910) | (5 681) | - | (23 591) |
| | (101 634) | (148 073) | (32 754) | - | (282 461) |
| Gross profit | 28 430 | 29 808 | 2 186 | - | 60 424 |

The shared costs relating to the manufacturing of PGM and chrome concentrates are allocated to the relevant operating segments based on the relative sales value per product on an ex-works basis. During the year ended 30 September 2020, the relative sales value of PGM concentrate increased compared to the relative sales value of chrome concentrates and consequently the allocation basis of shared costs was revised to 75.0% for PGM concentrate and 25.0% for chrome concentrates. The allocation basis of shared costs was 55.0% (PGM concentrates) and 45.0% (chrome concentrate) for the year ended 30 September 2019.

Cost of sales includes a charge for the write off/impairment of property, plant and equipment totalling US$3.1 million (2019: US$4.1 million) which mainly relates to mining equipment. The write off/impairment has been allocated to the PGM and chrome segments in accordance with the allocation basis of shared costs as described in the preceding paragraph.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2020**

**4. OPERATING SEGMENTS (continued)**

**Geographical information**

The following table sets out information about the geographical location of:

(i) the Group's revenue from external customers and
(ii) the Group's property, plant and equipment, intangible assets and investment accounted for using the equity method ('specified non-current assets').

The geographical location analysis of revenue from external customers is based on the country of establishment of each customer. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment and intellectual property and the location of the operation to which they are allocated in the case of goodwill.

**(i) Revenue from external customers**

| 2020 | PGM US$'000 | Chrome US$'000 | Agency and trading US$'000 | Manufacturing US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| South Africa | **218 619** | **24 497** | **918** | **2 000** | **246 034** |
| China | **-** | **39 719** | **12 108** | **-** | **51 827** |
| Singapore | **-** | **33 918** | **8 075** | **-** | **41 993** |
| Hong Kong | **-** | **50 005** | **2 382** | **-** | **52 387** |
| United Arab Emirates | **-** | **9 344** | **-** | **-** | **9 344** |
| Other countries | **-** | **3 784** | **626** | **-** | **4 410** |
| | **218 619** | **161 267** | **24 109** | **2 000** | **405 995** |
| 2019 | | | | | |
| South Africa | 130 064 | 40 320 | 695 | - | 171 079 |
| China | - | 53 070 | 3 558 | - | 56 628 |
| Singapore | - | 10 046 | 30 182 | - | 40 228 |
| Hong Kong | - | 67 106 | - | - | 67 106 |
| Other countries | - | 7 339 | 505 | - | 7 844 |
| | 130 064 | 177 881 | 34 940 | - | 342 885 |

Revenue represents the sales value of goods supplied to customers, net of value-added tax. The following table summarises sales to customers with whom transactions have individually exceeded 10.0% of the Group's revenues.

| | **2020 Segment** | **US$'000** | 2019 Segment | US$'000 |
|---|---|---|---|---|
| Customer 1 | **PGM** | **174 592** | PGM | 110 209 |
| Customer 2 | **PGM and Agency and trading** | **44 433** | Chrome | 42 582 |
| Customer 3 | **Chrome and Agency and trading** | **33 416** | Chrome | 41 858 |
| Customer 4 | **Chrome** | **24 507** | Chrome | 39 769 |

| **(ii) Specified non-current assets** | **2020 US$'000** | 2019 US$'000 |
|---|---|---|
| South Africa | **280 029** | 264 627 |
| Zimbabwe | **10 303** | 8 781 |
| Cyprus | **358** | 103 |
| | **290 690** | 273 511 |

Non-current assets includes property, plant and equipment, intangible assets and the investment accounted for using the equity method.

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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2020**

## 5. REVENUE

| **2020** | **PGM US$'000** | **Chrome US$'000** | **Agency and trading US$'000** | **Manufacturing US$'000** | **Total US$'000** |
|---|---|---|---|---|---|
| **Revenue recognised at a point in time** | | | | | |
| Variable revenue based on initial results | **191 066** | **119 081** | **19 427** | **-** | **329 574** |
| Quantity adjustments | **(2 465)** | **211** | **(47)** | **-** | **(2 301)** |
| Revenue based on fixed selling prices | **-** | **23 996** | **1 139** | **2 000** | **27 135** |
| **Revenue recognised over time** | | | | | |
| Freight services | **-** | **17 979** | **3 590** | **-** | **21 569** |
| **Revenue from contracts with customers** | **188 601** | **161 267** | **24 109** | **2 000** | **375 977** |
| Fair value adjustments (refer to note 22) | **30 018** | **-** | **-** | **-** | **30 018** |
| **Total revenue** | **218 619** | **161 267** | **24 109** | **2 000** | **405 995** |

| 2019 | **PGM US$'000** | **Chrome US$'000** | **Agency and trading US$'000** | **Manufacturing US$'000** | **Total US$'000** |
|---|---|---|---|---|---|
| Revenue recognised at a point in time | | | | | |
| Variable revenue based on initial results | 118 188 | 118 604 | 28 891 | - | 265 683 |
| Quantity adjustments | 1 788 | 1 048 | 64 | - | 2 900 |
| Revenue based on fixed selling prices | - | 40 319 | 304 | - | 40 623 |
| Revenue recognised over time | | | | | |
| Freight services | - | 17 910 | 5 681 | - | 23 591 |
| Revenue from contracts with customers | 119 976 | 177 881 | 34 940 | - | 332 797 |
| Fair value adjustments (refer to note 22) | 10 088 | - | - | - | 10 088 |
| Total revenue | 130 064 | 177 881 | 34 940 | - | 342 885 |

During the year ended 30 September 2020, revenue from freight services of US$1.0 million (2019: US$2.2 million) was recognised which was classified as a contract liability at 30 September 2019.

| | **2020 US$'000** | 2019 US$'000 |
|---|---|---|
| **Variable revenue recognised:** | | |
| PGM revenue recognised in preceding year based on initial results | **(35 296)** | (29 352) |
| PGM revenue based on final results | **36 715** | 28 957 |
| PGM revenue adjustment recognised in current year | **1 419** | (395) |
| Chrome revenue recognised in preceding year based on initial results | **(35 153)** | (45 805) |
| Chrome revenue based on final results | **35 199** | 45 618 |
| Chrome revenue adjustment recognised in current year | **46** | (187) |

The period ended 30 September 2020 includes PGM revenue of US$62.0 million (2019: US$39.9 million) and chrome revenue of US$32.4 million (2019: US$37.7 million) that was based on provisional results as final prices and surveys were not yet available at 30 September 2020.

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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
**for the year ended 30 September 2020**

## 6. COST OF SALES

| | 2020 US$'000 | 2019 US$'000 |
|---|---|---|
| **Mining** | | |
| Drill and blast | **21 496** | 15 360 |
| Load and haul | **16 011** | 9 167 |
| Diesel | **17 117** | 23 076 |
| Salaries and wages | **22 524** | 30 607 |
| Maintenance | **23 090** | 31 318 |
| Depreciation | **15 506** | 13 278 |
| Cost of commodities | **14 870** | 22 391 |
| Impairment and write off of property, plant and equipment | **3 090** | 4 141 |
| | **133 704** | 149 336 |
| **Processing** | | |
| Salaries and wages | **13 587** | 13 906 |
| Utilities | **11 699** | 11 586 |
| Materials and consumables | **15 862** | 19 597 |
| Contractor and equipment hire | **8 830** | 2 813 |
| Overhead | **2 250** | 3 067 |
| Depreciation | **11 581** | 13 142 |
| | **63 809** | 64 111 |
| State royalties | **9 814** | 4 267 |
| Change in inventories – finished products and ore stockpile | **(2 346)** | (11 057) |
| Selling costs | **49 013** | 52 213 |
| Freight services | **21 569** | 23 591 |
| Cost of sales | **275 563** | 282 461 |

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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2020**

## 7. ADMINISTRATIVE EXPENSES

| | **2020 US$'000** | 2019 US$'000 |
|---|---|---|
| Directors and staff costs | | |
| Non-Executive Directors | **626** | 629 |
| Employees: salaries | **14 701** | 15 234 |
| bonuses | **784** | 1 518 |
| pension fund, medical aid and other contributions | **1 854** | 1 836 |
| | **17 965** | 19 217 |
| Audit – external audit services | **436** | 353 |
| Audit – other services * | **19** | 6 |
| Consulting and business development cost | **2 454** | 2 678 |
| Corporate and social investment | **366** | 198 |
| Depreciation | **862** | 816 |
| Discount facility and related fees | **711** | 759 |
| Equity-settled share based payment expense | **1 939** | 3 583 |
| Internal audit | **28** | 60 |
| Listing fees and investor relations | **152** | 180 |
| Health and safety | **1 426** | 1 132 |
| Insurance | **1 817** | 743 |
| Legal and professional | **556** | 600 |
| Loss on disposal of property, plant and equipment | **-** | 33 |
| Office administration, rent and utilities | **1 060** | 985 |
| Research and development | **183** | 351 |
| Security | **1 110** | 1 443 |
| Telecommunications and IT related | **3 259** | 2 331 |
| Training | **159** | 505 |
| Travelling and accommodation | **304** | 702 |
| Sundry | **521** | 577 |
| | **35 327** | 37 252 |

| | **2020** | 2019 |
|---|---|---|
| Number of employees | **1 868** | 1 872 |

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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2020**

## 8. TAX

| | **2020 US$'000** | 2019 US$'000 |
|---|---|---|
| Corporate income tax for the year | | |
| Cyprus | **1 032** | 1 243 |
| South Africa | **2 535** | 1 488 |
| | **3 567** | 2 731 |
| Special contribution for defence in Cyprus | **1** | 3 |
| Deferred tax: originating and reversal of temporary differences | **17 128** | 45 |
| Dividend withholding tax | **105** | - |
| Tax charge | **20 801** | 2 779 |

| **Reconciliation between tax charge and accounting profit at applicable tax rates:** | **2020 US$'000** | 2019 US$'000 | **2020 US$'000** | 2019 US$'000 |
|---|---|---|---|---|
| Profit before tax | **75 752** | 11 155 | **75 752** | 11 155 |
| Add share of loss of investment accounted for using the equity method | **614** | 1 652 | **614** | 1 652 |
| Tharisa plc and subsidiary companies' profit before tax | **76 366** | 12 807 | **76 366** | 12 807 |
| Notional tax on profit before tax, calculated at the Cypriot/South African income tax rate of 12.5%/28.0% (2019: 12.5%/28.0%) | **9 546** | 1 601 | **21 382** | 3 586 |
| Tax effects of: | | | | |
| Different tax rates from the standard Cypriot/South African income tax rate | **10 895** | 860 | **(1 388)** | 240 |
| Tax exempt income | | | | |
| Fair value adjustments | **(22)** | - | **(50)** | - |
| Interest received | **(137)** | (2) | **(306)** | (1 764) |
| Currency gains | **(18)** | - | **(41)** | - |
| Other | **(1)** | 10 | **(1)** | 21 |
| Non-deductible expenses | | - | | - |
| Investment related | **345** | 146 | **773** | 328 |
| Interest paid | **9** | 8 | **20** | 18 |
| Capital expenses | **50** | 76 | **111** | 172 |
| Special contribution for defence in Cyprus | **1** | 3 | **2** | 6 |
| Dividend withholding tax | **105** | - | **236** | - |
| Recognition of deemed interest income for tax purposes | **28** | 77 | **63** | 172 |
| Tax charge | **20 801** | 2 779 | **20 801** | 2 779 |

Tax is recognised on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the year.

The Group's consolidated effective tax rate for the year ended 30 September 2020 was 27.5% (2019: 24.9%).

At 30 September 2020, the Group's unredeemed capital balance available for offset against future mining taxable income in South Africa amounted to US$106.2 million (2019: US$100.2 million). Other than Cyprus and South Africa, no provision for tax in other jurisdictions was made as these entities either sustained losses for taxation purposes or did not earn any assessable profits.

*Judgement and estimates: most meaningful tax rate*
IAS 12 requires entities to disclose a tax rate reconciliation to enable users to understand whether the relationship between the accounting profit and taxation is unusual and to understand significant factors that could affect that relationship in the future. In preparation of the tax rate reconciliation, entities select a most meaningful tax rate to which the profit before tax is applied and to which the tax charge for the year is then reconciled. The Group previously selected the Cyprus corporate income tax rate as the most meaningful tax rate. Since the majority of the Group's profits are currently earned in South Africa, management considers that it is appropriate to include a tax rate reconciliation for which the South African income tax rate is selected as the most meaningful tax rate.

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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2020**

## 9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share and headline and diluted headline earnings per share have been based on the profit attributable to the ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding. Treasury shares are excluded from the weighted average number of ordinary shares outstanding. Vested Share Appreciation Rights ('SARS') issued to employees at award prices lower than the current share price, results in a potential dilutive impact on the weighted average number of issued ordinary shares and have been included in the calculation of dilutive weighted average number of issued ordinary shares. The average market value of the Company's shares for the purposes of calculating the potential dilutive effect of SARS was based on quoted market prices for the year during which the options were outstanding.

**Basic and diluted earnings per share**

| | 2020 | 2019 |
|---|---|---|
| Profit for the year attributable to ordinary shareholders (US$'000) | **43 296** | 10 616 |
| Weighted average number of issued ordinary shares for basic earnings per share ('000) | **266 611** | 263 131 |
| Weighted average number of issued ordinary shares for diluted earnings per share ('000) | **267 355** | 264 877 |
| **Earnings per share** | | |
| Basic (US$ cents) | **16.2** | 4.0 |
| Diluted (US$ cents) | **16.2** | 4.0 |

**Headline and diluted headline earnings per share**

| | 2020 | 2019 |
|---|---|---|
| Headline earnings for the year attributable to ordinary shareholders (US$'000) | **44 938** | 12 840 |
| Weighted average number of issued ordinary shares for basic headline earnings per share ('000) | **266 611** | 263 131 |
| Weighted average number of issued ordinary shares for diluted headline earnings per share ('000) | **267 355** | 264 877 |
| **Headline earnings per share** | | |
| Basic (US$ cents) | **16.9** | 4.9 |
| Diluted (US$ cents) | **16.8** | 4.9 |

**Reconciliation of profit to headline earnings**

| | 2020 | | | | 2019 |
|---|---|---|---|---|---|
| | Gross US$'000 | Tax US$'000 | Non-controlling interest US$'000 | Net US$'000 | Net US$'000 |
| Profit attributable to ordinary shareholders | | | | **43 296** | 10 616 |
| Adjustments: | | | | | |
| Impairment of property, plant and equipment | **3 089** | **(865)** | **(578)** | **1 646** | 2 206 |
| (Profit)/loss on disposal of property, plant and equipment | **(8)** | **2** | **2** | **(4)** | 18 |
| Headline earnings | | | | **44 938** | 12 840 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**for the year ended 30 September 2020**

## 10. PROPERTY, PLANT AND EQUIPMENT

| 30 September 2020 | Freehold land and buildings US$'000 | Mining assets and infrastructure US$'000 | Mining fleet US$'000 | Right-of-use asset: mining fleet US$'000 | Motor vehicles US$'000 | Computer equipment and software US$'000 | Office equipment and furniture, community and site office improvements US$'000 | Right-of-use asset: buildings US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| Balance at 30 September 2019 | 14 731 | 273 346 | 58 085 | 16 543 | 1 284 | 5 338 | 807 | 2 108 | 372 242 |
| Additions | 303 | 44 067 | 24 731 | - | 175 | 1 194 | 88 | - | 70 558 |
| Lease agreements entered into | - | - | - | 617 | - | - | - | - | 617 |
| Transfers | 11 | 254 | - | - | - | (265) | - | - | - |
| Business combination (note 21) | 660 | 682 | - | - | 58 | 25 | 40 | - | 1 465 |
| Disposals | - | - | (3 017) | - | (66) | (8) | - | - | (3 091) |
| Re-measurement | - | - | - | 74 | - | (4) | - | (31) | 39 |
| Impairment and write offs | - | (2 759) | (3 040) | (919) | - | (1 912) | (308) | - | (8 938) |
| Exchange differences on translation | (1 425) | (26 327) | (5 874) | (1 516) | (126) | (500) | (60) | (186) | (36 014) |
| **Balance at 30 September 2020** | 14 280 | 289 263 | 70 885 | 14 799 | 1 325 | 3 868 | 567 | 1 891 | 396 878 |
| **Accumulated depreciation** | | | | | | | | | |
| Balance at 30 September 2019 | 865 | 79 483 | 16 719 | 4 674 | 398 | 4 741 | 586 | 796 | 108 262 |
| Charge for the year | 202 | 11 439 | 11 772 | 2 867 | 122 | 1 086 | 89 | 372 | 27 949 |
| Business combination (note 21) | - | 340 | - | - | 31 | 12 | 29 | - | 412 |
| Disposals | - | - | (2 303) | - | (19) | (8) | - | - | (2 330) |
| Impairment and write offs | - | (2 759) | (140) | (745) | - | (1 906) | (298) | - | (5 848) |
| Exchange differences on translation | (85) | (7 587) | (1 803) | (491) | (43) | (397) | (40) | (81) | (10 527) |
| **Balance at 30 September 2020** | 982 | 80 916 | 24 245 | 6 305 | 489 | 3 528 | 366 | 1 087 | 117 918 |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2020**

**10. PROPERTY, PLANT AND EQUIPMENT (continued)**

| 30 September 2019 | Freehold land and buildings US$'000 | Mining assets and infrastructure US$'000 | Mining fleet US$'000 | Right-of-use asset: mining fleet US$'000 | Motor vehicles US$'000 | Computer equipment and software US$'000 | Office equipment and furniture, community and site office improvements US$'000 | Right-of-use asset: buildings US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| Balance at 30 September 2018 | 14 861 | 276 345 | 36 872 | 14 182 | 651 | 7 223 | 771 | 2 296 | 353 201 |
| Additions | 918 | 12 620 | 27 474 | - | 715 | 2 061 | 93 | - | 43 881 |
| Lease agreements entered into | - | - | - | 5 854 | - | - | - | 70 | 5 924 |
| Transfers | - | 3 528 | 1 622 | (1 622) | - | (3 528) | - | - | - |
| Disposals | - | (86) | (1 278) | - | - | (2) | (3) | - | (1 369) |
| Re-measurement | - | 407 | - | 2 | - | - | - | - | 409 |
| Impairment and write offs | - | (26) | (2 781) | (733) | - | (26) | (7) | (77) | (3 650) |
| Exchange differences on translation | (1 048) | (19 442) | (3 824) | (1 140) | (82) | (390) | (47) | (181) | (26 154) |
| **Balance at 30 September 2019** | 14 731 | 273 346 | 58 085 | 16 543 | 1 284 | 5 338 | 807 | 2 108 | 372 242 |
| **Accumulated depreciation** | | | | | | | | | |
| Balance at 30 September 2018 | 740 | 72 390 | 8 274 | 2 732 | 341 | 3 340 | 541 | 532 | 88 890 |
| Charge for the year | 185 | 12 691 | 8 763 | 3 273 | 85 | 1 732 | 86 | 421 | 27 236 |
| Transfers | - | - | 682 | (682) | (1) | 1 | - | - | - |
| Disposals | - | (39) | (889) | - | - | (2) | (3) | - | (933) |
| Impairment | - | (16) | 955 | (346) | - | (25) | (5) | (72) | 491 |
| Exchange differences on translation | (60) | (5 543) | (1 066) | (303) | (27) | (305) | (33) | (85) | (7 422) |
| **Balance at 30 September 2019** | 865 | 79 483 | 16 719 | 4 674 | 398 | 4 741 | 586 | 796 | 108 262 |

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

| | 2020<br>US$'000 | 2019<br>US$'000 |
|---|---|---|
| **Net book value** | | |
| Freehold land and buildings | **13 298** | 13 866 |
| Mining assets and infrastructure | **208 347** | 193 863 |
| Mining fleet | **46 640** | 41 366 |
| Right-of-use mining fleet | **8 494** | 11 869 |
| Motor vehicles | **836** | 886 |
| Computer equipment and software | **340** | 597 |
| Office equipment and furniture, community and site office improvements | **201** | 221 |
| Right-of-use buildings and premises | **804** | 1 312 |
| | **278 960** | 263 980 |

Included in additions to mining assets and infrastructure are additions to the deferred stripping asset of US$22.7 million (2019: US$0.2 million).

The estimated economically recoverable proved and probable mineral reserve was reassessed at 1 October 2019 which gave rise to a change in accounting estimate. The remaining reserve that management had previously assessed was 92.7 Mt (at 1 October 2018). At 1 October 2019, the remaining reserve was assessed to be 97.5 Mt.

As a result, and taking into account depletion of the reserve during the year ended 30 September 2020 (4.9 Mt), the expected useful life of the plant increased. The impact of the change on the actual depreciation expense, included in cost of sales, is a reduced depreciation charge of US$0.8 million. The change in estimate was recognised prospectively.

Included in mining assets and infrastructure are projects under construction of US$25.6 million (2019: US$14.8 million).

Freehold land and buildings comprises various portions of the farms Elandsdrift 467 JQ, Buffelspoort 343 JQ and 342 JQ, North West Province, South Africa. All land is freehold.

Property, plant and equipment, with the exception of motor vehicles, is insured at approximate cost of replacement. Motor vehicles are insured at market value. Land is not insured.

**Capital commitments**
At 30 September 2020, the Group's capital commitments for contracts to purchase property, plant and equipment amounted to US$30.7 million (2019: US$17.9 million).

**Securities**
At 30 September 2020, the majority of the Group's mining fleet was pledged as security against the equipment loan facility.

**Impairment**
During the year ended 30 September 2020, the Group impaired and scrapped individual assets totalling US$3.1 million (2019: US$4.1 million). The impairment during both the financial years relate to yellow fleet equipment identified as no longer fit for use and premature component failures. The impaired assets are not part of a cash generating unit for which any goodwill has been recognised.

The mining component pre-mature failures are identified through the measurement of the hours depreciated for each component in relationship to the expected useful live. An impairment loss is recognised for each component that did not reach its expected useful life. Further to this mining fleet impairment is also identified from fleet that is confirmed as obsolete by management. Where equipment was not in use for a period of longer than six months an impairment is raised as future value would be expected to be lower than book value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**for the year ended 30 September 2020**

## 11. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

During the year ended 30 September 2018, the Group acquired 26.8% of the issued share capital of Karo Mining Holdings Limited ('Karo Holdings'), a company incorporated in Cyprus, for a total cash consideration of US$4.5 million from the Leto Settlement, a related party.

Karo Holdings entered into an Investment Project Framework Agreement with the Republic of Zimbabwe in terms of which Karo Holdings, through any of its subsidiaries, has undertaken to establish a platinum group metals mine, concentrators, smelters, a base metal and precious metals refinery as well as power generation capacity for the operations with surplus energy capacity made available to the Zimbabwe power grid (collectively referred to as 'the Project').

Karo Holdings' principal place of business is in Cyprus. The functional and presentation currency of Karo Holdings and its subsidiaries is the US$. The table below details Karo Holdings' interest in subsidiaries as at 30 September 2020 and 30 September 2019.

| Company name | Effective interest | Country of incorporation and principal place of business | Principal activity |
|---|---|---|---|
| Karo Zimbabwe Holdings (Private) Limited | 100% | Zimbabwe | Investment holding |
| Karo Platinum (Private) Limited* | 100% | Zimbabwe | Platinum mining |
| Karo Coal Mines (Private) Limited** | 100% | Zimbabwe | Coal |
| Karo Power Generation (Private) Limited** | 100% | Zimbabwe | Power generation |
| Karo Refinery (Private) Limited** | 100% | Zimbabwe | PGM smelting and refining |

* In terms of the Investment Project Framework Agreement, 50% of the shareholding in this company is required to be transferred to an investment entity owned by the Republic of Zimbabwe, the communities and employees.

** In terms of the Investment Project Framework Agreement, 25% of the shareholding in this company is required to be transferred to an investment entity owned by the Republic of Zimbabwe, the communities and employees.

The Group entered into a Shareholders Agreement with Leto Settlement whereby management of the Project will exclusively vest in the Company or any of its subsidiaries. Any decisions about the relevant activities require unanimous consent of the shareholders. The Group has determined that a joint arrangement exists and consequently has classified its investment in Karo Holdings as a joint venture. The Group accounts for joint ventures using the equity method in the condensed consolidated financial statements.

| Investment in Karo Holdings | 2020 US$'000 | 2019 US$'000 |
|---|---|---|
| Opening balance | **8 781** | 4 438 |
| Advances during the year | **2 136** | 5 995 |
| Share of total comprehensive loss | **(614)** | (1 652) |
| | **10 303** | 8 781 |
| Shares acquired | **4 500** | 4 500 |
| Loan advance | **8 131** | 5 995 |
| Total share of comprehensive loss from joint venture | **(2 328)** | (1 714) |
| Total investment | **10 303** | 8 781 |
| **Summarised consolidated financial information of Karo Holdings** | | |
| **Summarised statement of financial position** | | |
| Non-current assets | **216** | 574 |
| Current assets | **634** | 27 |
| Non-current liabilities | **(8 431)** | (5 995) |
| Current liabilities | **(1 106)** | (1 000) |
| Net deficit (100%) | **(8 687)** | (6 394) |
| **Summarised statement of comprehensive income** | | |
| Operating expenses | **(2 004)** | (6 106) |
| Finance costs | **(274)** | - |
| Tax | **(14)** | (60) |
| Total comprehensive loss | **(2 292)** | (6 166) |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**for the year ended 30 September 2020**

**11. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (continued)**

**Summarised statement of changes in equity**

| | **2020** | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Share capital US$'000** | **Retained earnings US$'000** | **Total US$'000** | Share capital US$'000 | Retained earnings US$'000 | Total US$'000 |
| Balance at 1 October | **1** | **(6 395)** | **(6 394)** | 1 | (229) | (228) |
| Net loss for the year | **-** | **(2 292)** | **(2 292)** | - | (6 166) | (6 166) |
| Balance at 30 September | **1** | **(8 687)** | **(8 686)** | 1 | (6 395) | (6 394) |

**Contingencies and commitments**

Arxo Finance Limited, a wholly-owned subsidiary of the Company, has provided funding up to US$8.0 million (excluding accrued interest) to Karo Holdings as a repayable debt facility. This was utilised in part to undertake initial geological exploration and sampling work to determine a compliant mineral resource which will enhance the value of the investment in Karo Holdings. At 30 September 2020, US$7.9 million (2019: US$6.0 million) had been advanced to Karo Holdings. Interest receivable of US$0.3 million was capitalised to the loan receivable. The loan bears interest US Libor plus 250 basis points and is unsecured.

*Judgements and estimates: joint arrangement*

Judgement is required to determine when the Group has joint control of joint arrangements. This requires an assessment when the decisions in relation to relevant activities require unanimous consent. Relevant activities are those relating to the operating and capital decisions of the arrangement, such as the approval of the capital expenditure programme for each year, and appointing, remunerating and terminating the key management personnel or service providers of the operations.

Judgement is also required in determining the classification of a joint arrangement between a joint venture or a joint operation through an evaluation of the rights and obligations arising from the arrangement and in particular, if the joint arrangement has been structured through a separate vehicle, further consideration is required of whether:

- the legal form of the separate vehicle gives the parties rights to the assets and obligations for the liabilities;
- the contractual terms and conditions give the parties rights to the assets and obligations for the liabilities; and
- other facts and circumstances give the parties rights to the assets and obligations for the liabilities.

Differing conclusions around these judgements may materially impact how these businesses are presented in the condensed consolidated financial statements.

Joint arrangements typically convey substantially all the economic benefits of the assets to the parties and judgement is required in assessing whether the terms of the agreements and any other obligations for liabilities of the arrangement result in the parties being substantially the only source of cash flows contributing to the continuity of the operations of the arrangement.

The investment in Karo Holdings is accounted for as a joint venture. The parties are not obligated to cover any potential funding shortfalls. In management's judgement, the Group is not the only possible source of funding and does not have a direct or indirect obligation to the liabilities of the arrangement, but rather shares in its net assets and, therefore, the arrangement has been accounted for as a joint venture.

*Judgements and estimates: impairment of joint venture*

The application of the Group's accounting policy for the assessment of impairment of joint ventures involved in exploration and evaluation activities requires judgment to determine whether future economic benefits are probable, specifically when activities have not yet reached a stage which permits a reasonable assessment of the existence of reserves and resources. The determination of reserves and resources is in itself an estimation process that requires consideration to varying degrees of uncertainty. The Group periodically evaluates the recoverability of its investments in joint ventures whenever indicators of impairment are present. Indicators of impairment include such items as unfavourable results in exploration activities or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is no longer recoverable. If facts and circumstances indicate that the Group's investment in joint ventures may be impaired, the estimated recoverable amount of the investment would be compared to its carrying amount to determine if a write down is required. The Group believes that no impairment is required as at 30 September 2020.

**11. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (continued)**

*Judgements and estimates: impairment of joint venture (continued)*
The investment in Karo Holdings was considered against (a) the results of its exploration activities; and (b) the economic and political stability of Zimbabwe as it pertains to its exploration activities.

The results of the exploration programme to date are in line with initial expectations supported by publicly available information relating to PGM projects on the Great Dyke. It is probable that, based on the extensive exploration area, continued drilling programme will be required to properly delineate the resource and reserve and the optimal site for commencement of mining operations. Based on the exploration activity results there is therefore no reason to consider impairing the investment.

While it is common purpose/knowledge based on press coverage that the economic situation in Zimbabwe may be considered unstable, Karo Holdings is undertaking exploration activities and is contributing to the economy of the country. The economic situation in Zimbabwe, while presenting a more challenging environment in which to operate, has not impacted on the exploration programme in such a manner as to require an impairment to the investment. The currency policies and the changes thereto have needed to be navigated. Expenditure is mainly denominated in US$, the functional currency of Karo Holdings. It is worth noting that the major PGM producers have mining operations in Zimbabwe that are operating profitably.

The operations are currently at an exploration phase. The Zimbabwean government has historically respected the sanctity of mining tenements and the special grants awarded to Karo Platinum (Private) Limited (‘Karo Platinum’) were awarded in terms of the applicable legal framework. The political position of Zimbabwe is that it ‘is open for business’ and is endeavouring to attract foreign inward investment. This is supported by the restitution of farm land and/or agreement to settle amounts owing to previous farmers in Zimbabwe. As such, while the political stability of Zimbabwe was considered as part of the impairment review process, there is no indication that the investment should be impaired.

The Karo Platinum exploration area was afforded Special Economic Zone status which provides certain benefits to companies operating within such zones including the importation of equipment on a duty free basis, retention of sales proceeds in US$, payment of certain suppliers in US$ and numerous other benefits. The company needed to navigate the currency regulations which it did in consultation with the Zimbabwean Reserve Bank, finance and mining ministries.

*Judgements and estimates: functional currency*
In accordance with IAS21, Karo Holdings has considered the following factors in the determination of the functional currency:

- Currency of sales and future sales. While operations are still in exploration phase, PGM concentrates and chrome concentrate sales are concluded in US$;
- Currency of operating costs. The majority of costs are paid in US$ to service providers in Zimbabwe, South Africa, Cyprus and Australia. Fees for services are quoted in US$. Karo Zimbabwe Holdings (Private) Limited obtained foreign exchange control approval to allow funds to be transferred into its Zimbabwean local account during the 2019 financial year. While local transactions in foreign currency were outlawed on 24 June 2019 as a result of the introduction of the sole Zimbabwean currency, such transactions were limited due to the pending foreign exchange control application. Thus, on the basis of costs, the operating currency would be the US$;
- Funding: the funding made available to Karo Holdings is denominated in US$. Using funding as the basis for the determination of functional currency, it is clear that the functional currency is the US$.
- Cash flows: the cash flows comprised of US$ denominated intergroup loans paid directly to the service providers and suppliers of goods;
- Group considerations: Karo Zimbabwe Holdings (Private) Limited is a 100% subsidiary of Karo Holdings domiciled in Cyprus. In terms of degree of autonomy of Karo Zimbabwe Holdings (Private) Limited and its subsidiaries, the group is dependent on the parent.

The Group concludes that the functional currency of the Karo Group is the US$. The Zimbabwean government has issued a number of Statutory Instruments while it has been managing in a hyper inflationary economic environment with a shortage of hard foreign currency reserves. There are various advantages to a Special Economic Zone ranging from beneficial tax rates for a certain period of time to no licences required and no import duty for the import of equipment. The benefits of the Special Economic Zone therefore mitigated the risks associated with the currency regulations and the functional currency of Karo being US$ addressed the weakening ZWL supported by nominal expenses being denominated in ZWL which would, in any event, benefit Karo Holdings.

## 12. OTHER FINANCIAL ASSETS

| | Fair value hierarchy | 2020 US$'000 | 2019 US$'000 |
|---|---|---|---|
| *Non-current assets:* | | | |
| Investments in money markets, current accounts, cash funds and income funds | Level 2 | **6 791** | 6 080 |
| *Current assets:* | | | |
| Investments in equity instruments | Level 1 | **8** | 23 |
| Option to acquire shares in Salene Chrome Zimbabwe (Private) Limited | Level 3 | **178** | - |
| Prepaid investment in Salene Chrome Zimbabwe (Private) Limited | Amortised cost | **1 976** | 1 367 |
| Loan receivable | Amortised cost | **7** | - |
| | | **2 169** | 1 390 |

**Investments in money markets, current accounts, cash funds and income funds – fair value through profit or loss**
Investment in money market and current accounts totalling US$5.6 million (2019: US$4.8 million) is managed by Centriq Insurance Company Limited ('Centriq'). The investment serves as security for the guarantee issued by Centriq to the Department of Mineral Resources and Energy for the rehabilitation provision. The guarantee issued by Centriq has a fixed cover period from 1 December 2014 to 30 November 2020.

Investment in cash funds and income funds of US$1.2 million (2019: US$1.3 million) managed by Stanlib Collective Investments. The investment is ceded to Lombard Insurance Group ('Lombard') against a ZAR12.0 million (2019: ZAR12.0 million) guarantee issued by Lombard on behalf of Arxo Logistics Proprietary Limited to Transnet Freight Rail, a division of Transnet SOC Limited. These investments are separately administered and the Group's right of access to these funds is restricted.

The investments in cash funds and income funds are held at fair value through profit or loss (designated). The underlying investments are in money market and other funds and the fair value has been determined by reference to their quoted prices.

**Investments in equity instruments – fair value through profit or loss**
Investments at fair value through profit or loss are valued based on quoted market prices at the end of the reporting period without any deduction for transaction costs. The investment represents shares in the Bank of Cyprus Public Co Limited.

**Option to acquire shares in Salene Chrome Zimbabwe (Private) Limited**
The Company has been granted a call option to acquire a 90.0% shareholding in Salene Chrome Zimbabwe (Private) Limited ('Salene') a company incorporated in Zimbabwe from the Leto Settlement, a related party (refer to note 35). Salene has been awarded special grants under the Zimbabwe Mines and Minerals Act covering an area of approximately 9 500 hectares (95 km²) on the eastern and western sides of the Great Dyke in Zimbabwe, which entitles it to mine the minerals thereon. The call option originally expired on 30 September 2020 but was extended to 31 December 2020. The decision to exercise the call option is at the Group's election and is exercisable upon either the completion of an initial exploration programme or the Group being in possession of appropriate and reliable information about the project value. In consideration of the call option, the Group will undertake the initial exploration programme including the costs thereof up to an amount of US$3.2 million. At 30 September 2020, the Group incurred US$2.0 million (2019: US$1.4 million) of exploration costs relating to the initial exploration programme. At the date of this report, the call option has not yet been exercised.

During the year ended 30 September 2020, notwithstanding that the exploration programme being undertaken by Tharisa was not complete, the Leto Settlement, the shareholder of Salene funded and commenced with mining operations on a trial basis. This practice of trial mining is typical for the mining of chrome on the Great Dyke. Consequently, site clearance commenced followed by bulk stripping. The trial mining operations commenced on 20 April 2020. The commercial viability of producing chrome from the Salene deposit will form part of the assessment on the exercise of the call option in Salene. Following the commencement of mining operations, the Group decided to suspend the initial exploration programme.

With the results available from the exploration activities concluded, preliminary mining being undertaken and the mining producing lumpy chrome material, the Group is better positioned to assess the project value. The Group completed a discounted cash flow model by using the following significant inputs:

| | |
|---|---|
| Life of open pit mine | 4 years |
| Annual chrome concentrate production | 60 kt |
| Discount rate | 11.8% |
| Chrome lumpy ore FCA selling price | US$70 per tonne |

As at 30 September 2020, US$2.0 million (2019: US$1.4 million) relates to exploration costs invested in the initial exploration programme. Taking this into account, as at 30 September 2020 the fair value of the option to acquire the shares amounts to US$0.2 million (2019: US$ nil) for which a fair value gain of US$0.2 million was recognised in prior or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**for the year ended 30 September 2020**

## 13. INVENTORIES

| | 2020 US$'000 | 2019 US$'000 |
|---|---|---|
| Finished products | **12 978** | 16 436 |
| Ore stockpile | **8 962** | 3 158 |
| Consumables | **19 810** | 16 854 |
| | **41 750** | 36 448 |
| Impairment reversal/(impairment) of consumables | **114** | (114) |
| Total carrying amount | **41 864** | 36 334 |

Inventories are stated at the lower of cost or net realisable value. The Group reversed certain previously impaired consumables and spares during the year ended 30 September 2020. These consumables and spares were impaired during the year ended 30 September 2019. The reversal of the impairment is allocated 75.0% and 25.0% respectively to the PGM and chrome operating segments) (2019: allocated 55.0% to the PGM operating segment and 45.0% to the chrome operating segment).

PGM finished products were written down to the net realisable value during the year ended 30 September 2020. The net realisable write down amounted to US$0.5 million (2019: US$0.2 million) and is allocated to the PGM segment.

Inventories serve as collateral for the bank credit facilities, refer to note 18.

## 14. TRADE AND OTHER RECEIVABLES

| | 2020 US$'000 | 2019 US$'000 |
|---|---|---|
| Trade receivables | **61 474** | 26 119 |
| PGM discounting receivable | **37 059** | 33 686 |
| Total trade receivables | **98 533** | 59 805 |
| Other receivables – related parties (refer to note 23) | **1 440** | 342 |
| Deposits, prepayments and other receivables | **4 250** | 3 757 |
| Accrued income | **1 119** | 1 659 |
| Value added tax receivable (VAT) | **6 714** | 8 294 |
| | **112 056** | 73 857 |

Trade and other receivables of the Group are expected to be recoverable within one year from each reporting date. Trade receivables are unsecured, non-interest bearing and payment terms vary from 0 to 120 days (2019: 0 to 120 days). No impairment of trade receivables was recognised during the year ended 30 September 2020 (2019: no impairment).

The table below summarises the maturity of trade receivables:

| | 2020 US$'000 | 2019 US$'000 |
|---|---|---|
| Current | **98 011** | 58 714 |
| Less than 90 days past due but not impaired | **13** | 164 |
| Greater than 90 days past due but not impaired | **509** | 927 |
| | **98 533** | 59 805 |

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
**for the year ended 30 September 2020**

## 14. TRADE AND OTHER RECEIVABLES (continued)

| | 2020 US$'000 | 2019 US$'000 |
|---|---|---|
| The credit exposure of trade receivables by country is as follows: | | |
| South Africa | **70 873** | 43 982 |
| China | **10 723** | 7 049 |
| Hong Kong | **8 890** | 5 125 |
| Singapore | **4 232** | 363 |
| United Arab Emirates | **3 815** | 3 286 |
| | **98 533** | 59 805 |
| The foreign currency denominated balances, included in trade receivables were as follows: | | |
| ZAR'000 | **58 783** | 126 998 |
| EUR'000 | **7** | 6 |
| GBP'000 | **34** | 22 |

At 30 September 2020, the Group had certain unresolved tax matters. Included in trade and other receivables is an amount of US$5.5 million (ZAR91.2) million which relates to diesel rebates receivable from the South African Revenue Service ('SARS') in respect of the mining operations. US$0.5 million (ZAR8.8 million) of this receivable relates to the amount that is undisputed in the current year. SARS rejected diesel claims of US$4.3 million (ZAR71.1 million) for the period September 2011 to April 2017 and also rejected the claim of US$1.8 million (ZAR30.0 million) relating to May 2017 to February 2018. An accounting receivable of ZAR82.3 million has been raised in relation to the total amount in dispute of ZAR101.0 million. The Group is taking the necessary action to recover the amount due.

## 15. CASH AND CASH EQUIVALENTS

| | 2020 US$'000 | 2019 US$'000 |
|---|---|---|
| Bank balances | **47 103** | 55 409 |
| Short-term bank deposits | **2 190** | 3 792 |
| | **49 293** | 59 201 |
| The credit exposure by country is as follows: | | |
| South Africa | **29 093** | 49 903 |
| Hong Kong | **13 813** | 8 482 |
| Mauritius | **644** | 923 |
| Cyprus | **5 247** | 649 |
| Other countries | **496** | 756 |
| | **49 293** | 59 201 |

| | | 2020 US$'000 | 2019 US$'000 |
|---|---|---|---|
| The credit exposure by bank and credit ratings are as follows: | | | |
| Nedbank | BB+ | **19 679** | 24 663 |
| HSBC | AA+ | **13 843** | 10 956 |
| Bank of China | A | **6 345** | 12 611 |
| Bank of Cyprus | B- | **5 259** | 666 |
| Citibank | A | **2 652** | 8 696 |
| Absa | BB+ | **994** | 987 |
| Other | B- to BB+ | **521** | 622 |
| | | **49 293** | 59 201 |

The amounts reflected above approximate fair value.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are generally call deposit accounts and earn interest at the respective short-term deposit rates.

At 30 September 2020, an amount of US$0.9 million (2019: US$1.3 million) was provided as security for a bank guarantee issued in favour of a trade creditor of a subsidiary of the Group and US$0.3 million (2019: US$0.3 million) was provided as security against certain credit facilities of the Group.

## 16. SHARE CAPITAL AND RESERVES

| Share capital | 30 September 2020 Number of Shares | 30 September 2020 US$'000 | 30 September 2019 Number of Shares | 30 September 2019 US$'000 |
|---|---|---|---|---|
| **Authorised – ordinary shares of US$0.001 each** | | | | |
| As at 30 September | **10 000 000 000** | **10 000** | 10 000 000 000 | 10 000 |
| **Authorised – convertible redeemable preference shares of US$1 each** | | | | |
| As at 30 September | **1 051** | **1** | 1 051 | 1 |
| **Issued** | | | | |
| **Ordinary shares** | | | | |
| Balance at the beginning of the year | **270 000 000** | **270** | 265 000 000 | 265 |
| Issued to treasury shares | **5 000 000** | **5** | 5 000 000 | 5 |
| Balance at the end of the year | **275 000 000** | **275** | 270 000 000 | 270 |
| **Treasury shares** | | | | |
| Balance at the beginning of the year | **3 389 678** | **3** | 4 097 571 | 4 |
| Issued | **5 000 000** | **5** | 5 000 000 | 5 |
| Transferred as part of management share award plans | **(1 865 992)** | **(2)** | (5 707 893) | (6) |
| Balance at the end of the year | **6 523 686** | **6** | 3 389 678 | 3 |
| **Issued and fully paid** | **268 476 314** | **269** | 266 610 322 | 267 |
| **Share premium** | | | | |
| Balance at the beginning of the year | **266 610 322** | **284 926** | 260 902 429 | 280 545 |
| Shares issued | **1 865 992** | **1 734** | 5 707 893 | 4 381 |
| Balance at the end of the year | **268 476 314** | **286 660** | 266 610 322 | 284 926 |
| Total share capital and premium | | **286 929** | | 285 193 |

**Share capital**
Allotments during the year were in respect of 5 000 000 (2019: 5 000 000) ordinary shares issued as treasury shares to satisfy the vesting of Conditional Awards and potential future settlement of Appreciation Rights of the participants' of the Tharisa Share Award Plan.

During the year ended 30 September 2020, 1 865 992 (2019: 5 707 893) ordinary shares were transferred from treasury shares to satisfy the vesting/exercise of Conditional Awards and Appreciation Rights by the participants of the Tharisa Share Award Plan.

At 30 September 2020, 6 523 686 (2019: 3 389 678) ordinary shares were held in treasury.

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares, other than treasury shares, are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**Share premium**
The share premium represents the excess of the issue price of ordinary shares over their nominal value, to the extent that it is registered at the Registrar of Companies in Cyprus, less share issue costs. The share premium is not distributable for dividend purposes.

During the years ended 30 September 2020 and 30 September 2019, the increases in the share premium account related to the issue and allotment of ordinary shares granted in terms of the Share Award Plan.

## 17. PROVISIONS

The Group has a legal obligation to rehabilitate the mining area, once the mining operations cease. The provision has been calculated based on total estimated rehabilitation costs, discounted back to their present values. The pre-tax discount rates are adjusted annually and reflect current market assessments. These costs are expected to be utilised mostly towards the end of the life of mine and associated infrastructure, which is currently estimated to be between financial years 2032 and 2046 (2019: life of open pit mine, 14 years). The provision is determined using commercial closure cost assessments and not the inflation adjusted Department of Mineral Resources and Energy published rates.

| Provision for rehabilitation | 2020 Restoration US$'000 | 2020 Decommis-sioning US$'000 | 2020 Total provision US$'000 | 2019 Restoration US$'000 | 2019 Decommis-sioning US$'000 | 2019 Total provision US$'000 |
|---|---|---|---|---|---|---|
| Opening balance | **6 424** | **6 677** | **13 101** | 5 921 | 6 713 | 12 634 |
| Recognised in profit and loss | **(183)** | **-** | **(183)** | 415 | - | 415 |
| Capitalised/(reversal) to mining assets and infrastructure | **-** | **1 949** | **1 949** | - | (166) | (166) |
| Unwinding of discount | **541** | **562** | **1 103** | 536 | 604 | 1 140 |
| Exchange differences | **(601)** | **(685)** | **(1 286)** | (448) | (474) | (922) |
| Closing balance | **6 181** | **8 503** | **14 684** | 6 424 | 6 677 | 13 101 |

The table below illustrates the movement in the provision as a result of mining operations and changes in variables.

| **30 September 2020** | **Opening balance US$'000** | **Mining operations US$'000** | **Changes in variables US$'000** | **Exchange differences US$'000** | **Closing Balance US$'000** |
|---|---|---|---|---|---|
| Provision for restoration | **6 424** | **(363)** | **722** | **(602)** | **6 181** |
| Provision for decommissioning | **6 677** | **1 164** | **1 348** | **(686)** | **8 503** |
| | **13 101** | **801** | **2 070** | **(1 288)** | **14 684** |
| **30 September 2019** | | | | | |
| Provision for restoration | 5 921 | 3 057 | (2 106) | (448) | 6 424 |
| Provision for decommissioning | 6 713 | 162 | 276 | (474) | 6 677 |
| | 12 634 | 3 219 | (1 830) | (922) | 13 101 |

The current estimated rehabilitation cost to be incurred mostly between financial years 2032 and 2046 (2019: at the end of the life of mine) taking escalation factors into account is US$24.2 million (ZAR404.9 million) (2019: US$25.6 million (ZAR388.4 million)). The estimate was calculated by an independent external expert.

The current estimated rehabilitation cost is projected to a future value based on a weighted average long-term inflation rate of 6.7% (2019: 5.51%). The net present value of the rehabilitation estimated future value is discounted based on a weighted average SWAP curve (2019: 10 year and longer daily average yield based on government bonds). The calculated interest rate was 9.3% (2019: 9.0%).

An insurance company has provided a guarantee to the Department of Mineral Resources and Energy to satisfy the legal requirements with respect to environmental rehabilitation and the Group has pledged as collateral its investments in interest-bearing instruments to the insurance company to support this guarantee.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**for the year ended 30 September 2020**

## 18. BORROWINGS

| | 2020 US$'000 | 2019 US$'000 |
|---|---|---|
| *Non-current* | | |
| Facilities | **-** | 4 279 |
| Equipment loan facility | **12 738** | 7 901 |
| Finance leases | **2 838** | 5 873 |
| Loan | **-** | 1 850 |
| Property loans | **556** | - |
| | **16 132** | 19 903 |
| *Current* | | |
| Facilities | **23 849** | 25 000 |
| Equipment loan facility | **7 730** | 3 698 |
| Finance leases | **3 844** | 5 707 |
| Loan | **1 670** | 2 008 |
| Property loans | **43** | - |
| Bank credit facilities | **17 345** | 14 900 |
| | **54 481** | 51 313 |

**Facilities**

Effective 28 March 2018, the Group concluded the US$47.9 million (ZAR800 million) Facilities which comprises of:

- a three year senior secured amortising term loan of US$24.0 million (ZAR400 million) ('Term loan'),
- a three year secured committed revolving facility of US$18.0 million (ZAR300 million) ('Revolving facility'); and
- an overdraft facility of US$6.0 million (ZAR100 million) ('Overdraft').

The financing was obtained by Tharisa Minerals Proprietary Limited and guaranteed by the Company.

The Term loan bears interest at the three-month JIBAR plus 320 (2019: 320) basis points nominal annual compounded quarterly and is repayable in twelve equal consecutive quarterly instalments commencing on 30 June 2018. The Revolving facility is available for three years and bears interest at the one-month JIBAR plus 330 (2019: 340) basis points nominal annual compounded quarterly and is repayable in full at least once every twelve months. The Revolving facility is available until 31 March 2021. Interest is payable monthly in arrears. The Overdraft facility is available for one year and bears interest at the South African prime rate payable monthly in arrears.

The Facilities contains the following financial covenants for Tharisa Minerals Proprietary Limited:

- Debt to equity ratio of less than 0.67 times;
- Net debt to EBITDA of less than 2.0 times; and
- EBITDA to interest of greater than 3.0 times.

During the year ended 30 September 2020, the terms of the Term loan were amended to allow for a capital repayment holiday for the quarter ended 31 March 2020. Consequently, the Term loan will be fully repaid by 30 June 2021 (2019: 31 March 2021).

At 30 September 2020, Tharisa Minerals Proprietary Limited complied with all financial covenants.

The unutilised facilities at 30 September 2020 amounted to US$17.3 million (ZAR289.7 million) (2019: US$9.9 million (ZAR150 million)).

**Loan**

A subsidiary of the Company, Arxo Metals Proprietary Limited, entered into a loan agreement with Rand York Minerals Proprietary Limited for the advance of ZAR90 million. The loan is repayable in thirty six equal monthly instalments that commenced on 31 August 2018. The loan is unsecured and interest is calculated at the South African prime rate plus 100 basis points.

**Bank credit facilities**

The bank credit facilities relate to pre-shipment finance and discounting of the letters of credit by the Group's banks following performance of the letter of credit conditions by the Group, which results in funds being received in advance of the normal payment date. Interest on these facilities at the reporting date varied between US Libor plus 1.6% pa and US Libor plus 3.0% pa (2019: US Libor plus 1.6% pa and US Libor plus 3.0% pa).

**18. BORROWINGS (continued)**

**Equipment loan facility**
During the year ended 30 September 2018, Tharisa Minerals Proprietary Limited entered into an equipment loan facility of US$25 million with Caterpillar Financial Services Corporation for the funding of certain Caterpillar mining equipment, both replacement parts and new mining equipment. The loan was structured in three tranches and repayment of each tranche varies between twenty-four and forty-eight equal monthly instalments, payable in arrears. Interest was calculated on the three month US Libor plus 350.

During the year ended 30 September 2020, the terms were renegotiated and a fourth revolving tranche was added to the facility. The total facility was increased to US$30 million, bears interest at the one month US Libor plus 325 basis points and is repayable over 48 months. The first instalment date was 31 December 2019. The facility requires a 15% deposit on all finance transactions. The Group negotiated a three months capital and interest payment holiday that commenced on 1 March 2020. The repayment term and interest rate remain unchanged. The equipment loan facility is secured by a first notarial bond over the equipment and is guaranteed by the Company.

The equipment loan facility contains the following Group financial covenants:

- Net debt to tangible net worth not higher than 1.4 times;
- Net debt to EBITDA lower than 2.0 times; and
- EBITDA to interest greater than 4.0 times.

At 30 September 2020, the Group complied with all financial covenants.

**Finance leases**
The Group entered into a number of lease arrangements for the renting of office buildings, premises, computer equipment, vehicles and mining fleet. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets such as computer equipment. Lease expenses of US$0.1 million (2019: US$0.1 million) and US$0.1 million (2019: US$0.1 million) were included in cost of sales and administrative expenses respectively for the year ended 30 September 2020.

The duration of leases relating to buildings and premises are for a period of five years, payments are due at the beginning of the month escalating annually on average by 8.0%. At 30 September 2020, the remaining term of these leases vary between three and three and a half years (2019: four and four and a half years). These leases are secured by cash deposits varying from one to three times the monthly lease payments.

The duration of leases relating to the mining fleet and manufacturing equipment are for periods between fourteen and sixty one months (2019: fourteen and thirty-six months) and bear interest at interest rates between the South African prime interest rate and the South African prime interest rate plus 375 basis points (2019: South African prime interest rate plus 300 basis points). The leases are secured by the mining fleet leased. During the year ended 30 September 2020, certain of the lease agreements terms were amended. The Group negotiated a three months lease payment holiday that commenced on 1 March 2020. Consequently the repayment term was extended by three months.

| Minimum lease payments due: | 2020 US$'000 | 2019 US$'000 |
|---|---|---|
| Within one year | 4 281 | 6 682 |
| Two to five years | 3 018 | 6 491 |
| | 7 299 | 13 173 |
| Less future finance charges | (617) | (1 593) |
| Present value of minimum lease payments due | 6 682 | 11 580 |
| Present value of minimum lease payments due: | | |
| Within one year | 3 840 | 5 687 |
| Two to five years | 2 842 | 5 893 |
| | 6 682 | 11 580 |

**Property loans**
As part of the business combination (refer to note 21), the Group acquired industrial premises and buildings. MetQ Proprietary Limited acquired these buildings and premises immediately before the business combination and secured funding in the form of loans owing to the previous owners. These loans bear interest at the RSA prime rate and are repayable in 10 years from 1 October 2019.

## 18. BORROWINGS (continued)

| | Facilities US$'000 | Equipment loan facility US$'000 | Finance leases US$'000 | Bank credit facilities US$'000 | Loan US$'000 | Property loans US$'000 | Other US$'000 | Total borrowings US$'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance 30 September 2019** | 29 279 | 11 599 | 11 580 | 14 900 | 3 858 | - | - | 71 216 |
| **Changes from financing cash flows** | | | | | | | | |
| Advances: bank credit facilities | - | - | - | 95 326 | - | - | - | 95 326 |
| Repayment: bank credit facilities | - | - | - | (92 839) | - | - | - | (92 839) |
| Net repayment of bank credit facilities | - | - | - | 2 487 | - | - | - | 2 487 |
| Advances received | 6 164 | 11 954 | - | - | - | - | - | 18 118 |
| Repayment of borrowings | (9 394) | (4 323) | - | - | (1 886) | - | (6) | (15 609) |
| Lease payments | - | - | (5 673) | - | - | - | - | (5 673) |
| Repayment of interest | (2 272) | (865) | - | (269) | (273) | - | - | (3 679) |
| **Changes from financing cash flows** | (5 502) | 6 766 | (5 673) | 2 218 | (2 159) | - | (6) | (4 356) |
| **Foreign currency translation differences** | (2 612) | (1 359) | (948) | - | (302) | (61) | - | (5 282) |
| **Liability-related changes** | | | | | | | | |
| Lease agreements entered into | - | - | 715 | - | - | - | - | 715 |
| Re-measurement of lease liabilities | - | - | 40 | - | - | - | - | 40 |
| Business combination (note 21) | - | - | - | | | 660 | 6 | 666 |
| Interest expense | 2 684 | 957 | 906 | 227 | 273 | - | - | 5 047 |
| Revaluation of foreign denominated loan | - | 2 505 | 62 | - | - | - | - | 2 567 |
| **Total liability-related changes** | 2 684 | 3 462 | 1 723 | 227 | 273 | 660 | 6 | 9 035 |
| **Balance at 30 September 2020** | 23 849 | 20 468 | 6 682 | 17 345 | 1 670 | 599 | - | 70 613 |
| Non-current borrowings | - | 12 738 | 2 838 | - | - | 556 | - | 16 132 |
| Current borrowings | 23 849 | 7 730 | 3 844 | 17 345 | 1 670 | 43 | - | 54 481 |
| **Total borrowings** | 23 849 | 20 468 | 6 682 | 17 345 | 1 670 | 599 | - | 70 613 |

## 18. BORROWINGS (continued)

| | Facilities US$'000 | Equipment loan facility US$'000 | Finance leases US$'000 | Bank credit facilities US$'000 | Loan US$'000 | Total borrowings US$'000 |
|---|---|---|---|---|---|---|
| Balance 30 September 2018 | 22 815 | 7 495 | 11 804 | 29 243 | 6 062 | 77 419 |
| Changes from financing cash flows | | | | | | |
| Advances: bank credit facilities | - | - | - | 151 626 | - | 151 626 |
| Repayment: bank credit facilities | - | - | - | (165 973) | - | (165 973) |
| Net repayment of bank credit facilities | - | - | - | (14 347) | - | (14 347) |
| Advances received | 17 426 | 11 050 | - | - | - | 28 476 |
| Repayment of borrowings | (9 294) | (7 831) | - | - | (1 899) | (19 024) |
| Lease payments | - | - | (6 647) | - | - | (6 647) |
| Repayment of interest | (2 549) | (602) | - | (524) | (570) | (4 245) |
| Changes from financing cash flows | 5 583 | 2 617 | (6 647) | (14 871) | (2 469) | (15 787) |
| Foreign currency translation differences | (1 986) | (764) | (821) | - | (305) | (3 876) |
| Liability-related changes | | | | | | |
| Lease agreements entered into | - | - | 5 924 | - | - | 5 924 |
| Interest expense | 2 867 | 759 | 1 320 | 528 | 570 | 6 044 |
| Revaluation of foreign denominated loan | - | 1 492 | - | - | - | 1 492 |
| Total liability-related changes | 2 867 | 2 251 | 7 244 | 528 | 570 | 13 460 |
| Balance at 30 September 2019 | 29 279 | 11 599 | 11 580 | 14 900 | 3 858 | 71 216 |
| Non-current borrowings | 4 279 | 7 901 | 5 873 | - | 1 850 | 19 903 |
| Current borrowings | 25 000 | 3 698 | 5 707 | 14 900 | 2 008 | 51 313 |
| Total borrowings | 29 279 | 11 599 | 11 580 | 14 900 | 3 858 | 71 216 |

## 19. OTHER FINANCIAL LIABILITIES

| | | **2020 US$'000** | 2019 US$'000 |
|---|---|---|---|
| | *Fair value hierarchy* | | |
| Discount facility | Level 2 | **6 035** | 2 085 |
| Forward exchange contracts | Level 2 | **109** | 299 |
| | | **6 144** | 2 384 |

**Discount facility**
Discount facility relates to fair value adjustments on the limited recourse disclosed receivables discounting facility with ABSA and Nedbank in terms of which 98.0% of the sales of platinum, palladium and gold (included in PGM) and 50% of the sales of rhodium are discounted at LIBOR plus 326 basis points (2019: LIBOR plus 265 points). The facility is for US$33.0 million (2019: an amount in US$ equivalent to ZAR300.0 million). The balance is held at fair value through profit or loss.

**Forward exchange contracts – fair value through profit or loss**
The Group entered into a number of forward exchange contracts to hedge certain aspects of the foreign exchange risk associated to the conversion of the US$ to the ZAR and the EUR to the ZAR. At 30 September 2020 the net exposure of these contracts was US$12.8 million (no EUR exposure) (2019: US$12.8 million and EUR1.5 million) with various expiries no later than 15 January 2021 (2019: no later than 15 January 2020). The forward exchange contracts were mark-to-market by using applicable closing exchange rates at 30 September 2020.

## 20. TRADE AND OTHER PAYABLES

| | 2020 US$'000 | 2019 US$'000 |
|---|---|---|
| Trade payables | **23 924** | 34 381 |
| Accrued expenses | **14 163** | 11 670 |
| Leave pay accrual | **4 481** | 3 990 |
| Value added tax payable | **1 531** | 436 |
| Provision for mining royalty | **8 571** | 230 |
| Other payables – related parties (note 23) | **237** | 27 |
| Other payables | **45** | 44 |
| | **52 952** | 50 778 |
| Trade payables denominated in foreign currency balances were as follows: | | |
| ZAR (ZAR'000) | **369 844** | 495 300 |
| EUR (EUR'000) | **248** | 202 |
| GBP (GBP'000) | **-** | 8 |

The amounts above are unsecured, non-interest bearing and payable within one year from the reporting period. The amounts reflected above approximate fair value, due to the short-term thereof.

## 21. BUSINESS COMBINATION

Effective 1 October 2019, the Company acquired 100.0% of the issued share capital of MetQ Proprietary Limited ('MetQ'), a company incorporated in South Africa. MetQ manufactures equipment used in the mining industry. The total purchase consideration was US$2.6 million (ZAR40.0 million). Of the total purchase consideration, US$1.8 million (ZAR27.5 million) was settled in cash on the effective acquisition date while US$0.7 million (ZAR12.5 million) was deferred and subject to MetQ achieving certain profit targets during the year ended 30 September 2020. The deferred purchase price represents a contingent consideration.

Following the COVID-19 outbreak and the consequent adverse impact on global markets, the Group amended the purchase agreement. Previously the contingent consideration was subject to MetQ achieving certain profits targets during the financial year ended 30 September 2020. The required profit target for the year ended 30 September 2020 was replaced by the aggregate profit for the six months ended/ending 31 March 2020 and 31 March 2021.Consequently the deferred consideration will only be finalised by 31 March 2021.

The Company continually monitors MetQ's profit targets. At 1 October 2019, the Company believes that it is unlikely that MetQ will achieve the required profit targets. Consequently the Company has not recognised the contingent consideration.

In addition, the purchase agreement stipulates that at 30 September 2020, MetQ was required to maintain a certain working capital balance. In the event that the working capital balance was below the contracted balance, the shortfall would be set-off against any deferred consideration, if applicable. In the event that the amended profit targets are not met, the balance would become due and payable.

At 1 October 2019, the required working capital balance was below the contracted balance and consequently an amount of US$0.2 million was recognised as a receivable and reduction in the purchase consideration.

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# NOTES TO THE FINANCIAL STATEMENTS
**for the year ended 30 September 2020**

## 21. BUSINESS COMBINATION

The following table summarises the fair value of the company's assets and liabilities at the acquisition date:

| | **Fair value recognised on acquisition US$'000** |
|---|---|
| **Assets** | |
| Property, plant and equipment | **1 053** |
| Inventories | **572** |
| Trade and other receivables | **380** |
| Cash and cash equivalents | **118** |
| | **2 123** |
| **Liabilities** | |
| Borrowings | **(666)** |
| Deferred tax | **(54)** |
| Trade and other payables | **(232)** |
| | **(952)** |
| Total identifiable net assets at fair value | **1 171** |
| Less cash and cash equivalents acquired | **(118)** |
| Less amounts receivable from the Group | **(47)** |
| Goodwill arising on acquisition | **480** |
| Purchase consideration | **1 486** |
| Below a summary of MetQ's statement of profit and loss included in the condensed consolidated financial statements: | |
| Revenue | **2 961** |
| Cost of sales | **(2 349)** |
| Gross profit | **612** |
| Net profit after tax | **44** |

The purchase consideration was funded from existing cash resources of the Group. The transaction cost was US$0.1 million.

The goodwill recognised is attributed to existing relationships with customers, industry knowledge and technical expertise relating to the manufacture of the mining equipment. The goodwill is not tax deductible.

## 22. FINANCIAL RISK MANAGEMENT

**Fair values**
The Board of Directors considers that the fair values of significant financial assets and financial liabilities approximate to their carrying values at each reporting date.

*Financial instruments carried at fair value:*
The following table presents the carrying values of financial instruments measured at fair value at the end of each reporting period across the three levels of the fair value hierarchy defined in IFRS 13, *Fair Value Measurement*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement.

The levels are defined as follows:
Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments (highest level).
Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation methodologies in which all significant inputs are directly or indirectly based on observable market data.
Level 3: fair values measured using valuation methodologies in which any significant inputs are not based on observable market data.

## 22. FINANCIAL RISK MANAGEMENT (continued)

| Financial instrument | Fair value level | Fair value 2020 US$'000 | 2019 US$'000 | Valuation technique and key inputs |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Investments in equity instruments | Level 1 | **8** | 23 | Quoted market price for the same instrument |
| Investments in money markets, current accounts, cash funds and income funds | Level 2 | **6 791** | 6 080 | Quoted market price for the same instrument |
| Option to acquire shares in Salene Chrome Zimbabwe (Private) Limited | Level 3 | **178** | - | Discounted cash flow model Closing market metal prices US$ exchange rate |
| **Trade and other receivables measured at fair value** | | | | |
| PGM receivable | Level 2 | **37 059** | 33 686 | Quoted market metal prices and exchange rate (refer below) |
| **Financial liabilities measured at fair value** | | | | |
| Discount facility | Level 2 | **6 035** | 2 085 | Quoted market metal prices and exchange rate |
| Forward exchange contracts | Level 2 | **109** | 299 | Quoted market closing exchange rates |

There have been no transfers between fair value hierarchy levels in the current year.

Refer to note 5 for the fair value recognised relating to the PGM receivable. Fair value gains and losses recognised on financial instruments during the year:

| | 2020 US$'000 | 2019 US$'000 |
|---|---|---|
| **Changes in fair value of financial assets at fair value through profit or loss** | | |
| Investments in equity instruments | **(15)** | (16) |
| Investments in money markets, current accounts, cash funds and income funds | **313** | 328 |
| Option to acquire shares in Salene Chrome Zimbabwe (Private) Limited | **178** | - |
| | **476** | 312 |
| **Changes in fair value of financial liabilities at fair value through profit or loss** | | |
| Discount facility | **(5 940)** | (3 234) |
| Forward exchange contracts | **167** | (1 109) |
| | **(5 773)** | (4 343) |

**Fair values Level 3: Option to acquire shares in Salene Chrome Zimbabwe (Private) Limited**

As at 30 September 2020, US$2.0 million (2019: US$1.4 million) relates to exploration costs invested in the initial exploration programme. Taking this into account, as at 30 September 2020 the fair value of the option to acquire the shares, estimated using a discounted cash flow model, amounts to US$0.2 million (2019: US$ nil) for which a fair value gain of US$0.2 million was recognised in prior or loss in the year ended 30 September 2020. Significant inputs used to determine the fair value of the option are stated below. A sensitivity analysis of the value of the project was performed by changing the significant inputs to the following:

| Significant input | Assumption used | Sensitivity | Impact on the project value |
|---|---|---|---|
| Life of open pit mine | 4 years | 3.5 years to 4.5 years | A decrease of US$272 thousand and an increase of US$256 thousand |
| Annual chrome concentrate production | 60 kt | 50 kt to 70 kt | A decrease of US$1 000 thousand and an increase of US$903 thousand |
| Discount rate | 11.8% | 10.8% to 12.8% | An increase of US$67 thousand and a decrease of US$65 thousand |
| Chrome lumpy ore FCA selling price | US$70 per tonne | US$60 per tonne to US$80 per tonne | A decrease of US$1 609 thousand and an increase of US$1 609 thousand |

## 22. FINANCIAL RISK MANAGEMENT (continued)

**Estimation of fair values**

The following key inputs were used in determining the fair value of the PGM receivable:

| | | 2020 | 2019 |
|---|---|---|---|
| Platinum | US$/oz | **909** | 944 |
| Palladium | US$/oz | **2 296** | 1 601 |
| Rhodium | US$/oz | **12 788** | 4 588 |
| Gold | US$/oz | **1 923** | 1 511 |
| Ruthenium | US$/oz | **230** | 209 |
| Iridium | US$/oz | **1 613** | 1 440 |
| Metallurgical chrome concentrate + | US$/tonne | **135** | 149 |
| Exchange rate | | **16.71** | 14.85 |

The carrying value less impairment allowance of trade receivables and the carrying value of trade payables are assumed to approximate their fair values as the short term effect of discounting is not material. 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 to the Company for similar financial instruments.

## 23. RELATED PARTY TRANSACTIONS AND BALANCES

In the normal course of the business, the Group enters into various transactions with related parties. Related party transactions exist between shareholders, joint ventures, directors, directors of subsidiaries and key management personnel. Outstanding balances at the year-end are unsecured and settlement occurs in cash. All intergroup transactions have been eliminated on consolidation.

| | 2020<br>US$'000 | 2019<br>US$'000 |
|---|---|---|
| **Loans receivable** | | |
| Karo Mining Holdings Limited | **8 131** | 5 995 |
| Alta Steenkamp | **7** | - |
| **Trade and other receivables** (note 14) | | |
| Thys and Alta Steenkamp | **169** | - |
| The Tharisa Community Trust | **4** | 4 |
| Rocasize Proprietary Limited | **27** | 13 |
| Karo Mining Holdings Limited | **348** | - |
| Karo Zimbabwe Holdings (Private) Limited | **255** | 26 |
| Karo Platinum (Private) Limited | **223** | 18 |
| Karo Power Generation (Private) Limited | **135** | 2 |
| Salene Chrome Zimbabwe (Private) Limited | **265** | 264 |
| Salene Mining Proprietary Limited | **14** | 15 |
| | **1 440** | 342 |

## 23. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

| | 2020 US$'000 | 2019 US$'000 |
|---|---|---|
| **Trade and other payables** (note 20) | | |
| Karo Mining Holdings Limited | **94** | 5 |
| Karo Zimbabwe Holdings (Private) Limited | **6** | - |
| Karo Platinum (Private) Limited | **28** | 21 |
| Rocasize Proprietary Limited | **1** | 1 |
| | **129** | 27 |
| **Amounts due to Directors** | | |
| A Djakouris | **20** | - |
| J Salter | **22** | - |
| O Kamal | **12** | - |
| C Bell | **18** | - |
| R Davey | **15** | - |
| Z Hong | **9** | - |
| V Chu | **2** | - |
| J Hu | **10** | - |
| | **108** | - |
| **Total other payables** | **237** | 27 |
| **Property loans** | | |
| Ross Two-10-Properties Proprietary Limited | **138** | - |
| Rohcon Engineering Proprietary Limited | **174** | - |
| PCMQ Proprietary Limited | **180** | - |
| Thys & Alta Properties Proprietary Limited | **107** | - |
| | **599** | - |
| **Revenue** | | - |
| Salene Manganese Proprietary Limited | **80** | - |
| Salene Technologies Proprietary Limited | **2** | - |
| **Cost of sales** | | |
| Rocasize Proprietary Limited | **331** | 393 |
| Salene Chrome (Private) Limited | **38** | - |
| **Other income** | | |
| Karo Zimbabwe Holdings (Private) Limited | **3** | 42 |
| Karo Platinum (Private) Limited | **2** | 37 |
| Karo Power Generation (Private) Limited | **-** | 3 |
| Rocasize Proprietary Limited | **9** | 9 |
| Salene Chrome Proprietary Limited | **-** | 2 |
| **Consulting fees received** | | |
| Rocasize Proprietary Limited | **12** | 15 |
| Salene Chrome Proprietary Limited | **88** | 43 |
| Karo Platinum (Private) Limited | **224** | 189 |
| Karo Power Generation (Private) Limited | **133** | 59 |
| Karo Zimbabwe Holdings (Private) Limited | **181** | 213 |

# NOTES TO THE FINANCIAL STATEMENTS
**for the year ended 30 September 2020**

## 23. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

| | 2020 US$'000 | 2019 US$'000 |
|---|---|---|
| **Rent paid** | | |
| Ross Two-10-Properties Proprietary Limited | **4** | - |
| Rohcon Engineering Proprietary Limited | **4** | - |
| PCMQ Proprietary Limited | **34** | - |
| Thys & Alta Properties Proprietary Limited | **16** | - |
| **Donations paid** | | |
| The Music for the Children Foundation | **25** | 12 |
| **Interest receivable** | | |
| Karo Mining Holdings Limited | **270** | - |
| **Interest paid** | | - |
| Ross Two-10-Properties Proprietary Limited | **11** | - |
| Rohcon Engineering Proprietary Limited | **14** | - |

**Compensation to Directors and key management:**

| 2020 | Salary and fees US$'000 | Expense allowances US$'000 | Share based payments US$'000 | Provident fund and risk benefits US$'000 | Bonus US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| Non-Executive Directors | **626** | **-** | **-** | **-** | **-** | **626** |
| Executive Directors | **1 637** | **7** | **387** | **73** | **59** | **2 163** |
| Other key management | **1 098** | **24** | **279** | **113** | **60** | **1 574** |
| | **3 361** | **31** | **666** | **186** | **119** | **4 363** |

| 2019 | Salary and fees US$'000 | Expense allowances US$'000 | Share based payments US$'000 | Provident fund and risk benefits US$'000 | Bonus US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| Non-Executive Directors | 629 | - | - | - | - | 629 |
| Executive Directors | 1 590 | 8 | 1 178 | 76 | 219 | 3 071 |
| Other key management | 1 196 | 29 | 907 | 129 | 190 | 2 451 |
| | 3 415 | 37 | 2 085 | 205 | 409 | 6 151 |

Awards to the key management in the period under review are as follows:

| 2020 Ordinary shares | Opening balance | Inclusion of additional employee | Allocated | Vested | Forfeited | Total |
|---|---|---|---|---|---|---|
| LTIP – executive directors | **1 626 960** | **-** | **1 559 892** | **(456 262)** | **(350 788)** | **2 379 802** |
| LTIP – key management | **1 246 246** | **-** | **967 470** | **(362 384)** | **(275 174)** | **1 576 158** |
| 2019 Ordinary shares | | | | | | |
| LTIP – executive directors | 1 605 423 | - | 881 262 | (743 524) | (116 201) | 1 626 960 |
| LTIP – key management | 1 099 439 | 286 656 | 587 838 | (619 289) | (108 398) | 1 246 246 |

**23. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

| **2020 Ordinary shares** | **Opening balance** | **Inclusion of additional employee** | **Allocated** | **Vested** | **Forfeited** | **Total** |
|---|---|---|---|---|---|---|
| SARS – executive directors | **1 229 864** | **-** | **-** | **(263 053)** | **(526 180)** | **440 631** |
| SARS – key management | **913 032** | **-** | **-** | **(206 350)** | **(412 763)** | **293 919** |
| 2019 Ordinary shares | | | | | | |
| SARS – executive directors | 1 118 547 | - | 881 262 | (595 643) | (174 302) | 1 229 864 |
| SARS – key management | 765 744 | 221 868 | 587 838 | (499 821) | (162 597) | 913 032 |

**Option to acquire shares in Salene Manganese Proprietary Limited**
On 9 July 2019, the Company has been granted a call option to acquire a 70.0% shareholding in Salene Manganese Proprietary Limited, a company incorporated in South Africa. The purchase consideration to acquire 70.0% of the shareholding will be equal to 70.0% of the market value of Salene Manganese Proprietary Limited. Salene Manganese Proprietary Limited's principal activity is a manganese exploration and mining company. Salene Manganese Proprietary Limited purchased a Mining Right issued over the farm Macarthy 559, Kuruman district in South Africa. The Mining Right is for the mining of iron ore and manganese ore. At 30 September 2020 the call option has not yet been exercised. The call option is exercisable on or before 14 August 2021.

**Relationships between parties:**

*The Tharisa Community Trust and Rocasize Proprietary Limited*
The Tharisa Community Trust is a shareholder of Tharisa Minerals Proprietary Limited and owns 100% of the issued ordinary share capital of Rocasize Proprietary Limited.

*The Music for the Children Foundation*
A Director of the company is a Trustee of the non-profit organisation.

*Salene Technologies Proprietary Limited, Salene Manganese Proprietary Limited and Salene Mining Proprietary Limited*
A director of the Company is also a director of these companies.

*Thys and Alta Steenkamp*
Former shareholders of MetQ Proprietary Limited.

*Ross Two-10-Properties Proprietary Limited, Rohcon Engineering Proprietary Limited, PCMQ Proprietary Limited & Thys & Alta Properties Proprietary Limited*
A director of MetQ Proprietary Limited is also a director of these companies.

*The Leto Settlement*
The beneficial shareholder of Medway Developments Limited, a material shareholder in the Company.

*Salene Chrome Zimbabwe (Private) Limited*
This company is a wholly owned subsidiary of the Leto Settlement, the beneficial shareholder of Medway Developments Limited, a material shareholder in the Company.

*Karo Mining Holdings Limited, Karo Zimbabwe Holdings (Private) Limited, Karo Platinum (Private) Limited and Karo Power Generation (Private) Limited*
The Company owns 26.8% of the issued share capital of Karo Mining Holdings Limited. Karo Mining Holdings Limited owns 100% of the issued share capital of Karo Zimbabwe Holdings (Private) Limited, Karo Platinum (Private) Limited and Karo Power Generation (Private) Limited.

## 24. CONTINGENT LIABILITIES

At 30 September 2020, the Group had certain unresolved tax matters. Included in trade and other receivables is an amount of US$5.5 million (ZAR91.2) million which relates to diesel rebates receivable from the South African Revenue Service ('SARS') in respect of the mining operations. US$0.5 million (ZAR8.8 million) of this receivable relates to the amount that is undisputed in the current year. SARS rejected diesel claims of US$4.3 million (ZAR71.1 million) for the period September 2011 to April 2017 and also rejected the claim of US$1.8 million(ZAR30.0 million) relating to May 2017 to February 2018. An accounting receivable of ZAR82.3 million has been raised in relation to the total amount in dispute of ZAR101.0 million. The Group is taking the necessary action to recover the amount due.

The Group has objected to an assessment issued by SARS imposing an additional mining royalty in relation to the 2015 and 2017 years of assessment in an amount of US$6.1 million (ZAR102.3 million) (inclusive of penalties and interest). SARS increased the gross sales value of the PGM sales to the minimum specified condition (of 150 parts per million) as set out in the legislation by adjusting the average PGM grade on a linear basis. SARS did not take into account the increase in the associated costs to bring the concentrate to the minimum specified condition whether on a linear basis or otherwise. This is inconsistent with both past practice by SARS and industry applied norms. The Group objected against the assessment on the basis that it is not in terms of the applicable legislation and is of the view that the prospects of successfully objecting to the assessment is high. The Group, together with its legal adviser, has re-assessed the basis on which it is liable for payment of the mining royalty challenging both the linear basis of grossing up the sales value and determining the incremental costs which would be incurred in bringing the concentrate to the minimum specified standard.

In the event that SARS would be successful, the Group estimates the incremental mining royalty for the period up to the current year of assessment to be US$7.4 million (ZAR124.2 million) (net of tax: US$5.4 million (ZAR89.4 million)).

If the Group is successful with a favourable outcome of calculating the mining royalty on the re-assessed basis, it would result in a refund of past royalty payments with a net inflow to the Group.

The principles being applied have not been tested by either SARS or the judiciary and there is therefore uncertainty on the possible outcome of the objection which could lead to an outflow (royalty payable to SARS) or inflow (amount recovered by the Group from SARS). Furthermore, the time period to reach finality may be protracted. Accordingly, no estimate of the contingent amount receivable has therefore been made.

As at 30 September 2020, there is no litigation (2019: no litigation), current or pending, which is considered likely to have a material adverse effect on the Group.

## 25. CAPITAL COMMITMENTS AND GUARANTEES

| | **2020 US$'000** | 2019 US$'000 |
|---|---|---|
| **Capital commitments** | | |
| Authorised and contracted | **20 015** | 17 062 |
| Authorised and not contracted | **10 682** | 805 |
| | **30 697** | 17 867 |

The above commitments are with respect to property, plant and equipment and are outstanding at the respective reporting period. All contracted amounts will be funded through existing funding mechanisms within the Group and cash generated from operations. Balances denominated in currencies other than the US$ were converted at the closing rates of exchange ruling at 30 September 2020.

## 26. EVENTS AFTER THE REPORTING PERIOD

On 27 November 2020, the Board has proposed a final dividend of US$ 3.50 cents per share, subject to the necessary shareholder approval at the Annual General Meeting.

The Board of Directors are not aware of any matter or circumstance arising since the end of the financial year that will impact these financial results.

## 27. DIVIDENDS

During the year ended 30 September 2020, the Company declared and paid a final dividend of US$ 0.25 cents per share in respect of the year ended 30 September 2019.

During the year ended 30 September 2019, the Company declared and paid a final dividend of US$ 2 cents per share in respect of the year ended 30 September 2018. In addition, an interim dividend of US$ 0.5 cents per share was declared and paid in respect of the financial year ended 30 September 2019.

tharisa plc

# NOTES TO THE FINANCIAL STATEMENTS

**for the year ended 30 September 2020**

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Incorporated in the Republic of Cyprus with limited liability
Registration number: HE223412
JSE share code: THA
LSE share code: THS
A2X share code: THA
ISIN: CY0103562118
LEI: 213800WW4YWMVVZIJM90

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Phoevos Pouroulis *(Chief Executive Officer)*
Michael Gifford Jones *(Chief Finance Officer)*
John David Salter *(Lead independent non-executive director)*
Antonios Djakouris *(Independent non-executive director)*
Omar Marwan Kamal *(Independent non-executive director)*
Carol Bell *(Independent non-executive director)*
Roger Davey *(Independent non-executive director)*
Vaneese Chu *(Non-executive director)*
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