TRANS HEX

2012

TRANS HEX GROUP LIMITED
ANNUAL REPORT

consistently producing the highest quality diamonds

TRANS HEX AT A GLANCE

Sales revenue increased by 14,7% to R754,5 million (2011: R658,0 million).

South African operations generated a profit before tax of R114,6 million, compared to a profit before tax of R14,6 million for 2011.

Group profit after tax from continuing operations was R80,9 million, against a loss of R11,4 million for 2011.

Profit after tax from discontinued operations amounted to R127,4 million, against a loss of R33,7 million for 2011.

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Group net profit for the period was R208,3 million (2011: loss of R45,1 million).

Cash generated during the reporting period was R79,9 million (2011: R21,9 million).

Group cash position at the end of the period was R347,4 million (2011: R267,5 million).

Headline earnings per share amounted to 195,5 cents, compared to loss per share of 43,5 cents for 2011.

In Angola, Somiluana sales amounted to US$21,7 million (2011: US$19,3 million, including the sale of pilot production carats).

SALIENT FEATURES

	2012 R'000	2011 R'000
Revenue – continuing operations	**754 484**	657 998
Average US$ exchange rate achieved on sales (R/US$)	**7,55**	7,26
Mining profit	**107 939**	5 112
Exploration costs	**(9 225)**	(5 699)
Profit/(loss) for the year – continuing operations	**80 858**	(11 419)
Profit/(loss) for the year	**208 296**	(45 099)
Headline earnings/(loss)	**206 576**	(45 972)
– Continuing operations	**79 138**	(12 749)
– Discontinued operations	**127 438**	(33 223)
Earnings/(loss) per share (cents)		
– Basic and diluted	**196,0**	(40,6)
– Headline	**195,5**	(43,5)
Total dividend per share (cents)	**–**	–
Total assets	**950 593**	922 561
Net asset value per share (cents)	**442**	292

This annual report covers the

Trans Hex Group financial year from 1 April 2011 to 31 March 2012. It reports on the operational, financial and governance events linked to Trans Hex's activities during this time.

PROFILE

The report aims to enable shareholders and potential investors, as well as government and industry authorities, and other interested stakeholders to make informed assessments of Trans Hex's performance and future prospects.

Trans Hex fully supports the intent of the King Report on Governance for South Africa, 2009 (King III), the Integrated Reporting Committee (IRC) discussion paper released on 25 January 2011 and the Global Reporting Initiative (GRI) guidelines. We recognise that getting to fully integrated reporting is a journey rather than a few steps and we are committed to processes that will enable fully integrated reporting in terms of the applicable requirements.

The mineral resource and mineral reserve information provided in this annual report is compiled in accordance with the South African Code for Reporting of Exploration Results, Mineral Reserves and Mineral Resources (SAMREC). This information has been reviewed and confirmed by the Competent Persons defined by SAMREC.

The annual financial statements included in this report were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, the South African Companies Act, the Company Laws Amendment Act, the Listings Requirements of the JSE Limited and the King III guidelines.

Vision

We aspire to enhance our position as a world-class player in the exploration, mining and marketing of diamonds of the highest quality.

Values

Honesty, integrity, dignity and reliability in all our dealings

A safe and healthy working environment

The sanctity of human rights, equality and non-discrimination

Respect for the cultural diversity of each community and country in which we operate

Cultivating an environmental conscience which begins with each individual project and extends to the greater planet

OUR CULTURE

Mission

Profitably expand our core business through strategically positioned alliances

Attract investors by maintaining a track record of positive growth and acceptable returns

Extend our diamond-ore reserves to more than 20 years through aggressive exploration and pursuing new business opportunities

Upgrade productivity through ongoing research and development and the continual implementation of new technologies

Manage all activities professionally and to the highest possible standard

Enhance the quality of life in those communities in which we operate

Play an active role in the personal growth of each employee so as to attract and retain only the best

Empower those who work for us with the knowledge and resources to act responsibly in accordance with the shared values of all stakeholders

Foster close relationships with regulators and all levels of government and statutory bodies, for the benefit of all stakeholders

Trans Hex has been engaged in the exploration, mining and marketing of diamonds for nearly 50 years.

The company is renowned for consistently producing the highest quality diamonds available in the South African market. Mining operations are presently focused in South Africa and Angola. Rough production is sold into the open market, the State Diamond Trader, Trans Hex's joint venture beneficiation BEE polishing factory based in Johannesburg and to Sodiam, the Angolan state run marketing company.

Trans Hex seeks to identify and acquire – either as a full or partial shareholder – greenfield or brownfield alluvial diamond assets. The company's business model is to explore for, mine and process alluvial diamond deposits and to sell diamonds at an acceptable margin, in the process bringing its considerable in-house expertise to bear.

Trans Hex is always actively seeking new opportunities locally and elsewhere in Africa.

THE TRANS HEX BUSINESS MODEL

MINING OPERATIONS

SOUTH AFRICA	
Baken and environs	Baken Mine >> 100% owned Freid Delwerye >> joint venture Carido >> joint venture
Richtersveld Operations	Bloeddrift >> 100% owned Gariep >> 50% owned empowerment joint venture Nxodap >> 100% owned
Shallow water	Contracting agreement with external parties

ANGOLA	
	Luarica project >> 35% interest* Fucaúma project >> 32% interest* Somiluana Mine >> 33% ownership

** Luarica and Fucaúma licences have been revoked and exit strategies are in progress.*

Trans Hex is renowned for its high-quality gem production, which is highly sought after in the open market.

Demand for Trans Hex's production is expected to remain strong.

The group's established South African operations will be considerably bolstered by the acquisition of the Namaqualand Mines and, in Angola, the Somiluana Mine is showing exceptional promise.

Trans Hex has an experienced executive team which is continuing to reduce production costs, spin off unprofitable assets and implement sustainable performance improvements at all levels.

The groundwork has been laid for the group to deliver sustained benefits for its shareholders in the future.

THE CASE FOR INVESTMENT

Statement of financial position	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
ASSETS					
Property, plant and equipment	**384 858**	408 678	498 252	526 198	656 262
Goodwill	**–**	–	–	–	37 096
Investments in associates	**–**	108	120	132	142
Financial assets	**99 015**	93 591	43 342	40 065	270 034
Current assets	**466 720**	420 184	464 605	415 179	428 160
Non-current asset classified as held for sale	**–**	–	2 044	3 111	153 595
Total assets	**950 593**	922 561	1 008 363	984 685	1 545 289
EQUITY AND LIABILITIES					
Stated capital	**206 276**	206 276	206 276	206 276	206 276
Reserves	**262 801**	103 117	120 731	(19 978)	788 196
Non-current liabilities	**191 065**	216 696	279 647	415 573	281 152
Current liabilities	**290 451**	396 472	401 709	382 814	261 427
Liabilities directly associated with non-current assets classified as held for sale	**–**	–	–	–	8 238
Total equity and liabilities	**950 593**	922 561	1 008 363	984 685	1 545 289
Net asset value per share (cents)	**422**	292	308	176	941

FIVE-YEAR CONSOLIDATED FINANCIAL REVIEW

Income statement	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000
Net operating profit/(loss)	**120 664**	9 589	66 541	(256 440)	59 010
Finance costs	**(11 496)**	(13 439)	(29 636)	(23 188)	(5 963)
Share of results of associated companies	**117**	(10)	(9)	(7)	(7)
Net impairment of assets	**–**	–	–	(539 346)	(6 847)
Profit/(loss) before income tax	**109 285**	(3 860)	36 896	(818 981)	46 193
Income tax	**(28 427)**	(7 559)	(11 747)	58 596	(47 683)
Profit/(loss) for the year from continuing operations	**80 858**	(11 419)	25 149	(760 385)	(1 490)
Profit/(loss) for the year from discontinued operations	**127 438**	(33 680)	(3 543)	(37 188)	(16 972)
Profit/(loss) for the year	**208 296**	(45 099)	21 606	(797 573)	(18 462)
Earnings per share (cents)					
– Basic and diluted	**196,0**	(40,6)	20,4	(754,6)	(17,5)
– Headline	**195,5**	(43,5)	19,4	(602,3)	(7,5)
Dividend per share (cents)	**–**	–	–	–	10,0
Dividend cover	**–**	–	–	–	(0,75)

BOARD OF DIRECTORS

1.	Bernard van Rooyen	Non-executive Chairman (appointed October 1993) *BA LLB (Wits)* Age 78 Other directorships include Mvelaphanda Resources Limited, Banro Corporation and Northam Platinum Limited. Representation on Trans Hex committees: remuneration, audit, social and ethics.
2.	Llewellyn Delport	Chief Executive Officer (appointed July 2004) *BSc (Chem Eng), MBA (UCT)* Age 50
3.	Theunis de Bruyn	Non-executive Director (appointed May 2008) *CA(SA)* Age 43 Other directorships include ELB Group, RECM & Calibre Limited and various unlisted private companies. Representation on Trans Hex committees: remuneration, audit, social and ethics.
4.	Ian Hestermann	Executive Director: Finance (appointed May 2010) Age 45 *BAcc Honours (Stell), BComm Honours (Taxation) (Stell), CA(SA)*
5.	Alwyn Martin	Lead Independent Non-executive Director (appointed November 1997) Age 74 *BComm (UCT), CA(SA)* Other directorships include Datacentrix Holdings Limited, Northam Platinum Limited and Petmin Limited. Representation on Trans Hex committees: remuneration, audit, social and ethics.


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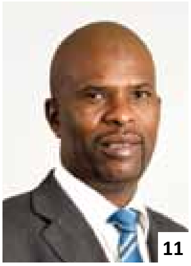
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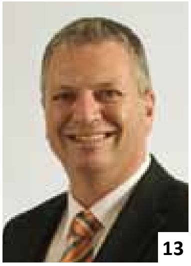
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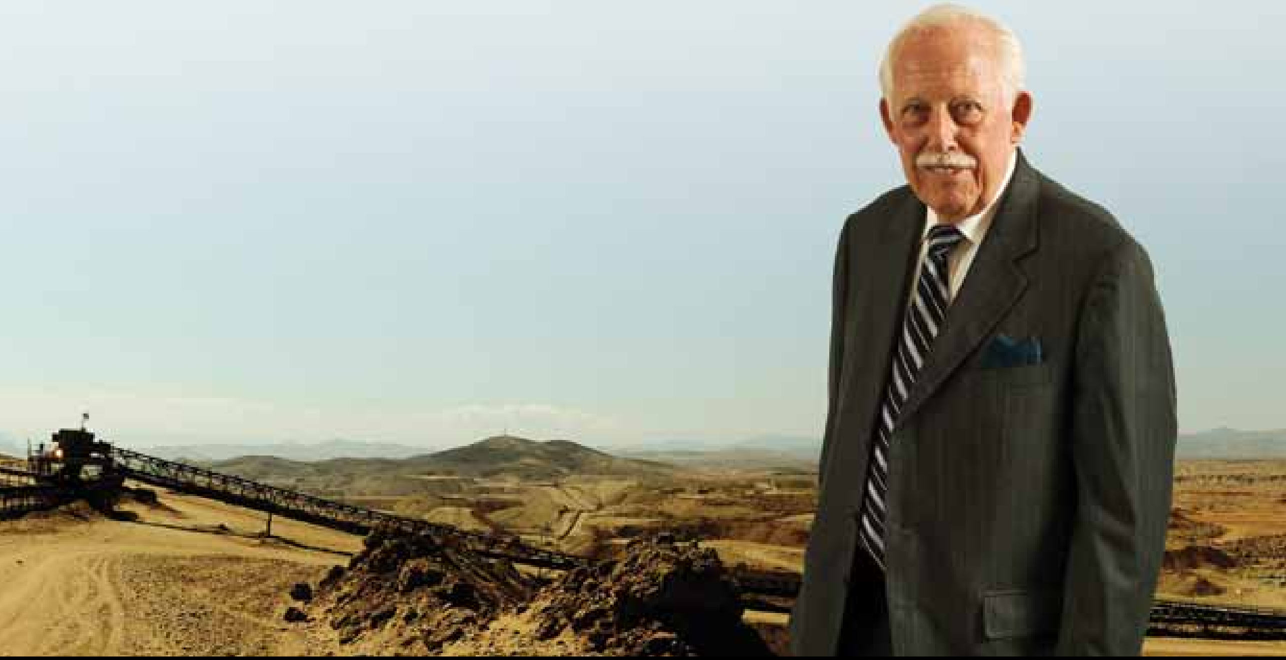
EXECUTIVE TEAM

6.	Rosalino Caetano	Country Manager: Trans Hex Angola Lda *B Mining Eng* Age 55 *(Agostinho Neto University, Luanda)*
7.	Bertus Cilliers	Group Manager: New Business *MSc (Stell)* Age 43
8.	Tim Lee	Group Manager: Marketing Group Manager: Marketing *MBA (Newcastle)* Age 46
9.	Gus Maarman	General Manager: Baken *National Diploma Ext. Met (Wits Tech); NHD Ext. Met (Wits Tech); MBA (Newport)* Age 49
10.	Vincent Madlela	Group Manager: Legal and Stakeholder Relations *LLB (UOFS)* Age 41
11.	Prince Mbetse	Managing Director: Trans Hex Diamond Cutting Works (Pty) Ltd *LLM (UP)* Age 41
12.	Stan Turketti	Group Risk Manager *National Diploma in Police Administration* Age 57
13.	Greg van Heerden	General Manager: Corporate Affairs *BA (Unisa)* Age 50

CHAIRMAN'S LETTER TO STAKEHOLDERS



BERNARD VAN ROOYEN, CHAIRMAN

The group achieved a net profit for the year of R208 million, compared to a loss of R45,1 million in the previous year. Net profit from continuing operations amounted to R81 million, primarily as a result of a 21,4% increase in South African diamond production to 84 409 carats and a 14,7% increase in sales revenue to R755 million.

For Trans Hex Group, the year to 31 March 2012 was marked by a number of positive steps towards enhancing our position as a world-class player in the alluvial diamond mining industry. These included:

- a major improvement in the profitability of our South African operations;
- increased production and profitability at Somiluana Mine in Angola;
- significant progress towards fully exiting the terminated Luarica and Fucaúma joint ventures in Angola; and
- slow but determined progress towards concluding the Namaqualand Mines transaction with De Beers.

GOVERNANCE

There is increasing pressure on the mining industry to demonstrate that it is responsible and transparent in all its actions. The governance principles espoused in King III provide the solid foundation on which our company's business strategies are developed. We are actively aligning ourselves with the requirements of King III and continue in our efforts to produce an integrated report which provides both financial and non-financial information on issues material to our stakeholders.

FINANCIAL PERFORMANCE

The group achieved a net profit for the year of R208 million, compared to a loss of R45,1 million in the previous year. Net profit from continuing operations amounted to R81 million, primarily as a result of a 21,4% increase in South African diamond production to 84 409 carats and a 14,7% increase in sales revenue to R755 million.

Profit after tax from discontinued operations amounted to R127,4 million, compared to a loss of R33,7 million in the previous year. This amount included a reversal of impairment, the prescription of unclaimed debts and a change in the estimate of provisions.

The group recorded earnings from continuing operations of 75 cents per share and earnings from discontinued operations of 121 cents per share. Net cash generated amounted to R80 million and the group ended the financial year with cash reserves of R347 million.

OPERATING PERFORMANCE

Management has maintained a diligent focus on the containment of operating costs throughout the business. Despite rapidly escalating input costs, the overall increase in the unit cost of production at the South African operations was contained to below five percent for the year.

South African production for the year increased by 21,4% over the previous period to a total of 84 409 carats, reflecting management's successful implementation of a new mining plan following the grade underperformance that characterised the first half of the 2011 financial year.

At Somiluana Mine in Angola – in which Trans Hex Group owns a 33% stake – production and sales in the reporting year increased to 45 869 carats and U$21,7 million respectively.

GROWTH PROSPECTS

We continue to see value in the Namaqualand Mines acquisition and, if the deal is concluded successfully, we believe that it will contribute substantially to the growth of earnings from our South African operations.

DIAMOND MARKET

Prices for both rough and polished diamonds fell by more than 15% in the last quarter of 2011, under the influence of the financial crisis in the euro zone and a levelling off of demand in China. While rough prices subsequently improved in the first quarter of 2012, trade in polished diamonds remains slow as uncertainty persists. Prices for both rough and polished diamonds are likely to remain volatile for as long as market sentiment is impacted by concerns about financial developments in the euro zone and slower growth in the Chinese economy. However, we expect that demand for Trans Hex production will remain strong in the year ahead.

CONCLUSION

On behalf of the board, I extend my thanks to management and all of the group's employees for their sterling achievements during the past year in what remains a very challenging environment.

B.R. van Rooyen

BR van Rooyen
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

LLEWELLYN DELPORT, CHIEF EXECUTIVE OFFICER

Solid performances from the South African operations and Somiluana Mine in Angola; good progress with our exit strategy in respect of the Luarica and Fucaúma projects; and disciplined controls over cash and operating costs throughout the group have all contributed to a profit of R208 million against a loss of R45 million last year.

We are pleased to present a set of results that show a very positive improvement on the previous year.

Solid performances from the South African operations and Somiluana Mine in Angola; good progress with our exit strategy in respect of the Luarica and Fucaúma projects; and disciplined controls over cash and operating costs throughout the group have all contributed to a profit of R208 million against a loss of R45 million last year.

GROUP OPERATIONS

The challenges of the 2011 financial year gave us an opportunity to review our operating plans and instigated some important decisions around our short to medium-term business objectives.

SOUTH AFRICAN OPERATIONS

At the beginning of the year, a strategic decision was taken to devote one full month of the financial year to conducting detailed sampling of the tailings resources so that we have more confidence in the expected grades going forward and allowing us to plan mining and processing schedules accordingly.

Baken Mine produced 64 000 carats in the reporting period and continues to concentrate on generating an acceptable margin, primarily through processing existing low-grade stockpiles, tailings and shallow gravels while managing costs.

At Bloeddrift Mine, carat production was boosted in the second half of the year by the opening of a shallow protochannel which produced a substantially higher grade. Total carat production for the Richtersveld Operations amounted to 14 000 carats for the year.

The 4,8% increase in unit cost was as a result of inflationary increases in key operating expenses such as labour, electricity and fuel, balanced by ongoing efforts to stringently control costs at all levels of the business.

ANGOLAN OPERATIONS

Somiluana Mine produced 46 000 carats this year. Expansion of production capacity to date has been funded from cash generated from operations and the mine has managed to add a number of production units to its earthmoving fleet. However, to substantially increase the operational footprint, the equipment and facilities will need to be upgraded. A number of options are being explored with our joint-venture partners but, until this happens, Somiluana production is expected to remain at about 42 000 carats per year.

NAMAQUALAND MINES

Negotiations with De Beers over the acquisition of Namaqualand Mines are at an advanced stage. Successful conclusion of the deal would secure an additional 10 million carats for Trans Hex, of which it is estimated about 1,6 million to 1,9 million carats can be viably mined using current technologies (source: De Beers). Importantly, the transaction would create additional value for Trans Hex as it would enable direct access to the group's shallow water concession areas adjacent to Namaqualand Mines land.

SUSTAINABILITY

While creating value for our shareholders remains our key concern, we recognise that our current and future business activities have an impact on the natural environment as well as the social and economic dimensions of the communities living in the regions in which we operate.

We have environmental management plans in place at all our operations and we ensure that communities benefit from our activities through the implementation of our social and labour plans (SLPs). We are in the process of consulting with our key stakeholders, including local government and communities, to develop new SLPs for the next five years as per the requirements of the South African minerals legislation.

HEALTH AND SAFETY

We stand firm in our belief that every employee has the right to return home safely from work each day and we are pleased to report that we did not record a single disabling injury in the past financial year. This bears testimony to the ongoing efforts of everyone involved in our health and safety programme, which is built on a philosophy of "second by second, minute by minute, hour by hour".

Looking ahead, we are working hard to maintain production levels at our key operations in both South Africa and Angola, while focusing on the improvement of internal efficiencies wherever possible.

OUTLOOK

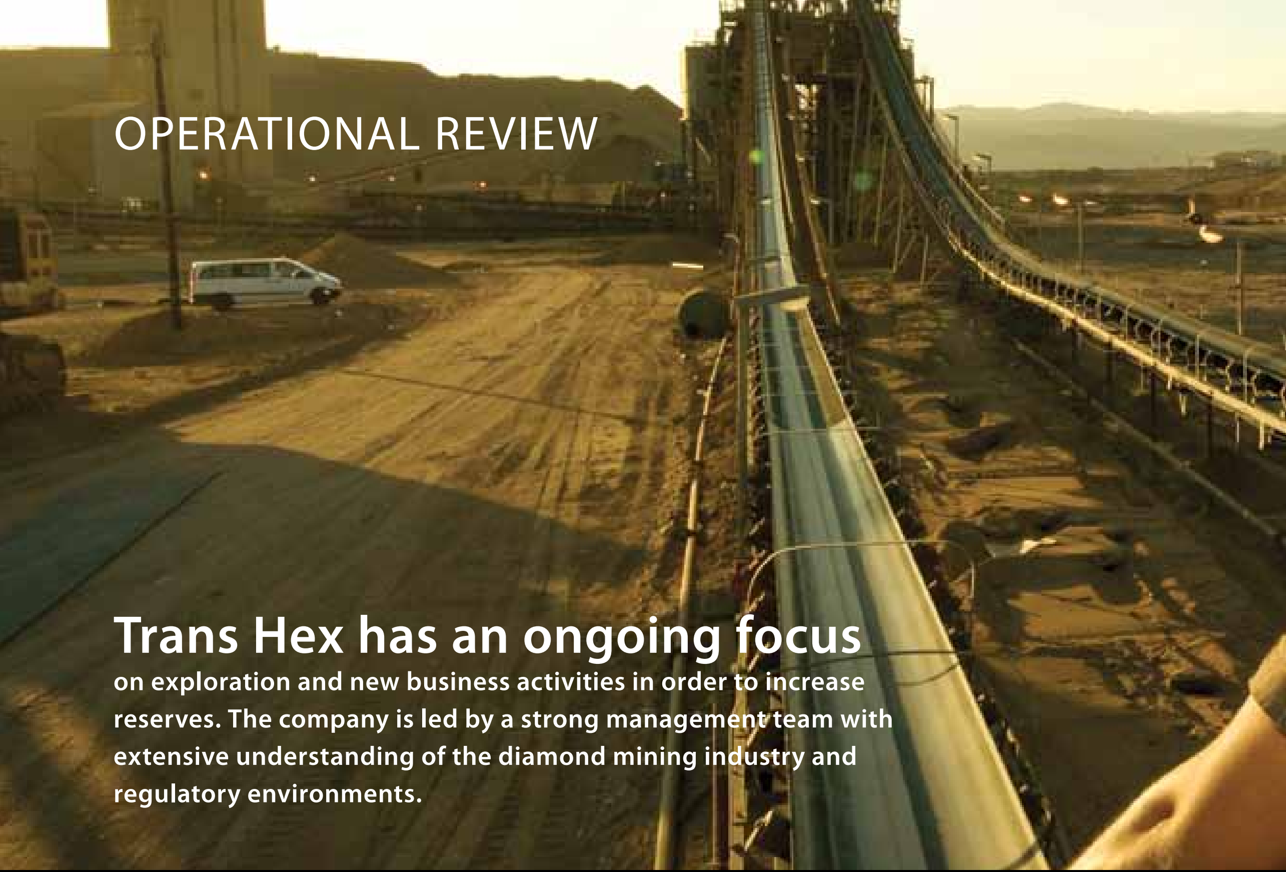
Looking ahead, we are working hard to maintain production levels at our key operations in both South Africa and Angola, while focusing on the improvement of internal efficiencies wherever possible.

In Angola, we will continue with the appropriate processes to fully exit from the discontinued Luarica and Fucaúma operations.

There is no doubt that as uncertainty prevails in the world's developed economies, the financial year ahead will have its challenges. However, we expect demand for our production to remain strong and we intend to remain focused on the business strategies that enabled us to achieve the strong results of the 2012 year.

I want to express my thanks to the entire Trans Hex team for the positive efforts and achievements of the past year, and I encourage you to approach the 2013 financial year in the same spirit.

Llewellyn Delport
Chief executive officer



OPERATIONAL REVIEW

Trans Hex has an ongoing focus

on exploration and new business activities in order to increase reserves. The company is led by a strong management team with extensive understanding of the diamond mining industry and regulatory environments.

OPERATING PERFORMANCE

2012 STATISTICS

Detailed project information	Average grade per 100 m³	Carats produced	Average carats per stone	Average price per carat achieved (US$)
South Africa				
Baken	1,72	63 869	0,98	1 112
Richtersveld Operations	1,10	13 839	1,49	1 871
Shallow water	–	6 701	0,31	590
Angola				
Somiluana	19,16	45 869	0,45	446

2011 STATISTICS

Detailed project information	Average grade per 100 m³	Carats produced	Average carats per stone	Average price per carat achieved (US$)
South Africa				
Baken	1,21	46 350	1,02	1 121
Richtersveld Operations	1,41	15 503	1,89	1 714
Shallow water	–	7 655	0,27	366
Angola				
Somiluana	18,36	27 662	0,46	351

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

MINE OVERVIEW

SOUTH AFRICA

South African operations delivered a profit before tax of R114,6 million, compared to a profit before tax of R14,6 million for 2011.

Production during the reporting period amounted to 84 409 carats (2011: 69 508 carats). The total volume of gravels treated at the land operations remained stable while the average grade increased to 1,57 carats/100 m^3 (2011: 1,27 carats/100 m^3). The unit cost of production increased by 4,8%.

Total sales attributable to the South African operations increased to US$100,0 million (2011: US$90,6 million), at an average price of US$1 200 per carat (2011: US$1 162). In rand terms, revenue was up by 14,7% to R754,5 million (2011: R658,0 million).

ANGOLA

In Angola, production at Somiluana, in which Trans Hex holds a 33% stake, was 45 869 carats during the period (2011: 27 662 carats). Total sales amounted to US$21,7 million at an average price of US$446 per carat (2011: sales amounted to US$19,3 million, including the sale of pilot production carats).

The average grade increased from 18,36 carats/100 m^3 in 2011 to 19,16 carats/100 m^3. Expansion of production capacity is currently being funded from cash generated from operations and the earthmoving fleet, in particular, has seen the addition of a number of key production units.

The Luarica and Fucaúma projects remained under care and maintenance during the reporting period and are disclosed as discontinued operations since the mining licences have been formally revoked by the Angolan State.

BAKEN

OVERVIEW

Baken Mine has traditionally been Trans Hex's flagship operation and is situated on the banks of the lower Orange River, about 60 km from Alexander Bay. This operation mines the Baken paleochannel. The channel is an ancient buried riverbed containing alluvial diamonds washed downstream from kimberlite pipes (diamond-bearing volcanic rock) millions of years ago. The site also contains lower-grade meso terraces, which could be viably mined if diamond prices were to stabilise at higher levels or if processing technologies improve.

Baken Mine provides processing and infrastructure support to the Bloeddrift and Nxodap (Reuning) operations further upstream the Orange River in the Richtersveld region. The Baken Central Plant has a 1 350 tons/hour processing capacity.

OPERATIONS REPORT

After a disappointing first half, carat production was boosted by the opening of a shallow protochannel containing gravels with higher grade, close to the Baken Central Plant. These *in situ* gravels were treated in conjunction with the available stockpiles.

Baken Mine provides processing and infrastructure support to the Bloeddrift and Nxodap (Reuning) operations further upstream the Orange River in the Richtersveld region.

Production at Baken amounted to 63 869 carats during the period (2011: 46 350 carats) at an average grade of 1,72 carats/100 m^3, compared to 1,21 carats/100 m^3 in the previous financial year. The average stone size was 0,98 carats per stone.

The average price for the Baken production was US$1 112 per carat compared to US$1 121 per carat in the previous financial year.

Limited overburden stripping will continue with the view to exposing viable *in situ* gravels which will see Baken producing sufficient carats into the next financial year.

The last month of the financial year (March 2012) was devoted to sampling activity at the various tailings dumps in the area. Good results were obtained and will inform plans to economically treat these stockpiles/dumps in the future.

RICHTERSVELD OPERATIONS

The Richtersveld Operations consists of the Bloeddrift, Nxodap and Gariep projects.

These operations produced 13 839 carats during the period compared to 15 503 the previous financial year. The average grade achieved was 1,101 carats/100 m^3, compared to 1,14 carats/100 m^3 in 2011. The average stone size was 1,49 carats per stone compared to 1,89 carats per stone in 2011.

The average price for Richtersveld production was US$1 871 per carat compared to US$1 717 per carat the previous financial year.

MINE OVERVIEW (continued)

BLOEDDRIFT

OVERVIEW

Bloeddrift is an older mine in the Trans Hex portfolio and is situated on the banks of the lower Orange River, further upstream from Baken in the Richtersveld region. This mine has considerably less infrastructure, making use of a small dense medium separation (DMS) plant and a four rotary pan plant, and is therefore able to profitably mine lower-grade deposits.

OPERATIONS REPORT

Carat production was boosted in the second half of the year by the opening of a shallow protochannel with a substantially higher grade. Mining of this channel will continue into the first quarter of the next financial year.

The Bloeddrift site contains substantial reserves of over 40 million cubic metres, although much of this is in the lower-grade meso beds as opposed to the higher-grade and more ancient protolayers.

NXODAP

OVERVIEW

The Nxodap plant is in the Reuning area on the Orange River. The plant treats *in situ* gravel from the Nxodap deposit and has been in operation since 2005.

OPERATIONS REPORT

The Nxodap plant has been performing consistently since its inception and is producing good-quality diamonds at an average stone size of 1,7 carats per stone. The Nxodap plant has a 50 tons/hour DMS processing plant.

GARIEP

OVERVIEW

This mining venture was established as an empowerment joint venture (JV) with members of the local community in 1992.

OPERATIONS REPORT

During the reporting period the Gariep JV ceased its operations as it was no longer financially sustainable due to rising costs and declining grades.

OUTLOOK OF SOUTH AFRICAN OPERATIONS

Baken Mine continues to concentrate on lowering total costs and generating an acceptable margin, primarily through processing existing low-grade stockpiles, tailings and shallow gravels at increased throughput levels.

Depending on prevailing diamond prices, and with vigilant control of production costs and successful operation of the rotary pan plant, we believe that the Bloeddrift reserve offers many years of profitable diamond extraction. We expect that Nxodap production will be maintained at current levels for the foreseeable future.

South African production for the 2013 financial year is expected to be 80 000 carats. Tight controls over cash and costs will continue to be exercised in all areas.

The mine at Somiluana has known resources exceeding 10 million carats, with probable reserves of 1,6 million carats.

SOMILUANA (ANGOLA)

OVERVIEW

Somiluana Mine is located about 1 000 km north-east of Luanda in the diamond-rich but undeveloped province of Lunda-Norte. Trans Hex is the mine operator and a 33% shareholder. The company's Angolan partners in this operation are Endiama – the state diamond company (39%), and three local companies.

OPERATIONS REPORT

Somiluana commenced production in June 2010 after mining-phase agreements were concluded between Trans Hex and its partners. The mine's known resources exceed 10 million carats, with probable reserves of 1,6 million carats.

Production at Somiluana amounted to 45 869 carats during the period (2011: 27 662 carats). Total sales amounted to US$21,7 million at an average price of US$446 per carat (2011: sales amounted to US$19,3 million, including the sale of pilot production carats).

The average grade achieved was 19,16 carats/100 m^3, compared to 18,36 carats/100 m^3.

No repayment was made to Trans Hex against the outstanding investment amount as cash was retained to develop the mine. Expansion of production capacity is being funded through cash generated from operations, and the earthmoving fleet in particular has seen the addition of a number of key production units.

Trans Hex estimates that a further US$6 million to US$8 million is required to fully develop the mine's current operations on the west bank of the Luana river and to develop the river's east bank, which shows equal promise. A bridge has been built for drilling equipment to be moved across to the east of the river for sampling on that side.

Trans Hex is in talks with its Angolan partners to provide or secure funding for future expansion in accordance with the principle that each party will contribute proportionate to their shareholding.

Projects Luarica and Fucaúma remained under care and maintenance during the period and are disclosed as discontinued operations as the mining licences have been formally revoked by the Angolan State.

OUTLOOK

Although operational for just one full year, the Somiluana project offers good promise. Existing production equipment is becoming inadequate to move increased amounts of overburden. The expansion of the Somiluana production capacity and the further exploration of its resources are critical to take the project to the next level of development and profitability.

The forecast is for Somiluana to produce 42 000 carats for the 2013 financial year.

Trans Hex is continuing with the appropriate course of action to exit from the discontinued Luarica and Fucaúma projects in Angola.

LAND DIVISION

31 March 2012

DIAMOND RESERVES

	PROBABLE		
Project name	Ore (m³ x 1 000)	Grade (cts/100 m³)	Carats (cts)
Baken	16 392	1,30	213 792
Bloeddrift	6 442	1,00	64 244
Reuning	1 148	1,59	18 264
Remhoogte	0	0,00	0
Somiluana*	9 654	16,58	1 601 063
Total	33 636	5,64	1 897 363

Notes:
Diamond resources are quoted inclusive of diamond reserves.
All resources are quoted as recoverable grades at a bottom screen cutoff of 2 mm for South African operations and 1,6 mm for Angolan projects.
** Total project resources and reserves are shown for Somiluana. Trans Hex's attributable share is 33% in line with the group's shareholding.*
Diamond reserve grades for Angolan projects are quoted as ROM grades, i.e. bulked and diluted.
All other diamond grades are quoted as in situ grades.

DIAMOND RESOURCES

	INDICATED			INFERRED		
Project name	Ore (m³ x 1 000)	Grade (cts/100 m³)	Carats (cts)	Ore (m³ x 1 000)	Grade (cts/100 m³)	Carats (cts)
Baken	22 270	1,18	262 276	57 748	0,69	400 282
Bloeddrift	29 420	0,49	144 832	20 809	0,58	120 252
Reuning	6 712	0,71	47 870	29 048	0,54	158 190
Remhoogte	0	0,00	0	7 501	1,19	89 377
Somiluana*	10 325	19,23	1 985 047	50 602	15,74	7 967 036
Total	68 727	3,55	2 440 025	165 708	5,27	8 735 137

DIAMOND RESERVES AND RESOURCES

MARINE DIVISION

31 March 2012

DIAMOND RESOURCES

	INDICATED			INFERRED		
Concession	Area (m²)	Grade (cts/m²)	Carats (cts)	Area (m²)	Grade (cts/m²)	Carats (cts)
2b	515 210	0,21	108 194	1 043 000	0,11	114 730
3b	550 000	0,07	38 500	460 000	0,05	20 700
6b				5 838 711	0,02	99 258
11b	83 000	0,04	3 320			
13b	72 169	0,05	3 608			
Total	1 220 379	0,13	153 622	7 341 711	0,03	234 688

Notes:
No marine resources are stated for the shallow-water areas (< 25 m water depth).
In these areas the mineralisation is generally erratic and the lack of suitable technology to sample this zone has prevented definitive resource delineation.

NOTES TO THE RESOURCE RESERVE STATEMENT

I. COMPETENT PERSON AND GENERAL COMPLIANCE

The group's Diamond Resources and Diamond Reserves have been prepared under the guidance of the company's Competent Person, Mr LM Cilliers (Msc., Pri Sci. Nat. 400135/00, GSSA 963975), who is duly registered with the South African Council for Natural Scientific Professions ("SACNASP") as required by South African law. This ensures that the Mineral Resource statements are compliant with the South African Mineral Resource Code ("SAMREC"). The company's Competent Person has taken into account the definitions included in the SAMREC Code and the Diamond Resource and Diamond Reserve quantities reported here are considered to be fully compliant in all material respects with the requirements of the Code.

II. GENERAL NOTES

A total of 63 869 carats were depleted from the Baken reserve through mining activities during the past year, at an average grade of 1,72 cts/100 m^3. Despite the good carat production the total carats in reserve increased by 23% or 39 829 carats year on year as a result of overperformance of the reserve and new additions based on recent sampling information. A dedicated sampling programme on certain inferred tailings mineral resources resulted in their reclassification to indicated resources and the encouraging grades and diamond values resulted in them being classified as reserves. Evaluation sampling of the remainder of the tailings mineral resources is seen as a priority intended to build the Baken reserves in the coming period.

At Bloeddrif a total of 7 242 carats were recovered during the year, at an average grade of 0,89 cts/100 m^3. The total carats in reserve decreased by 20% to 64 244 carats as a result of a marginal increase in costs. The encouraging results from the Baken tailings sampling means that evaluation work on the Bloeddrif tailings mineral resources is now a priority.

A total of 6 597 carats were depleted from the Reuning reserve through mining activities during the past year, at an average grade of 1,50 cts/100 m^3. This was directly reflected in the reduction of the Reuning reserve by 5 734 carats or 24%.

The Angola government revoked the mining licences of Luarica and Fucaúma and their resources are therefore no longer relevant for this report.

Production activities at the Somiluana project in Angola recovered 45 869 carats at an average grade of 19,2 cts/100 m^3 and with an average stone size of 0,45 carats per stone. The reserve at Somiluana increased by 13% or 180 000 carats due to a reduction in the operating cost structure.

The Marine resources remained unchanged.

SUSTAINABILITY AND MINING CHARTER REPORT

Trans Hex views sustainability as protecting and growing shareholder value for the benefit of all stakeholders, while working to eliminate any negative impacts from our operations on these constituencies.

TRANS HEX AND SUSTAINABILITY

The revised King Code and Report on Governance for South Africa (King III) defines the sustainability of a company as doing business in a manner that meets the needs of existing stakeholders without compromising the ability of future generations to meet their needs. It means having due regard of the impact that the business has on the socio-economic and natural environments within which it operates. The way the company is governed provides the foundation upon which its sustainability efforts are built.

Trans Hex views sustainability as protecting and growing shareholder value for the benefit of all stakeholders, while working to eliminate any negative impacts from our operations on these constituencies.

The group makes funding, expertise and business skills available to protect and develop the economic, social and natural environments in which we conduct business. We do this by:

- Working to integrate economic, social and environmental risks and opportunities into decision-making forums at all levels and considering these key elements in the group's overall business strategy
- Being an efficient, ethical and value-creating business
- Creating meaningful employment in safe and healthy environments
- Reducing our environmental impact and contributing to biodiversity management
- Innovation, technology and process improvement
- Creating partnerships with key stakeholders to address social issues such as HIV/Aids and rural development
- Updating our values and practices to reflect international norms and to meet stakeholder expectations

THE SOUTH AFRICAN MINING CHARTER

Trans Hex is actively implementing various projects and interventions in line with the requirements of the Broad-based Socio-economic Empowerment Charter for the South African Mining and Minerals Industry ("the mining charter").

Participative structures are in place to ensure the implementation of all aspects of the mining charter.

SAFETY, HEALTH AND ENVIRONMENTAL MANAGEMENT

The Trans Hex Safety, Health and Environment Group Standards (SHEGS) protocol sets standards and minimum requirements for:

- Risk assessment
- Incident investigation
- Projects and resources
- Personnel and medicals
- Operational activities and contractor management
- Emergency preparedness
- Performance and compliance auditing

ENVIRONMENT

Trans Hex manages the environmental impact of its operations through its environmental policy, which sets out group standards. This policy considers the appropriate legislative requirements and, in particular, makes provision for the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (MPRDA). Site-specific tools have been developed to implement the group environmental policy.

ENVIRONMENTAL MANAGEMENT

Trans Hex operations implement environmental management programmes (EMPs) that were approved in terms of the Minerals Act, No. 50 of 1991. These EMPs are aligned with the requirements of the MPRDA and are constantly revised to take account of changes in prospecting and mining operations. A group environmental implementation system provides for regular monitoring of the activities that have potential environmental impacts.

The rehabilitation process is a primary consideration from the outset, so that topsoil removed from an area to be mined is set aside for use later. The "backfill method" is used to rehabilitate mined areas and involves returning overburden stripped ground to excavated areas, covering with reserved topsoil and re-vegetating.

EXTERNAL ENVIRONMENTAL PERFORMANCE AUDITING

We conduct regular internal and bi-annual external audits at our mines to assess compliance with the commitments set out in the EMPs. These audits also measure how relevant EMPs are to current mining operations. Other aspects include how to integrate corrective actions into daily operations and to identify areas for improvement.

Environmental impact assessments (EIAs) are conducted and the results communicated to relevant stakeholders on any operational changes to the mining operations and the introduction of significant new mining equipment.

WASTE MANAGEMENT

Trans Hex has a comprehensive waste management programme that addresses a number of issues at our operations.

General waste is disposed of at licensed general waste disposal sites. Hazardous waste, which includes batteries, used oil lubricants, oil filters and oily rags, is collected and disposed of as appropriate.

Trans Hex has a comprehensive waste management programme that addresses a number of issues at our operations.

We are also in the process of compiling a comprehensive waste management plan for waste minimisation, recycling and disposal. This includes the removal of all identified scrap at various areas where this has accumulated as well as:

- Identifying salvage areas for plant and engineering re-use
- Allocating recycling bins to ensure separation of different types of waste
- The collection and disposal of general waste and immediate covering after disposal
- The collection of hazardous waste and storage thereof at specific areas before regular collection by an approved contractor

As part of the recycling initiative, we are in discussions to find alternative ways of disposing of rubber and plastic waste and to recycle all cardboard.

Hydrocarbon rehabilitation and soil remediation are performed in line with the minimum requirements of the Departments of Water Affairs and Environmental Affairs. This is done to prevent water pollution and to ensure that disturbed areas are properly rehabilitated.

Ferrosilicon, the heavy-medium separation material used in the company's extraction plants, is an inert substance and poses no threat to the environment. However, potential losses of ferrosilicon are closely monitored.

WATER AND ENERGY MANAGEMENT

Water recycling strategies, with a target of at least 70%, are being implemented. Annual energy consumption strategies are being reviewed to ensure that energy efficiency is improved by at least 10%.

HEALTH AND SAFETY

OCCUPATIONAL HEALTH AND SAFETY

A comprehensive medical surveillance programme is in place as per the revised Mandatory Code of Practice for Minimum Standards of Fitness to perform work at a mine, in terms of the Mine Health and Safety Act (No. 26 of 1996). Trans Hex's health and safety programme aims to:

- Improve the occupational health and safety awareness and well-being of all employees, with a special focus on HIV and TB awareness
- Improve and maintain the health and safety management system
- Enhance legal compliance
- Minimise or eliminate risk to employees
- Prevent injuries to employees and damage to company property
- Encourage safe behaviour

HEALTH AND SAFETY MANAGEMENT SYSTEMS

Regular internal audits on the Trans Hex Safety Management System are conducted to ensure compliance and to highlight shortcomings. Corrective actions are monitored by means of proper action lists.

Continuous inspections, follow-ups and observations are used to assess safety behaviour and to ensure compliance. Key elements such as risk assessments, planned inspections, task observations and communications are integral to day-to-day safety management.

A full-time health and safety representative has been appointed for the South African land operations. Health and safety representatives have been elected and appointed per work area. Health and safety officers oversee this portfolio at Nxodap, Baken and Bloeddrift. This ensures effective control over the health and safety system and more effective communication.

A risk-based external audit was conducted during April 2010 (safety legal compliance), to provide a baseline to prepare for ISO 14001 and OSHSAS 18001 accreditation.

This Legal Compliance and Risk Assessment concluded that:
Trans Hex Group has proven that a lot of positive work has already been done to ensure compliance with South African legislation and regulations. The group is particularly strong on the administrative and managerial activities, including the establishment of the safety committee, the selection and training of safety representatives and consultation with the workforce. Accident and incident reporting is also a strong point. In many cases the progress to improve health and safety in the organisation could be observed.

Consistency in the application of the requirements and programmes implemented by the organisation needs some attention. The involvement of supervisory staff, especially at the lower levels, needs to improve. Foremen rely heavily on the safety representatives to ensure compliance, as well as during incident investigations.

Training for supervisory staff may be beneficial to make them aware of their roles and responsibilities, including in health and safety issues, as well as management techniques pertaining specifically to that level of management in the organisation, which is very demanding on the persons involved.

Trans Hex Group is to be commended for a strong management effort to establish the Health and Safety System for the organisation.

Responsibility for health and safety training has been decentralised to line managers to simplify the system and make it more audit friendly.

The Trans Hex South African operations have implemented an annual health and safety competition aimed at enhancing the health and safety culture, strengthening the health and safety management systems and recognising outstanding individual and section safety performance.

IMPLEMENTING A HEALTH AND SAFETY CULTURE

Trans Hex continually promotes a culture within the organisation that is focused on health and safety. Ongoing methods include the daily five-minute safety talk and communication of key safety-related information through the safety news flashes. At every shift change the entire team discusses a safety topic and records are kept of these discussions. The group health and safety culture is further bolstered by motivating team-building workshops for all health and safety officers.

This multi-level approach which involves every employee is delivering dividends in terms of health and safety results. Management also repledged its commitment to sound health, safety and environmental practices. This is to enhance health, safety and environment compliance and to enforce accountability.

The Trans Hex South African operations have implemented an annual health and safety competition aimed at enhancing the health and safety culture, strengthening the health and safety management systems and recognising outstanding individual and section safety performance.

The competition is divided into three categories in which winners are awarded prizes or shields:

1. Individual safety incentive scheme
2. Trans Hex Lower Orange River Safety Shield
3. Annual safety competition

RISK ASSESSMENTS

Continuous risk assessments are an integral part of the Safety Management System.

ACCIDENT INVESTIGATIONS

Every incident has the potential for severe consequences. Health and safety officials investigate all events to identify repetitive behaviour and take remedial actions to prevent similar incidents from recurring.

ACCIDENT RECORD AND STATISTICS

The primary objective is to minimise all types of injuries with a lost time injury frequency rate (LTIFR) of less than 0,5. Key elements of the strategy to achieve this are:

- Reducing absenteeism to minimise safety risks
- Encourage 'near miss' reporting
- Eliminate property damage
- Encourage team performance

HEALTH AND SAFETY (continued)

Frequency rates are calculated for five categories being fatal injuries (FIFR), reportable injuries (RIFR), disabling injuries (DIFR), lost time injuries (LTIFR) and minor injuries (MIFR), all expressed on a calendar year basis and based on 200 000 man-hours worked, as per the NOSA formulae.

Trans Hex Group safety performance

	2008	2009	2010	2011	**2012**
Number of disabling injuries	1	2	1	1	**0**
Disabling injury frequency rate (DIFR)	0,25	0,3	0,09	0,17	**0,00**
Change (year on year) %	(36)	20	(70)	89	**(100)**

Current statistics include Lower Orange and shallow-water projects.

HUMAN RESOURCES DEVELOPMENT

STAFF COMPLEMENT

As at 31 March 2012, direct employment in South Africa totalled 672 employees and additional employment through joint ventures and contractors amounted to 685 people. In Angola, the respective employment figures were 11 and 257.

EQUAL OPPORTUNITIES

The group is committed to providing equal opportunities to prospective and current employees in all spheres of its business. Measures have been taken to eliminate all discriminatory provisions, to eliminate barriers to employment and to advance diversity in the workplace. All new appointments are made in compliance with the group's employment equity targets and comprehensive plans for the training and development of employees from the designated groups have been adopted.

RECRUITMENT POLICY

Trans Hex recruits employees within the parameters of a recruitment policy based on best human resources practices. Vacancies are filled with the best available candidates and without unfair discrimination on any grounds.

The group does not employ migrant labour and the majority of its employees are sourced from local communities. Wherever possible, preference is given to black people, women and people with disabilities to ensure that the workforce is representative of the demographics of the various regions in which Trans Hex operates.

HUMAN RESOURCES DEVELOPMENT (continued)

EMPLOYER/EMPLOYEE RELATIONS

The group uses a variety of participative structures to deal with issues affecting employees directly and materially. These include collective bargaining mechanisms, safety committees, training and development forums, employee wellness structures, and regular project-level meetings between management and employee representatives.

These structures, established with trade union representatives, are designed to achieve sound employer/employee relations through effective sharing of relevant information, regular consultation and the early identification and resolution of potential conflict.

STAFF TRAINING AND DEVELOPMENT

Trans Hex is committed to promoting continuous learning and development. Various training and development programmes are implemented in order to meet the group's strategic objectives and improve its operational performance.

The group submits its Workplace Skills Plan and Annual Training Report, in consultation with the National Union of Mineworkers (NUM), to the Mining Qualifications Authority (MQA) each year.

Skills development planning encompasses training that supports the requirements of employees' current positions and accelerated development for career path opportunities in line with the group's employment equity strategies.

Where possible, all training and development programmes are offered through South African Qualifications Authority (SAQA) accredited service providers and are aligned to the National Qualifications Framework (NQF). Programmes include adult basic education and training (ABET), on-the-job training, programmes, learnerships, short courses, skill recognition of prior learning (RPL) programmes, certificate courses, diploma and degree programmes.

The company is aware of the lack of skilled artisans in the country and is addressing this challenge by growing its own artisan base. During the year Trans Hex registered section 18.1 (employed staff) and section 18.2 (unemployed learners) learnerships with the MQA.

The following section 18.1 learnerships were registered:
- Learnership: Fitter and Turner
- Learnership: Electrician
- Learnership: Millwright (Open Cast)
- Learnership: Instrumentation Mechanician

During the year Trans Hex registered section 18.1 (employed staff) and section 18.2 (unemployed learners) learnerships with the Mining Qualifications Authority.

Artisan learning programmes were also implemented during the year in the following trades:
- Electrician
- Auto Electrician
- Fitter
- Welder
- Motor & Diesel Mechanic

Other training and development programmes attended during the year included:
- Programme in Advanced Maintenance Planning
- Logistics Management
- Assessors Training
- Coaching and Mentoring
- SAP Plant Maintenance
- National Diploma: Human Resource Management
- Modern SHEQ Risk Management
- LLB
- Senior Management Development Programme

As per the Mine Health and Safety Act, legally required training courses and health and safety training and inductions were provided.

In addition, various computer courses, driver's licence courses and in-house mining and plant operator training and refresher courses were attended by employees.

During the 2012 financial year a total of 292 employees benefited from training interventions, at a cost of R1,8 million.

BURSARY SCHEME

Financial assistance towards tertiary education is provided to employees' children through the Trans Hex Bursary Scheme.

A Joint Bursary Committee, consisting of three union members and three members of management, manages the scheme. Bursaries are valid for one academic year of study at a time.

The criteria used for the allocation of bursaries are based on financial need, academic merit, the mining charter, National Skills Development Strategy (NSDS) and Sector Skills Plan (SSP).

Twenty six bursaries were awarded in the financial year, totalling R350 000, in the following disciplines:

- Chemical Engineering
- Mechanical Engineering
- Electrical Engineering
- Accounting/Finance
- Law
- Human Resources
- Boilermaker
- Agricultural Management
- Information Technology
- Tourism
- Hospitality Management

- Graphic Design
- Social Work
- Professional Acting
- Business Management
- Education
- Health and Beauty

COMMUNITY TRAINING

As part of its commitments to community development, Trans Hex provides various training opportunities to local community members.

First aid and financial fitness training is offered to provide a necessary life skill to schools and members of the community. Mining and plant operator training is provided to unemployed persons to enhance employment prospects and ensure that a pool of community members is eligible for employment by Trans Hex should opportunities arise. During the year 18 community members were trained as operators, of whom 12 were women.

Trans Hex assists students from local communities by providing practical training opportunities and workplace experience where possible. In addition, the company is assisting the Northern Cape Department of Public Works by providing a number of their apprentices with the practical training component required in order for them to qualify as artisans. Trans Hex has committed to providing financial assistance towards the tertiary education of selected Northern Cape students who are studying at Northlink College. This will make a meaningful contribution towards national government's drive to reach its skills target of 50 000 trained artisans by 2014/15.

Other initiatives during the year included granting a bursary to a local final year student towards a National Diploma in Agricultural Management, and a section 18.2 (unemployed learner) Diesel Mechanic Learnership was registered with the MQA. Five community members attended artisan learning programmes. Access to Adult Basic Education and Training is also provided.

EMPLOYMENT EQUITY

Trans Hex fully complies with all employment equity (EE) legislation. As shown in the table below the company currently exceeds the 40% minimum historically disadvantaged South Africans (HDSA) representation in terms of the revised "Mining Charter Scorecard", in all of its occupational levels. The company has established a "women in mining" committee to accelerate the introduction and advancement of more women in a traditionally male-dominated industry. The company has also entered into an agreement with the National Union of Mineworkers regarding policies and procedures in relation to pregnancies, maternity leave and breast-feeding of infants in the workplace.

As at 31 March 2012, 15% of the group's South African employees were women and 11% of all management positions were occupied by women.

The company has established a "women in mining" committee to accelerate the introduction and advancement of more women in a traditionally male-dominated industry.

EMPLOYMENT EQUITY

Trans Hex submits its annual employment equity report to the Department of Labour by the end of October each year.

Occupational levels	**Male**				**Female**				**Total**	**Actual % at 31 March 2012**
	A	C	I	W	A	C	I	W		Non-designated : Designated
Top management	0	1	0	1	0	0	0	0	2	50 : 50
Senior management	2	2	0	4	0	0	0	0	8	50 : 50
Professionally qualified and experienced specialists and mid-management	1	21	1	8	1	0	0	3	35	23 : 77
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	3	113	0	14	2	12	0	11	155	9 : 91
Semi-skilled and discretionary decision-making	50	269	0	2	15	43	0	1	380	1 : 99
Unskilled and defined decision-making	0	0	0	0	0	2	0	0	2	
Total permanent staff	56	406	1	29	18	57	0	15	582	

A = African; C = Coloured; I = Indian; W = White

EMPLOYEE WELLNESS AND ASSISTANCE

MEDICAL AND HIV/AIDS

All employees belong to a medical aid scheme and have access to on-site professionally staffed medical clinics. Employees' family members and local community residents also have access to these clinics, which are visited by medical doctors twice a week.

A comprehensive HIV/Aids awareness and education programme is provided to employees, their families and members of the community by a clinical professional and employees who have been trained as peer educators.

All employees and their families have access to free condoms, voluntary HIV/Aids counselling, testing and anti-retroviral therapy.

Further support and counselling is provided to employees and their families through the employee assistance programme.

All employees belong to a medical aid scheme and have access to on-site professionally staffed medical clinics.

WELLNESS SUPPORT SERVICES

The company provides a holistic employee wellness programme which includes counselling interventions as well as information and advice on diet, health and lifestyle choices. The Trans Hex employee wellness programme offers a number of services to employees, such as:

- Weekly visits to the mines conducted by a clinical professional
- On-site debriefing sessions in cases of trauma
- A quarterly visit to each site by a financial adviser to advise employees on how best to handle their finances and to assist with actual financial problems
- Psycho-social counselling for employees and their household members
- Debt counselling and legal consultations

A comprehensive HIV/Aids awareness and education programme is provided to employees, their families and members of the community by a clinical professional and employees who have been trained as peer educators.

In addition, Trans Hex has contracted Careways 24/7 to provide telephonic employee wellness services. All Trans Hex employees and their household members have access to the helpline that is manned by professional, multilingual staff, who provide counselling and support for issues such as:

- Emotional and personal difficulties
- Family and relationship concerns
- Alcohol, drug or gambling abuse
- Managing stress and change
- Financial matters
- Legal concerns
- Career issues
- Violence and trauma
- HIV and Aids
- Bereavement and loss

All information shared in the Trans Hex employee wellness programme is treated as strictly confidential.

HOUSING AND LIVING CONDITIONS

Trans Hex seeks to promote and facilitate home ownership by its employees and provides a range of housing benefits, including housing subsidies, allowances and interest-free housing loans.

At the mining projects, employees are provided with free accommodation in single quarters, flats and houses. Subsidised meals are provided by a specialist contractor and are regularly monitored for nutritional content.

CORPORATE SOCIAL INVESTMENT

CORPORATE SOCIAL INVESTMENT

Trans Hex's corporate social investment activities focus on improving the quality of life of disadvantaged communities. The group is committed to community development, empowerment and sustainability, especially in the communities in the vicinity of its mining operations.

Trans Hex contributes specifically towards interventions relating to education, adult literacy, healthcare, transport, and arts and culture projects. Support for various community needs and projects, together with direct donations and sponsorships totalled R4,6 million during the financial year.

The Namaqualand Diamond Fund Trust, comprising representatives from seven rural areas in the Namaqualand region, which aims to facilitate community upliftment and prosperity, has received a total of R370 million from the group since it started operating.

MINE COMMUNITY AND RURAL DEVELOPMENT

Trans Hex is well aware of the central role it has in community life and infrastructure in the vicinity of its operations and seeks to ensure that these communities benefit in a sustainable manner.

The group is committed to developing small, medium and micro enterprises and has initiated a range of successful projects which it continues to support. These include a gymnasium and an internet café offering computer skills training for community members; convenience stores; guesthouses; a fuel station; cleaning services; tourism services; and transport services. All of these ventures are operated by local community members.

In addition, the group has made significant contributions towards road improvement and maintenance, providing fresh water to local communities, and improving local educational facilities.

Trans Hex's community investment plans are aligned with the Integrated Development Plans (IDPs) of both the Richtersveld and Namakwa District municipalities, in collaboration with local municipal councillors and officials, as well as representatives of local community organisations.

Approved projects include the following:

- Providing additional educators in the Richtersveld and the Namaqualand region
- Transporting learners for school activities
- Road maintenance from Alexander Bay to Sanddrift, Kuboes and Sendelingsdrift
- Supply of fresh water to Sanddrift and Kuboes
- Improving infrastructure for waste management at Sanddrift
- Upgrading of the Sanddrift Primary School
- Upgrading of crèches in local communities
- Development of a commercially viable agricultural project
- Assisting the Parks Board Sendelingsdrift in order to promote tourism in the area
- Assisting tourism strategies by increasing public awareness of conservation and cultural issues

At Hondeklip Bay, the company donated a building and land to the community which is being utilised as a pre-school. Hondeklip Bay schoolchildren are also transported from various towns to Hondeklip Bay on a monthly basis. The company provided a mobile library, donated computers and also assisted with the provision of an extra educator for maths and science education. Provision for the further development of educators was made and donations were made to assist with the local primary school's running costs.

In addition, the company made financial contributions towards the refurbishment of the electrical network, installation of street lights, the supply of electricity to a number of houses and provided equipment and materials to the local Craft Centre. Assistance was also provided to various small businesses and a non-profit organisation in the area in the form of donations. The total cost relating to the above initiatives was approximately R0,5 million for the financial year ending March 2012.

RICHTERSVELD AGRICULTURAL DEVELOPMENT

In line with Trans Hex's social and labour plan commitments, a commercial farming venture has been launched in partnership with an agricultural developer.

The purpose of the project is to establish a sustainable agricultural business venture that will benefit local communities once mining activities in the region come to an end. Initial costs for the project included development costs of approximately R4 million and operational expenses of R4,7 million.

SMALL-SCALE MINING

As part of the group's commitment to the development of small, medium and micro enterprises (SMMEs), small-scale miners are given opportunities to mine in the group's areas.

The group recognises that greater ownership of mining industry assets by historically disadvantaged South Africans (HDSAs) is a means of encouraging and giving effect to the entry of HDSAs into the mining industry, thereby allowing the mining and mineral resources of South Africa to be of benefit to all South Africans.

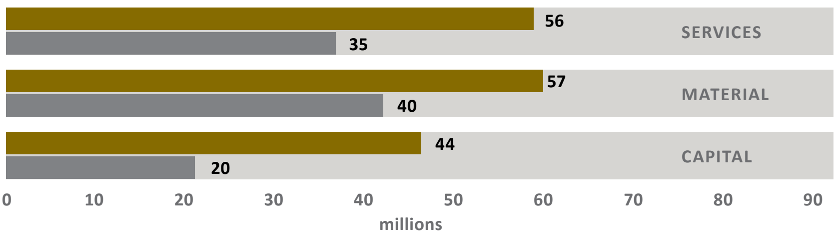
NAMAQUALAND SMALL-SCALE MINERS

The Namaqualand Small-scale Miners (NSSM) cooperative is a newly formed entity to organise and restructure small mining in the region on purely business principles. For many years, small-scale mining has provided income to Namaqua households. NSSM finds it hard to access financial resources as well as technical and management skills and information and has therefore approached mining houses in the region for support. Some basic issues are developing maps for newcomers and providing a support system for those actively mining in terms of environmental and mine health and safety issues.

In April 2010, Trans Hex undertook to train NSSM small miners to develop their own EMPs for their mines and donated a GPS for mapping purposes.

PROCUREMENT

BBBEE Procurement expenditure (April 2011 – March 2012) actual target



The group has implemented a five-year plan to consistently grow its BBBEE procurement spend and currently exceeds its targeted levels, as shown in the graph above.

Total spend on BBBEE enterprises for the reporting period was R197 million (2011: R158 million), being 56% (2011: 46%) of the total procurement spend.

CONTRACTOR POLICIES

All providers of contracted services to Trans Hex undergo rigorous checks to ensure that they comply with group operational, human resources and BBBEE standards.

OWNERSHIP

The group is committed to achieving 26% ownership by historically disadvantaged South Africans (HDSAs) in terms of the requirements of the Mining Charter. As at 31 March 2012, Mvelaphanda Resources Limited owned 20,3% of Trans Hex's shares, with other HDSA-controlled companies holding a further 12,3%. Trans Hex is listed on the JSE Limited.

BENEFICIATION

SALE OF ROUGH DIAMONDS

The group makes its total South African production available to licence holders in the local industry by using a tender sales system, ensuring that one of South Africa's most significant diamond outputs by value is made available to all potential purchasers.

TRANS HEX DIAMOND CUTTING WORKS

Trans Hex Diamond Cutting Works is a small-scale black economically empowered polishing factory that beneficiates the group's South African mined diamonds locally. Trans Hex is a 75% shareholder, with the balance owned by a BEE partner in the industry. The operation was established in 2008 as part of the group's beneficiation strategy and to take advantage of the downstream benefits of the diamond industry. The factory employs in excess of 30 staff.

One of the key barriers to entry for any polishing operation is access to finance, and as such Trans Hex provided the start-up capital of approximately R6 million, and has further contributed, on an ongoing basis, towards the working capital costs. The venture has thus far proved successful and is being further developed in terms of supply levels and marketing initiatives.

The Trans Hex Diamond Cutting Works contributed to the group's profits for the first time in the reporting period and we remain encouraged for the future of the business.

VALUE ADDED STATEMENT

	CONSOLIDATED			
	2012	**2012**	2011	2011
	%	**R'000**	%	R'000
VALUE ADDED				
Revenue		**754 484**		657 998
Less : Purchase of goods and services needed to operate the mines		**(334 494)**		(359 528)
Value added by operations	**72,7**	**419 990**	96,4	298 470
Discontinued operations: Reversal of impairments, prescription of unclaimed debts and change in the estimate of provisions	**24,9**	**143 704**	–	–
Interest received	**2,4**	**14 155**	3,6	11 023
	100,0	**577 849**	100,0	309 493
VALUE DISTRIBUTED				
Salaries, wages and other benefits net of PAYE and SITE	**33,5**	**193 391**	66,0	204 335
• Salaries, wages and other benefits		**227 183**		238 629
• PAYE and SITE		**(33 792)**		(34 294)
Government	**14,5**	**83 666**	15,5	47 914
• Normal and deferred income tax		**28 427**		7 559
• Indirect taxes		**55 239**		40 355
Providers of capital				
• Financing costs	**1,8**	**10 609**	5,8	17 821
Total value distributed		**287 666**		270 070
Reinvested in the group	**50,2**	**290 183**	12,7	39 423
• Depreciation and amortisation		**81 887**		84 522
• Retained earnings/(accumulated loss)		**208 296**		(45 099)
	100,0	**577 849**	100,0	309 493

CORPORATE GOVERNANCE

The Trans Hex Group Limited board and executive management remain fully committed to the seven commonly accepted principles of good corporate governance in accordance with King II, which are discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.

King II has been superseded by the King Code of Governance for South Africa 2009 (King III) which became effective on 1 March 2010. The board has resolved to comply with all aspects of King III that are feasible for Trans Hex at this time. As King III states, becoming fully compliant with the Code and the related standards, such as the Global Reporting Initiatives (GRI), is a corporate journey that can take two years or more to complete.

Trans Hex is committed to that journey and will reflect in this report where it does not yet fully comply, as well as furnishing reasons for non-compliance.

BOARD OF DIRECTORS

Trans Hex has a unitary board structure. The board meets on a quarterly basis, retains full and effective control over the group and monitors the performance of the executive management. The board takes key decisions to ensure it retains proper direction and control of the group, and considers strategic issues, the business plan, acquisitions, disposals and other major contracts and commitments as well as group policies and stakeholder reporting. The board has implemented a delegation of authority to govern issues delegated to management.

The roles of the chairman and chief executive officer do not vest in the same person and the chairman is a non-executive director, but is not independent. Consequently a lead independent non-executive director has been appointed. The chairman and chief executive officer, with input from the other directors, provide leadership and guidance to the group and encourage proper deliberation of all matters requiring its attention.

Non-executive directors are appointed for specific terms and reappointment is not automatic. Such appointments are formal and transparent.

There is a clear division of responsibility at board level to ensure a balance of power and authority such that no one individual has unfettered power of decision-making.

In May 2010, Mr Bernard van Rooyen was confirmed as chairman of the board for a period of one year. As Mr van Rooyen had reached the age of 75 years, the board voted to amend the Trans Hex articles of association accordingly. Mr van Rooyen was subsequently reappointed as chairman of the Trans Hex board in May 2011 and is regarded as ideally equipped to continue in this role due to his extensive experience in the mining industry, understanding of Trans Hex's strategy and needs and his excellent health.

The board currently has two executive directors and three non-executive directors, one of whom is independent.

As the size of the board was considerably reduced following Trans Hex's unbundling from Remgro during 2011, the board is considering the appointment of additional independent non-executive directors in due course. However, at this time the board is satisfied that its current composition is appropriate for the company and that its size does not in any way compromise its ability to execute its duties.

There have been no new appointments to the board since May 2010. The remuneration and nomination committee has been tasked with developing a formal policy detailing the procedures for future appointments. This exercise will be completed during 2012.

During the year under review, the board met four times and a quorum was present at each meeting. The board schedules a meeting at least once every quarter.

BOARD MEETINGS 2011/12

	30 May	4 August	8 November	22 March
AR Martin	√	√	√	√
BR van Rooyen	√	√	√	√
T de Bruyn	√	√	√	√
L Delport	√	√	√	√
IP Hestermann	√	√	√	√

√ Attended

A number of standing committees of the board have been established. These committees operate within board-approved written terms of reference. The chairman of each committee is an independent non-executive director. All mandates of the standing committees have been reviewed to ensure alignment with the requirements of King III.

A new social and ethics committee was appointed by the board in March 2012 under the chairmanship of the lead independent director. A detailed report on the mandate and activities of this committee will be included in the 2013 annual report.

All directors have access to the advice and services of the company secretary, who is responsible to the board for ensuring that corporate governance procedures are followed. All directors are entitled to seek independent professional advice about the affairs of the group and have unrestricted access to company records.

AUDIT AND RISK COMMITTEE REPORT

MEMBERS OF THE AUDIT AND RISK COMMITTEE

Alwyn Martin (chairman)	**lead independent non-executive director**
Bernard van Rooyen	**non-executive director**
Theunis de Bruyn	**non-executive director**

The audit and risk committee consists of the three non-executive directors of the company and is chaired by the lead independent non-executive director.

The company does not currently have three independent non-executive directors and the chairman of the company is a member of the audit committee. It is anticipated that the composition of the audit committee will be addressed in the near future.

The chief executive officer, financial director, company secretary and representatives of the internal and external auditors are invited to the committee meetings. The external auditors attend all committee meetings, with separate meetings scheduled to allow open discussion without the presence of management or internal auditors. The internal auditors attend all committee meetings and are similarly afforded separate meetings with the committee.

The internal and external auditors have unrestricted access to the audit and risk committee, which ensures that their independence is in no way impaired.

The audit and risk committee met four times during the year and a quorum was present at each meeting.

AUDIT AND RISK COMMITTEE MEETINGS 2011/12

	30 May	3 August	7 November	22 March
AR Martin	√	√	√	√
BR van Rooyen	√	√	√	√
T de Bruyn	√	√	√	√
L Delport #	√	√	√	√
IP Hestermann #	√	√	√	√

√ Attended

By invitation

The audit and risk committee has satisfied its responsibilities during the year in compliance with its terms of reference.

The committee deals with issues relating to:

- The internal and external audit, including accounting policies and financial reporting
- Risk management
- Health, safety and environmental management
- Safeguarding of assets
- Information technology (IT) governance
- Internal controls within the mandate given by the board

KEY FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

The key functions and responsibilities of the committee as outlined in the committee mandate are to:

- Enquire as to the adequacy of the company's system of internal controls and review the evaluation of financial controls by external and internal auditors
- Review the findings of any significant examination by the external and internal auditors concerning the company's financial matters
- Review the terms of engagement and audit scope and approach of the external auditors as well as to review and approve their fees
- Evaluate the performance of the external and internal auditors
- Set a policy with regard to the nature and extent of any non-audit services that the external auditors may provide and approve any proposed contract with the external auditors for the provision of non-audit services
- Review the company's annual consolidated financial statements and auditor's report thereon
- Review the external auditor's management comment letter and management's responses, dealing appropriately with any issues arising from the process
- Review the company's annual report and other disclosure documents, including the report of the board of directors containing audited or unaudited financial information
- Review any change in the company's accounting policies
- Review with management and external auditors any significant financial reporting issues, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting
- Review the company's interim consolidated financial statements and recommend their approval to the board of directors
- Review with legal counsel any legal matters having a significant impact on the financial reports
- Review the company's overall compliance with the legislative environment in which the company operates, including compliance with the JSE Listings Requirements and the King III Code on corporate governance
- Review the appointment, dismissal or reassignment of the internal audit function
- Review and make recommendations on the appointment and retention of the external auditors, and any questions of resignation or dismissal of the auditors
- Monitoring the ethical conduct of the company, its executives and senior officials. This includes:
  - Reviewing any statements on ethical standards or requirements for the company and assisting in developing such standards and requirements
  - Identification of any violations of ethical conduct
  - Give recommendations on any potential conflict of interest or questionable situations of a material nature
- Periodically review the policies and practices of the company in regard to cash management, use of financial derivatives, financing, credit, insurance, taxation and related matters
- Review the effectiveness of management in ensuring the integrity and security of the company's electronic information systems and records
- Provide an open avenue of communication between management, the external auditors and the board of directors
- Conduct any independent investigations into any matters, which come under its scope of responsibilities
- Review and/or approve other financial matters delegated specifically by the board of directors
- Review the effectiveness with which the company meets its obligations pertaining to the environment, health and safety

- Review the appropriateness of the company's risk philosophy and strategy. A group risk committee reports at least twice a year to the committee to evaluate the significant business risks pertaining to the company. The evaluation includes the risk management process and the controls implemented to reduce or prevent the risks and their possible impact. This assists the audit committee in deciding the nature and extent of assurance it requires from external and internal audit
- Report to the board of directors on the activities of the committee at each board meeting and at any other time deemed appropriate by the committee or as requested by the board of directors

The committee, in carrying out its tasks under these terms of reference, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties. The board assesses the committee's performance against its mandate annually, before proposing the membership of the audit committee for the next financial year.

EXTERNAL AUDIT

The group's external auditors are PricewaterhouseCoopers Inc.

A policy is in place with regard to the nature and extent of any non-audit services that the external auditors may provide and a master service agreement has been approved for the provision of non-audit services to the company.

The audit and risk committee, after reviewing a report by the external auditors, is satisfied with the independence of the external auditors.

INTERNAL AUDIT

Internal audit is an independent assurance function. The internal auditors have a direct reporting line to the committee chairperson and also meet regularly with the executive management. The internal audit mandate has been updated to ensure compliance with King III.

RISK MANAGEMENT

The board, through the audit and risk committee, is responsible for the total process of risk management and for forming its own opinion on the effectiveness of the process. Management is accountable to the board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the company.

The audit and risk committee ensures compliance with the ongoing process of identifying, evaluating and managing significant risks.

There is a group risk management committee (GRMC) and each major operation has an operational subcommittee. This includes Trans Hex Angola which maintains its own risk register for the Angolan investments. These subcommittees meet on a regular basis to monitor all challenges and risks facing each of the mines within the group and to ensure timeous and adequate response to any potential threat at an operational level.

Feedback from these subcommittee meetings is provided to the GRMC, which in turn reports to the audit and risk committee on all risk management issues. Corrective actions and preventive measures are implemented and closely monitored. Any significant risk that is new to the group is reported via the GRMC to the audit and risk committee.

Risk management is a key focus area for operations, with risk management as a fixed agenda item for meetings of operational executive teams. It is at this level that strategies and procedures are set within the policy, programmes are executed and performance reporting is done.

As part of the comprehensive risk management process, employees are obliged to report safety incidents and 'near misses', which are captured in an electronic incident reporting system. All incidents and 'near misses' are investigated by management and corrective actions are implemented and recorded before the close-off of any incidents. All incidents are trended by type, area, cost and location.

The risk management policy and mandate have been approved by the board.

EFFECTIVENESS OF INTERNAL CONTROL

The group maintains adequate accounting records and effective systems of internal control and risk management over financial reporting and the safeguarding of assets against unauthorised acquisition, use of, or disposal.

These systems are designed to provide reasonable assurance to the company's management and board of directors regarding the preparation of reliable published financial statements. Systems include a documented and tested organisational structure, the division of responsibility, and established policies and procedures, including a code of conduct to foster a strong ethical climate.

The internal auditors monitor the operation of the internal control systems, report findings and make recommendations to management and the board of directors for improvement. Corrective actions are taken to address control deficiencies, and there is ongoing system improvement. The board, operating through its audit and risk committee, oversees the financial reporting process.

The group assessed its internal control system as at 31 March 2012 in relation to the criteria for effective internal control over financial reporting. Based on its assessment, Trans Hex is satisfied that group systems met those criteria.

APPROPRIATENESS OF THE EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR

In terms of the JSE Listings Requirements, the audit and risk committee has satisfied itself as to the appropriateness of the expertise and experience of the financial director.

REAPPOINTMENT OF EXTERNAL AUDITORS

The committee confirms that the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and it recommends their reappointment for the financial year ending March 2013.

GOING CONCERN STATEMENT

The directors report that they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.

ANNUAL FINANCIAL STATEMENTS

The committee has:

- Reviewed and discussed the audited annual financial statements included in the annual report with the external auditors, the chief executive officer and the financial director
- Reviewed the external auditor's management letter and management's response
- Reviewed significant adjustments resulting from external audit queries and accepted any unadjusted audit differences; and received and considered reports from the internal auditors

The committee concurs with and accepts the external auditor's conclusions on the annual financial statements and has recommended the approval thereof to the board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

AR Martin
Chairman – audit and risk committee

REMUNERATION AND NOMINATION COMMITTEE

MEMBERS OF THE REMUNERATION AND NOMINATION COMMITTEE

Alwyn Martin (chairman)	**lead independent non-executive director**
Theunis de Bruyn	**non-executive director**
Bernard van Rooyen	**non-executive director**

The chief executive officer and company secretary attend meetings of the committee but do not participate in any discussion or decisions regarding their own remuneration.

The role of the committee in respect of remuneration is to act on behalf of the board to ensure that:

- the company remunerates directors, executives and other staff fairly and responsibly; and
- the disclosure of directors' and executives' remuneration is accurate, complete and transparent.

The role of the committee in respect of nominations is to assist the board to ensure that:

- the board has the appropriate composition for it to execute its duties effectively;
- directors are appointed through a formal process;
- induction and ongoing training and development of directors take place; and
- formal succession plans for the board, chief executive officer and senior management appointments are in place.

Four meetings were held during the year and a quorum was present at each of these meetings.

REMUNERATION AND NOMINATION COMMITTEE MEETINGS 2011/12

	30 May	3 August	7 November	22 March
AR Martin	√	√	√	√
BR van Rooyen	√	√	√	√
T de Bruyn	√	√	√	√
L Delport #	√	√	√	√

√ Attended

By invitation

The remuneration and nomination committee has satisfied its responsibilities during the year in compliance with its terms of reference.

REMUNERATION REPORT

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

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

However, there are a number of key principles that form the foundations of the remuneration policy:

- Trans Hex is a listed diamond mining company, operating in the small to midcap sector of the market.
- Whilst the company's head office is located in Cape Town, its mining operations are situated in remote geographical areas.
- The company must compete in the broader mining industry for the attraction and retention of core skills, such as artisans, engineers and management.
- The company strives to comply with all statutory and regulatory requirements and is committed to applying best practice guidelines in all aspects of remuneration and benefits.
- The company aims to offer remuneration packages that, at all employment levels, are market competitive, fair, reasonable and defensible in all respects.

KEY FEATURES OF THE REMUNERATION SYSTEM

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

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

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

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

The remuneration committee approves all salary increases, for all categories of staff, in advance each year. Any material changes to allowances, benefits, bonus schemes, or any other aspect of remuneration policy are approved by the committee prior to implementation.

The company provides a market-competitive basic salary plus compulsory medical aid and retirement fund membership at all job levels. Various fixed and variable allowances are paid at certain job levels or to certain job categories. Severance payments upon termination of service are governed by legislation, by union agreement, individual contract and company policy and practice. In the case of retrenchment, the company's standard policy at all job levels is to pay the contractual notice period (if not worked) and severance pay equal to three weeks' remuneration per year of service with the company.

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

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

EMPLOYEES COVERED BY COLLECTIVE BARGAINING

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

NON-UNION STAFF AND MANAGEMENT

Staff at head office, and all members of management throughout the company, are treated individually, in accordance with their contracts of employment and the remuneration and benefit schemes and practices applicable to their job grades. Salaries are reviewed annually, effective on 1 April. Salary increases are determined individually according to performance, retention and market-matching criteria.

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

Details of the remuneration packages paid to the chief executive officer, executive directors and senior executive managers are disclosed in the notes to the annual financial statements.

STAFF BONUSES

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

MANAGEMENT BONUSES

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

EXECUTIVE CASH BONUSES

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

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

- Chief executive officer: 50% of annual remuneration
- Executive director: 45% of annual remuneration
- Executive manager: 40% of annual remuneration

The board determines the performance targets and objectives of the chief executive officer, conducts his performance assessment and decides the quantum of his performance bonus.

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

Details of cash bonuses paid to the chief executive officer, executive directors and senior executive managers are disclosed in the notes to the annual financial statements.

LONG-TERM EXECUTIVE RETENTION SCHEME

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

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

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

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

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

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

Details of the number and value of SAEs issued are disclosed in the notes to the annual financial statements.

NON-EXECUTIVE DIRECTORS

Non-executive directors do not have service contracts. The company reviewed and restructured its fees for non-executive directors during 2010/11 in order to better align its practices with latest corporate governance guidelines.

Each non-executive director is paid a fixed annual retainer, with the chairmen of the board and its subcommittees each receiving a premium in recognition of their roles and added responsibilities.

In addition, a fixed fee is paid for attendance at each board meeting and for each subcommittee meeting.

Non-executive directors' remuneration is reviewed annually by the remuneration committee. Fees applicable for the next financial year are submitted to shareholders for approval at the annual general meeting. The amounts paid to individual directors are disclosed in the notes to the annual financial statements.

AR Martin
Chairman – remuneration and nomination committee

MANAGEMENT REPORTING

The group has comprehensive management reporting disciplines in place, which include the preparation of annual budgets by all operating units. Monthly results and the financial status of operating units are reported against approved budgets and compared to the previous year. Profit projections and forecast cash flows are updated monthly, while working capital and borrowing levels are continuously monitored.

SHARE TRANSACTIONS BY DIRECTORS AND SENIOR PERSONNEL

According to group policy, directors and senior personnel are required to adhere to the code of conduct with regard to dealing in shares of the group during periods of price sensitivity. Employees are advised not to deal, directly or indirectly, in the company's shares, warrants or shares of listed subsidiaries of the group on the basis of unpublished price-sensitive information.

CODE OF CONDUCT AND CODE OF ETHICS

The group is committed to the highest standards of integrity, behaviour and ethics in dealing with all stakeholders. The directors have implemented controls to monitor that the values, behaviour and ethics, as outlined in the company's corporate charter and code of ethics, are being adhered to.

Trans Hex has distributed a formal code of ethics, which employees at all levels are required to sign and adhere to. A confidential reporting mechanism is in place that assures employees of anonymity when reporting matters relating to diamond theft, fraud or any crimes within the company.

The legal responsibilities of the Trans Hex Group audit and risk committee in relation to the monitoring of compliance with the code, as set out in relevant legislation, are incorporated in the committee's mandate, which is reviewed regularly and approved by the board.

STAKEHOLDER ENGAGEMENT

Trans Hex's key stakeholders include shareholders, investors, trade unions, employees, government and the communities in which we operate. Interaction with these constituencies takes place on a regular basis and addresses concerns and current issues that impact on the business and those involved in or affected by our activities.

Community stakeholder engagement is included at all mining and prospecting operations in environmental impact assessment (EIA) processes and corporate social investment (CSI) initiatives. Key stakeholder concerns relate to rehabilitation, biodiversity management, energy use and water management, as well as the socio-economic development of the local community which includes the provision of jobs and the development of skills. Each mine communicates with its stakeholders on specific social and environmental issues in the area, within the guidelines of the group's broader communication initiatives.

EMPLOYER/EMPLOYEE RELATIONS

The group uses a variety of participative structures to deal with issues affecting employees directly and materially. These include collective bargaining mechanisms, safety committees, training and development forums, employee wellness structures, and regular project-level meetings between management and employee representatives.

These structures, established with trade union representatives, are designed to achieve sound employer/employee relations through effective sharing of relevant information, regular consultation and the early identification and resolution of potential conflict.

INFORMATION TECHNOLOGY (IT) GOVERNANCE

The board, through the audit and risk committee, is responsible for IT governance. IT management forms part of the group's risk management system. The chief executive has appointed Mr Ian Hestermann as chief information officer (CIO) responsible for the management of IT. An IT steering committee, consisting of the CIO, company secretary and an external IT consultant, has been appointed. The committee is overseeing the development of an IT charter and the review of all IT policies. The CIO provides regular reports to the audit and risk committee which monitors, evaluates and approves all significant IT investments and expenditure.

2012

CONTENTS

ANNUAL FINANCIAL STATEMENTS

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

In approving the annual financial statements the directors hereby confirm:

1. The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of Trans Hex Group Limited and its subsidiaries. The auditors are responsible for auditing and reporting on whether the financial statements are fairly presented. Their report appears on page 61.

2. The annual financial statements presented on pages 62 to 116 have been prepared in accordance with International Financial Reporting Standards, Companies Act of South Africa, 71 of 2008 and JSE Listings Requirements. They conform and adhere to applicable accounting standards and are presented, applying accounting policies supported by reasonable and prudent judgements and estimates made by management, which have been consistently applied.

3. Adequate accounting records and an effective system of internal financial controls and risk management have been maintained during the entire accounting period.

4. The directors have reviewed the additional information included in the annual report and they are responsible for both its accuracy and its consistency with the annual financial statements.

5. The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the group will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the company and the group.

6. The annual financial statements have been audited by the independent auditors, PricewaterhouseCoopers Inc., who were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. The audit report of Pricewaterhouse-Coopers Inc. is presented on page 61.

7. A corporate governance report appears on pages 45 to 58 and includes information regarding the company's compliance with the King III Code.

The annual financial statements were approved by the board of directors on 30 May 2012 and are signed on its behalf by:

B.R. van Rooyen

BR van Rooyen
Chairman

L Delport
Chief executive officer

CERTIFICATE BY THE COMPANY SECRETARY

I, Gregory Michael van Heerden, being the group company secretary of Trans Hex Group Limited, hereby certify in terms of the Companies Act, 71 of 2008, that all returns required of a public company have, in respect of the year under review, been lodged with the Companies and Intellectual Property Commission (CIPC) and that all such returns are true, correct and up to date.

GM van Heerden
Company secretary

30 May 2012

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Trans Hex Group Limited

We have audited the group financial statements and annual financial statements of Trans Hex Group Limited, which comprise the consolidated and separate statements of financial position as at 31 March 2012, and the consolidated and separate income statements, statements of other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 62 to 116.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the manner required by the Companies Act of South Africa, 71 of 2008 and JSE Listings Requirements, for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as of 31 March 2012, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 71 of 2008.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: D Adriaans

Stellenbosch
30 May 2012

REPORT OF THE BOARD OF DIRECTORS

We take pleasure in reporting on the activities and financial results of the group for the year under review.

NATURE OF ACTIVITIES

Trans Hex is an integrated, international company engaged directly and through joint-venture agreements with others in the exploration for, mining and marketing of high-quality diamonds from land and marine alluvial deposits.

OPERATING RESULTS

Year ended 31 March:	**2012**	2011
Headline income/(loss) (R'000)		
Continuing operations	**79 138**	(12 749)
Discontinued operations	**127 438**	(33 223)
Headline and diluted headline earnings/(loss) per share (cents)		
Continuing operations	**74,9**	(12,1)
Discontinued operations	**120,6**	(31,4)
Profit/(loss) for the year attributable to owners of the parent (R'000)		
Continuing operations	**79 676**	(9 203)
Discontinued operations	**127 438**	(33 680)
Basic and diluted earnings/(loss) per share (cents)		
Continuing operations	**75,4**	(8,7)
Discontinued operations	**120,6**	(31,9)

SPECIAL RESOLUTIONS PASSED

Since the previous report of the board of directors, special resolutions number one, two and three were passed at the annual general meeting of the company held on 4 August 2011. Special resolution number one approved the basis for calculating the remuneration payable by the company to its non-executive directors for their services as directors of the company for the period ending 31 March 2012. Special resolution number two granted the directors a general authority, up to and including the date of the following annual general meeting, to approve the company's purchase of shares in itself. Special resolution number three provided for the granting of authority to directors to provide financial assistance to any company or corporation which is related or inter-related to the company in accordance with the Companies Act, 71 of 2008.

No special resolutions have been passed in any subsidiary company since the previous report of the board of directors.

CORPORATE ACTIVITIES

ACQUISITION OF NAMAQUALAND MINES

On 6 May 2011 Trans Hex signed an agreement in terms of which its 50% held associate company, Emerald Panther Investments 78 (Pty) Limited ("EPI"), would acquire assets and liabilities relating to the Namaqualand Mines ("NM") from De Beers Consolidated Mines Limited ("DBCM").

The proposed acquisition remains subject to the fulfilment of a number of conditions precedent, including all necessary statutory and regulatory approvals and approval of the transaction by Trans Hex shareholders in accordance with the JSE Listings Requirements.

LUARICA AND FUCAÚMA JOINT-VENTURE PROJECTS

On 5 October 2011, the Angolan Ministry of Geology, Mines and Industry issued an order revoking the mining rights regarding the Fucaúma and Luarica joint-venture projects as no mining activities were performed at the sites for a period of three years. As a result, these projects have been classified as discontinued operations.

GROUP FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION

Shareholders' interest at book value on 31 March 2012 amounted to R469,1 million or R4,42 per share (2011: R309,4 million or R2,92 per share).

INCOME STATEMENT

The consolidated profit after income tax for the year ended 31 March 2012 amounted to R208,3 million or 196,0 cents per share (2011: loss of R45,1 million or 40,6 cents per share).

Composition	**2012 R'000**	2011 R'000
Subsidiary companies		
Profits/(losses)	**166 452**	(17 286)
Associated companies		
Share of net profit/(loss)	**117**	(10)
Joint ventures		
Share of net profit/(loss)	**41 164**	(27 814)
The company		
Excluding intergroup dividends and impairments	**563**	11
	208 296	(45 099)

The financial statements on pages 82 to 116 set out fully the financial position, results of operations and cash flows of the group for the financial year ended 31 March 2012. Segment information is presented in note 29.

DIVIDENDS

In order to maintain cash resources, the directors deemed it prudent not to declare an interim or a final dividend for the year ended 31 March 2012.

SUBSIDIARIES AND INVESTMENTS

Details of subsidiaries, associated companies and other investments are set out in note 32. Amounts owing in respect of subsidiary companies to the holding company are presented in note 3.

DIRECTORS

The directors' profiles appear on page 8.

Directors' appointments and resignations during the period 1 April 2011 to date of this report are as follows:

CHANGE IN DIRECTORSHIP

As previously reported, Mr Mervyn Carstens resigned as executive director for SA Land Operations with effect from 5 April 2011.

DIRECTORS' INTEREST

As at 31 March 2012, the aggregate of the direct and beneficial interest of directors was 0,14% (2011: 0,14%) of the issued share capital of the company. Indirect interests through listed public companies have not been taken into account. Individual directors' interest in the issued share capital of the company is reflected in note 18 of the financial statements.

Since the end of the financial year and until the date of this report there were no material changes in the interests of the directors.

DIRECTORS' FEES

The board recommends that non-executive directors' fees for the services rendered during the past financial year be fixed at R787 500 (2011: R985 328).

COMPANY SECRETARY

Mr Greg van Heerden was appointed as company secretary with effect from 27 May 2010. The registered address of the company appears on the inside back cover.

EVENTS AFTER REPORTING DATE

No events which may have a material effect on the group occurred between the reporting date and the date of signing this report.

AUDITORS

The board has evaluated the performance of PricewaterhouseCoopers Inc. and recommends their reappointment as auditors of the company.

B.R. van Rooyen

BR van Rooyen
Chairman

L Delport
Chief executive officer

Parow
30 May 2012

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The annual financial statements are prepared on the historical cost basis, except for the revaluation of available-for-sale investments and financial assets at fair value through profit or loss, and are consistent with those of the previous year unless otherwise stated. The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

Standards, interpretations and amendments effective for the first time in 2012

The following standards, interpretations and amendments are mandatory for the group's accounting period ending 31 March 2012. None of these standards had a material impact on the group.

(i) *Amendment to IAS 24 – Related party disclosures* (effective for years beginning on or after 1 January 2011)
This amendment provides partial relief from the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.

(ii) *2010 Annual Improvements Project: Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards* (effective for years beginning on or after 1 January 2011)
This amendment provides guidance on accounting policy changes in the year of adoption, revaluation basis as deemed cost, the use of deemed cost for operations subject to rate regulation, the measurement of non-controlling interests and unreplaced and voluntarily replaced share-based payment awards.

(iii) *2010 Annual Improvements Project: Amendments to IFRS 7 Financial Instruments: Disclosure* (effective for years beginning on or after 1 January 2011)
This amendment provides additional clarification on the requirements for risk disclosures.

(*iv)* *2010 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements* (effective for years beginning on or after 1 January 2011)
This amendment now requires that an entity must present, either in the statement of changes in equity or in the notes, an analysis by item.

(v) *2010 Annual Improvements Project: Amendments to IAS 34 Interim Financial Reporting* (effective for years beginning on or after 1 January 2011)
This amendment provides additional examples of events and transactions which would be considered significant and therefore required to be disclosed in the interim financial report. In addition, the amendment removes references to only reporting certain items when they are material. Therefore, the list of items to be presented in addition to significant transactions and events are required irrespective of whether they are material.

(vi) *2010 Annual Improvements Project: Amendments to IFRIC 13 Customer Loyalty Programmes* (effective for years beginning on or after 1 January 2011)
This amendment provides guidance on determining the fair value of award credits.

(vii) *Amendments to IFRIC 14: Pre-payments of a Minimum Funding Requirement* (effective for years beginning on or after 1 January 2011)
This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined-benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

(viii) *IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments* (effective for years beginning on or after 1 July 2010)
This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

Standards, interpretations and amendments not yet effective and not already adopted by the group in 2012
The following standards, interpretations and amendments are mandatory for the group's accounting period beginning on or after 1 April 2012. Management is in the process of evaluating the impact of these amendments to standards and interpretations on the group's reported results and financial position.

(i) *Amendment to IFRS 7 Financial Instruments: Disclosures* (effective for years beginning on or after 1 July 2013)
The IASB has published an amendment to IFRS 7, "Financial instruments: Disclosures', reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

(ii) *Amendments to IAS 1, "Presentation of Financial Statements", on presentation of items of OCI* (effective for years beginning on or after 1 July 2012)
The IASB has issued an amendment to IAS 1, "Presentation of financial statements". The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The IASB originally proposed that all entities should present profit or loss and OCI together in a single statement of comprehensive income. The proposal has been withdrawn and IAS 1 will still permit profit or loss and OCI to be presented in either a single statement or in two consecutive statements. The amendment does not address which items should be presented in OCI and the option to present items of OCI either before tax or net of tax has been retained.

(iii) *Amendments to IAS 19, "Employee benefits"* (effective for years beginning on or after 1 January 2013)
The IASB has issued an amendment to IAS 19, "Employee benefits", which makes significant changes to the recognition and measurement of defined-benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

(iv) *IFRS 9 – Financial Instruments (2009)* (effective for years beginning on or after 1 January 2013)
This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

(v) *IFRS 9 – Financial Instruments (2010)* (effective for years beginning on or after 1 January 2013)
The IASB has updated IFRS 9, "Financial instruments" to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, "Financial instruments: Recognition and measurement", without change, except for financial liabilities that are designated at fair value through profit or loss.

(vi) *Amendments to IFRS 9 – Financial Instruments (2011)* (effective for years beginning on or after 1 January 2015)
The IASB has published an amendment to IFRS 9, "Financial instruments", that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.

(vii) *IFRS 10 – Consolidated financial statements* (effective for years beginning on or after 1 January 2013)
This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

(viii) *IFRS 11 – Joint arrangements* (effective for years beginning on or after 1 January 2013)
This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

(ix) *IFRS 12 – Disclosures of interests in other entities* (effective for years beginning on or after 1 January 2013)
This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles.

(x) *IFRS 13 – Fair value measurement* (effective for years beginning on or after 1 January 2013)
This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

(xi) *IAS 27 (revised 2011) – Separate financial statements* (effective for years beginning on or after 1 January 2013)
This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

(xii) *IAS 28 (revised 2011) – Associates and joint ventures* (effective for years beginning on or after 1 January 2013)
This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

(xiii) *Amendments to IAS 32 – Financial Instruments: Presentation* (effective for years beginning on or after 1 January 2014)
The IASB has issued amendments to the application guidance in IAS 32, "Financial instruments: Presentation", that clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.

(xiv) *IFRIC 20 – Stripping costs in the production phase of a surface mine* (effective for years beginning on or after 1 January 2013)
In surface mining operations, entities may find it necessary to remove mine waste materials ("overburden") to gain access to mineral ore deposits. This waste removal activity is known as "stripping". The Interpretation clarifies there can be two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The Interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.

Standards, interpretations and amendments currently not relevant to the group's operations:

(i) *Amendments to IFRS 1, "First time adoption" on hyperinflation and fixed dates* (effective for years beginning on or after 1 July 2011)

(ii) *Amendment to IFRS 7 Financial Instruments: Disclosures – Transfer of financial assets* (effective for years beginning on or after 1 July 2011)

(iii) *Amendment to IAS 12, "Income taxes" on deferred tax* (effective for years beginning on or after 1 January 2012)

(iv) *Amendment to IFRS 1, "First-time adoption" on government loans* (effective for years beginning on or after 1 July 2013)

(v) *Amendment to IFRS 1, "First-time adoption" on financial instruments disclosure* (effective for years beginning on or after 1 July 2010)

BASIS OF CONSOLIDATION

The consolidated annual financial statements include the results of Trans Hex Group Limited and all its subsidiaries, associated companies and joint ventures.

SUBSIDIARIES

Subsidiaries are those companies in which the group, directly or indirectly, has an interest of more than half of the voting rights, or otherwise has power to exercise control over their financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The group consolidates a special-purpose entity (SPE) when the substance of the relationship between the group and the SPE indicates that the group controls the SPE.

All intergroup transactions, balances and unrealised gains on transactions between group companies are eliminated as part of the consolidation process. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction, are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling interest is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

In the stand-alone financial statements of the companies which form part of the group, the investments in subsidiary companies are stated at cost less accumulated impairments. Loans made by the parent company to its subsidiaries with no set terms and the intention to provide the subsidiary with a long-term source of capital, is considered to form part of the parent's investment in the subsidiary. These loans are carried at cost in the stand-alone financial statements of the parent company.

ASSOCIATED COMPANIES

Companies in which the group holds a long-term interest, and over whose financial and operating policies a significant influence can be exercised, are accounted for as associated companies according to the equity method of accounting and are initially recognised at cost. Associated companies are entities over which the group generally has between 20% and 50% of the voting rights but which it does not control. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Financial loans with no written terms or interest charge are recognised and accounted for as part of the investment in associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed, where necessary, to ensure consistency with the policies adopted by the group.

Dilution gains and losses in associates are recognised in the income statement.

JOINT VENTURES

The group's interest in jointly controlled entities is accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other ventures. The group does not recognise its share of profits or losses from the joint venture that results from the group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. Financial loans with no written terms or interest charge are recognised and accounted for as part of the investment in the joint venture.

BUSINESS COMBINATIONS

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3: Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal companies) that are classified as held for sale in accordance with IFRS 5: Non-current Assets for Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the company assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for company purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from a business combination is measured either at its share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

In cases where the company held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

GOODWILL

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. Goodwill is tested annually for impairment and carried at cost less accumulated losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The group allocates goodwill to each operating segment in each country in which it operates.

FOREIGN CURRENCY TRANSLATION

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in South African rand, which is the company's functional and presentation currency.

TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the fair value reserve in other comprehensive income.

GROUP COMPANIES

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date.
(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
(iii) All resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss of sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with maturity of three months or less at the date of purchase and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

INVENTORIES

Inventories, which include rough and polished diamonds, are stated at the lower of cost of production on the weighted average basis or estimated net realisable value. Cost price includes direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less marketing costs. Consumable stores are stated at the lower of cost on the weighted average basis or estimated net realisable value.

FINANCIAL ASSETS

The group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Purchases and sales of financial assets are recognised on the trade date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific input.

The group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The group's loans and receivables comprise trade and other receivables, long-term receivables from joint ventures and cash and cash equivalents in the statement of financial position (notes 3.2, 5 and 6). Loans and receivables are carried at amortised cost using the effective-interest method.

Loans and trade receivables are initially measured at fair value and subsequently measured at amortised cost using the effective-interest method, less provision for impairment. A provision for impairment of loans and trade receivables is established when there is objective evidence that the group will not be able to collect or realise all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The amount of the provision is recognised in the income statement during the year in which it is identified.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit ratings), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities, calculated using the effective-interest method, is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payment is established.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivatives are designated as hedging instruments and, if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory) or a non-financial liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING OR ARE NOT DESIGNATED AS HEDGING INSTRUMENTS

Certain derivatives do not qualify for hedge accounting or are not designated as hedging instruments. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

SHARE CAPITAL

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

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

BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective-interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation of which a reliable estimate can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance expense.

TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective-interest method.

Trade payables are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

EXPLORATION COSTS

Exploration costs are expensed until the point is reached at which there is a high degree of confidence in the project's viability and it is considered probable that future economic benefits will flow to the group. Revenue earned from the discovery of diamonds during the exploration phase is included in sales revenue in the income statement. The estimated costs of production of diamonds sold, not exceeding related revenue, are credited against exploration expenditure and included in cost of sales.

MINE DEVELOPMENT COSTS

Mine development costs, relating to major programmes at existing mines, are capitalised. Development costs consist primarily of expenditure to expand the capacity of operating mines. Day-to-day mine development costs to maintain production are expensed as incurred. Following completion of a favourable feasibility study, initial development and pre-production costs relating to a new ore body, including interest on borrowed funds used to develop the ore body, are capitalised until the ore body is brought into commercial levels of production. At this time the costs are amortised as set out in the depreciation and amortisation policy.

Revenues from discovery of diamonds during the mine development phase are included in sales revenue in the income statement. The estimated costs of production of diamonds sold, not exceeding related revenue, are credited against mine development costs and included in cost of sales.

DEFERRED STRIPPING COSTS

Where stripping costs have been incurred in excess of the expected pit life average stripping ratio, these costs are deferred and charged to production when the exposed reserves are mined. Deferred stripping costs are included in mine development costs.

PROPERTY, PLANT AND EQUIPMENT

All property, mining plant and equipment are recorded at historical cost less accumulated depreciation and impairment. Historical costs include expenditure that is directly attributable to the acquisition of the items and the estimated closedown and restoration costs associated with the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced cost is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation and amortisation of alluvial mining properties, mine development costs and mine plant facilities are computed over the life of the mine principally by the units-of-production method. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Earthmoving equipment is depreciated based on hours worked (10 000 – 45 000 hours) to allocate their costs to their residual values over their estimated useful hours.

Depreciation and amortisation of marine mining properties, mine development costs and mine plant facilities are computed over the estimated useful life of 20 years.

Other property, plant and equipment are depreciated principally on a straight-line basis to allocate their costs to their residual values over their estimated useful lives of three to 20 years. The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets of the group, including development costs and deferred stripping costs, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds the recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Fair value is assessed by: estimating future net cash flows from each mine using estimates of production; future sales prices (considering historical and current prices; price trends and related factors); production and rehabilitation costs plus capital; or with reference to recent transactions for similar assets.

Management's estimates of future cash flows are subject to risks and uncertainties. Therefore, it is possible that changes could occur which may affect recoverability of the group's investments in mineral properties and other assets.

Undeveloped properties and mineral rights, upon which the group has not performed sufficient exploration work to determine whether significant mineralisation exists, are carried at original acquisition cost. If it is subsequently determined that significant mineralisation does not exist, the property will be written down to estimated net recoverable value at the time of such determination.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

REHABILITATION COSTS

Rehabilitation costs and related accrued liabilities, based on the group's assessment of current environmental and regulatory requirements, are accrued to reflect the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. The costs so provided are capitalised as part of mining assets and depreciated accordingly. Annual increases in the provision are split between finance costs relating to the change in the net present value of the provision, inflationary increases in the provision estimate and restoration costs relating to additional environmental disturbances that have occurred. Remediation liabilities, other than rehabilitation costs, which relate to liabilities arising from specific events, are expensed when they are identified, probable and may be reasonably estimated.

The group's estimated future rehabilitation liability is funded by way of payments to the Trans Hex Rehabilitation Trust Fund. Assets of the Rehabilitation Trust Fund are included in investments. This fund was established with the approval of the South African Revenue Service. Interest earned on monies paid to the Rehabilitation Trust Fund is accrued on an annual basis. It is reasonably possible that the group's estimate of its ultimate rehabilitation liabilities could change as a result of changes in regulations or cost estimates.

EMPLOYEE BENEFITS

PROVIDENT FUNDS

The group has provident funds, consisting of two defined-contribution plans. A defined-contribution plan is a plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The provident funds are funded through monthly contributions and administered independently of the finances of the group by financial institutions. The group's contributions are charged against income in the year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Both funds are governed by the South African Pension Funds Act of 1956, as amended.

POST-RETIREMENT MEDICAL BENEFITS

The present value of the liability of the group in respect of future contributions is determined annually by independent actuaries. The actuarial valuation method used is the projected unit credit method prescribed by the relevant accounting standard. Future benefits are projected using specified actuarial assumptions and the liability for in-service members is accrued over expected working lifetime.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined-benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees.

The future medical benefits for employees retiring after 1 April 1995 are funded on an actuarially determined basis uniformly over the service period of each active member. An actuarially determined amount will be contributed to a separate benefit fund over a period of 20 years as funding for this liability. In respect of service after 1 April 1995, annual contributions are made to the same benefit fund equal to the value of the liability arising in respect of that year. Employees joining the group after December 1998 are not entitled to these benefits.

LEAVE ACCRUAL

Employee entitlements to annual leave are recognised on an ongoing basis. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

OTHER LONG-TERM EMPLOYEE BENEFITS

The group provides for long-service awards that accrue to employees. Independent actuaries calculate the liability recognised in the statement of financial position in respect of long-service awards annually, using the same accounting methodology as used for defined-benefits plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised immediately in the income statement.

SHARE-BASED COMPENSATION

EQUITY-SETTLED SHARE-BASED PAYMENTS

Share options were granted to management and senior employees until the end of the 2004 financial year. Options were granted at the market price of the shares at the lowest average five consecutive trading day price for a 60-day period immediately prior to the offer date and are exercisable at that price. A portion of the options is deliverable, beginning two years from the date of grant and has a contractual option term of five years.

The group applies the requirements of IFRS 2 Share-based Payments. The fair value of the employee services received in exchange for the grant of the options after 7 November 2002 that have not yet vested on 1 April 2005, is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

CASH-SETTLED SHARE-BASED PAYMENTS

Share appreciation units were granted to executive management from the 2007 financial year by a subsidiary of the group. Units are granted linked to the share price, with appreciation payable beginning one year from the date of grant with a vesting period of five years. One fifth vests at the end of each year. The settlement is in cash.

The group adopts the requirements of IFRS 2 Share-based Payments. The fair value of the employee services received in exchange for the share appreciation units is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the units granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

The share appreciation units are valued at each reporting date with any change in fair value recognised in the income statement over the vesting period of the rights. The fair value of the share appreciation units is determined through the use of option pricing models, which take into account market prices and the term and conditions on which the share appreciation units were granted.

REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added taxation and after eliminating sales within the group. Revenue is recognised as follows:

- Sale of goods – product sales are recognised when risk and reward passes at the shipment or delivery point.
- Interest income – as it accrues, taking into account the effective yield of the asset, unless collectability is in doubt.
- Dividend income – when the shareholder's right to receive payment is established, recognised on the last date of registration.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The group financed certain mining plant and equipment in terms of a sale and leaseback transaction that results in a finance lease. Leases of property, plant and equipment, where the group has substantially all the risks and rewards of ownership, are classified at finance leases. Finance leases are capitalised at the leases' commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

MINING PROFIT/(LOSS)

Mining profit/(loss) represents the gross profits/(losses) earned from operational mines after the deduction of royalties and selling and administration costs.

DEFERRED INCOME TAX

The group follows the liability method of accounting for deferred income tax, whereby deferred income tax is recognised for the tax consequences of temporary differences. This translates into applying the currently enacted tax rates to differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities. Changes in deferred tax assets and liabilities include the impact of any tax rate change enacted during the year.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets relating to unredeemed capital expenditure and calculated tax losses are raised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

CURRENT INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

SALE AND LEASEBACK TRANSACTIONS

Any excess of sales proceeds over the carrying amount in a sale and leaseback transaction that results in a finance lease, is deferred and amortised over the lease term on a straight-line basis.

SECONDARY TAX ON COMPANIES (STC)

South African resident companies are subject to a dual corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax (called STC), on distributed income. A company incurs STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends is recognised as a taxation charge in the income statement in the same period that the related dividend is accrued as a liability. The STC liability is reduced by dividends received during the dividend cycle. Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends received is carried forward to the next dividend cycle as an STC credit. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the group will declare future dividends to utilise such STC credits. STC was replaced by a dividend withholding tax on 1 April 2012, which is a withholding tax on shareholders.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

EARNINGS PER SHARE

Basic earnings per share are computed by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The group's basic and diluted earnings per share differ as a result of share options granted to employees.

CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are as follows:

(a) Critical accounting estimates and assumptions

(i) Impairment of assets

The recoverable amount of each long-lived asset is determined as the higher of the asset's fair value less costs to sell and its value in use in accordance with the relevant accounting standard. When events or changes in circumstances impact on a particular asset, its carrying value is assessed by reference to its recoverable amount being the higher of fair value less costs to sell and value in use (being the net present value of expected future cash flows of the relevant long-lived asset). The best evidence of an asset's fair value is its value obtained from an active market or binding sale agreement.

Where neither exists, fair value less costs to sell is based on the best information available to reflect the amount the group could receive for the asset in an arm's length transaction. Critical judgements made in applying these estimates are noted in (b) below.

(ii) Restoration obligations

Provision is made for the anticipated costs of future restoration and rehabilitation of mining areas from which natural resources have been extracted in accordance with the accounting policy. Provision is made for the anticipated costs of future restoration and rehabilitation of mining sites to the extent that a legal or constructive obligation exists in accordance with the accounting policy. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies and engineering cost estimates. A change in any of the assumptions used may have a material impact on the carrying value of rehabilitation provisions.

(iii) Retirement benefit obligations

An asset or liability in respect of defined-benefit pension or medical plans is recognised in the statement of financial position in accordance with the accounting policy. The present value of a defined-benefit obligation is dependent on a number of factors that are determined on an actuarial basis. Also refer to note 11.

(iv) Ore reserve estimates

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact depreciation and amortisation rates, asset carrying values and deferred stripping calculations.

(v) ***Share-based payments***

The group issued equity-settled share-based payments (share appreciation rights) to certain employees. Cash-settled share-based payments are measured at fair value at each reporting date. Fair value is measured using the actuarial binomial pricing model. Estimates in the model were made with regard to the expected life of the option, future share price volatility, expected dividend yield and expected staff turnover. Also refer to note 7.

(vi) ***Income taxes and royalties***

The group is subject to income taxes and royalties in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes and royalties. There are transactions and calculations for which the ultimate tax and royalty determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes or royalties will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities as well as provision for royalties in the period in which such determination is made.

(b) Critical judgements in applying the group's accounting policies

(i) ***Interest in Angolan joint ventures***

Classification

The group's interest in its Angolan operations Luarica and Fucaúma, are via interests of 35% and 32% respectively in two Associação em Participação, being unincorporated joint-venture structures in the Republic of Angola. For purposes of IAS 31 Interests in Joint Ventures, the group classifies its interests in the two Associação em Participação as interests in jointly controlled entities, based on management's judgement of the long-term strategic relationship with its joint-venture partners.

The group's interest in its Angolan joint ventures is reflected in the group statement of financial position as the group's share of consolidated assets and liabilities of the joint ventures, as well as long-term receivables from the joint ventures.

The long-term receivables were assessed on the basis of management's estimates of future cash flows to be derived from the respective Angolan cash-generating units (CGUs).

The global economic downturn has had a significant impact on management's expectations and forecasts. Calculations based on the revised assumptions indicated that the group will not be able to recover the receivable. Impairment losses have been recognised in the prior years.

For purposes of assessment of impairment at CGU level, Luarica and Fucaúma are regarded as separate CGUs. The carrying values of the CGUs, which include allocated goodwill, are assessed by reference to their recoverable amounts, being the higher of fair value less costs to sell and value in use.

In terms of IAS 36 Impairment of Assets the best evidence of an asset's fair value less costs to sell is a price in a binding sale agreement in arm's length transactions, or its market price less costs of disposal if the asset is traded in an active market. For Luarica and Fucaúma neither a binding sales agreement nor an active market is available.

As both Luarica and Fucaúma are currently under care and maintenance, no reversal of impairment, except as set out in note 20, is considered appropriate.

(ii) ***Impairment assessment of South African CGUs***

The estimates used for impairment reviews are based on detailed mine plans and operating plans.

Future cash flows are based on estimates of:

- the quantities of the reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices (assuming the current market prices will revert to the group's assessment of the long-term average price, generally over a period of three to five years); and
- future cash costs of production, capital expenditure, close-down, restoration and environmental clean-up.

The cash flow forecasts are based on best estimates of expected future revenues and costs. These may include net cash flows expected to be realised from extraction, processing and sale of mineral resources that do not currently qualify for inclusion in proved or probable ore reserves. Such non-reserve material is included where there is a high degree of confidence in its economic extraction.

This expectation is usually based on preliminary drilling and sampling of areas of mineralisation that are contiguous with existing reserves. Typically, the additional evaluation to achieve reserve status for such material has not yet been done because this would involve incurring costs earlier than is required for the efficient planning and operation of the mine.

Based on this assessment, management concluded that the carrying value of the group's South African CGUs is recoverable. However, actual outcomes may vary.

(iii) ***Recovery of deferred tax assets***

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard for the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

(iv) ***Production start date***

The group assesses the stage of each mine construction project to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project such as the complexity of a plant and its location. The group considers various relevant criteria to assess when the mine is substantially complete and ready for its intended use and moves into the production stage. Some of the criteria would include, but are not limited to, the following:

- High degree of confidence in the project's viability and it is considered probable that future economic benefits will flow to the group
- The level of capital expenditure compared to the construction cost estimates
- Completion of a reasonable period of testing of the mine plant and equipment
- Commercial levels of production being reached

STATEMENTS OF FINANCIAL POSITION

at 31 March 2012

		COMPANY		CONSOLIDATED	
	Notes	**2012 R'000**	2011 R'000	**2012 R'000**	2011 R'000
ASSETS					
Non-current assets		**220 315**	216 230	**483 873**	502 377
Property, plant and equipment	1	**–**	–	**384 858**	408 678
Investments in associates	2	**–**	–	**–**	108
Financial assets	3	**220 315**	216 230	**99 015**	93 591
Current assets		**105**	128	**466 720**	420 184
Inventories	4	**–**	–	**97 776**	114 528
Trade and other receivables	5	**105**	128	**21 593**	14 599
Cash and cash equivalents	6	**–**	–	**347 351**	291 057
Total assets		**220 420**	216 358	**950 593**	922 561
EQUITY					
Capital and reserves		**217 678**	213 370	**470 111**	311 609
Stated capital	7	**208 092**	208 092	**206 276**	206 276
Other reserves	8	**68 291**	68 291	**125 266**	173 878
Retained profit/(accumulated loss)		**(58 705)**	(63 013)	**138 569**	(68 545)
Non-controlling interest		**–**	–	**(1 034)**	(2 216)
LIABILITIES		**2 742**	2 988	**481 516**	613 168
Non-current liabilities		**–**	–	**191 065**	216 696
Borrowings	9	**–**	–	**24 401**	56 937
Deferred income tax liabilities	10	**–**	–	**70 735**	65 629
Provisions	11	**–**	–	**91 473**	82 990
Deferred income	12	**–**	–	**4 456**	11 140
Current liabilities		**2 742**	2 988	**290 451**	396 472
Trade and other payables	13	**2 742**	2 988	**216 325**	262 176
Current income tax liabilities		**–**	–	**4 787**	16 138
Borrowings	9	**–**	–	**69 339**	94 571
Bank overdraft	6	**–**	–	**–**	23 587
Total equity and liabilities		**220 420**	216 358	**950 593**	922 561

The notes on pages 87 to 115 are an integral part of these consolidated financial statements.

INCOME STATEMENTS

for the year ended 31 March 2012

		COMPANY		CONSOLIDATED	
	Notes	**2012 R'000**	2011 R'000	**2012 R'000**	2011 R'000
Continuing operations					
Revenue	14			**754 484**	657 998
Cost of goods sold				**(563 150)**	(578 003)
Gross profit				**191 334**	79 995
Royalties				**(21 447)**	(6 061)
Selling and administration costs				**(61 948)**	(68 822)
Mining profit				**107 939**	5 112
Exploration costs				**(9 225)**	(5 699)
Other income/(expenses)		**567**	18	**–**	–
Other gains/(losses) – net	15	**–**	–	**7 795**	(847)
Finance income		**–**	–	**14 155**	11 023
Finance costs		**–**	(3)	**(11 496)**	(13 439)
Reversal of impairment of assets	16	**3 745**	873	**–**	–
Share of results of associated companies		**–**	–	**117**	(10)
Profit/(loss) before income tax	17 & 18	**4 312**	888	**109 285**	(3 860)
Income tax	19	**(4)**	(4)	**(28 427)**	(7 559)
Profit/(loss) for the year from continuing operations		**4 308**	884	**80 858**	(11 419)
Discontinued operations					
Profit/(loss) for the year from discontinued operations	20	**–**	–	**127 438**	(33 680)
Profit/(loss) for the year		**4 308**	884	**208 296**	(45 099)
Attributable to:					
Continuing operations		**4 308**	884	**80 858**	(11 419)
• Owners of the parent		**4 308**	884	**79 676**	(9 203)
• Non-controlling interest		**–**	–	**1 182**	(2 216)
Discontinued operations					
• Owners of the parent		**–**	–	**127 438**	(33 680)
		4 308	884	**208 296**	(45 099)
				Cents	Cents
Earnings per share for continuing operations	21				
• Basic and diluted				**75,4**	(8,7)
Earnings per share for discontinued operations	21				
• Basic and diluted				**120,6**	(31,9)
Earnings per share – Total	21				
• Basic and diluted				**196,0**	(40,6)

The notes on pages 87 to 115 are an integral part of these consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 March 2012

	COMPANY		CONSOLIDATED	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
Profit/(loss) for the year	**4 308**	884	**208 296**	(45 099)
Other comprehensive income net of tax:				
Translation differences on foreign subsidiaries	**–**	–	**(47 201)**	29 452
• Before-tax amount	**–**	–	**(31 333)**	9 434
• Tax (expense)/benefit	**–**	–	**(15 868)**	20 018
Fair value adjustment on available-for-sale financial assets	**–**	–	**(1 411)**	1 408
• Before-tax amount	**–**	–	**(1 411)**	1 408
• Tax (expense)/benefit	**–**	–	**–**	–
Reclassification of foreign currency differences on repayment of long-term receivable from foreign operations	**–**	–	**–**	(3 375)
Total comprehensive income/(loss) for the period	**4 308**	884	**159 684**	(17 614)
Attributable to:				
• Owners of the parent	**4 308**	884	**158 502**	(15 398)
• Non-controlling interest	**–**	–	**1 182**	(2 216)
	4 308	884	**159 684**	(17 614)

The notes on pages 87 to 115 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2012

	Stated capital (Note 7) R'000	Other reserves (Note 8) R'000	Accumulated profit/(loss) R'000	Non-controlling interest R'000	Total R'000
GROUP					
Balance at 31 March 2010	206 276	146 393	(25 662)	–	327 007
Loss for the period	–	–	(42 883)	(2 216)	(45 099)
Total other comprehensive income for the period	–	27 485	–	–	27 485
Balance at 31 March 2011	206 276	173 878	(68 545)	(2 216)	309 393
Profit for the period	**–**	**–**	**207 114**	**1 182**	**208 296**
Total other comprehensive loss for the period	**–**	**(48 612)**	**–**	**–**	**(48 612)**
Balance at 31 March 2012	**206 276**	**125 266**	**138 569**	**(1 034)**	**469 077**
COMPANY					
Balance at 31 March 2010	208 092	68 291	(63 897)	–	212 486
Profit for the period	–	–	884	–	884
Balance at 31 March 2011	208 092	68 291	(63 013)	–	213 370
Profit for the period	**–**	**–**	**4 308**	**–**	**4 308**
Balance at 31 March 2012	**208 092**	**68 291**	**(58 705)**	**–**	**217 678**

The notes on pages 87 to 115 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2012

		COMPANY		CONSOLIDATED	
	Notes	**2012 R'000**	2011 R'000	**2012 R'000**	2011 R'000
Cash generated from operations	22	**344**	319	**206 386**	94 403
Income tax (paid)/received	23	**(4)**	8	**(50 539)**	(16 558)
Net cash generated from operating activities		**340**	327	**155 847**	77 845
Cash flows from investment activities		**–**	–	**(38 184)**	(12 509)
• Proceeds from disposal of property, plant and equipment		**–**	–	**672**	2 093
• Replacement of property, plant and equipment		**–**	–	**(33 087)**	(34 276)
• Addition to property, plant and equipment	24	**–**	–	**(17 056)**	(15 962)
• Proceeds from disposal of listed investments		**–**	–	**335**	–
• Loan to Angolan associated company		**–**	–	**–**	26 784
• Dividend received from associated company		**–**	–	**225**	–
• Interest received		**–**	–	**10 727**	8 852
Cash flows from financing activities		**(340)**	(1 747)	**(39 558)**	(44 128)
• Borrowings repaid		**–**	–	**(32 694)**	(33 276)
• Loans to subsidiary companies		**(340)**	(1 744)	**–**	–
• Interest paid		**–**	(3)	**(6 864)**	(10 852)
Effects of exchange rates on cash and cash equivalents		**–**	–	**1 776**	697
Net increase in cash and cash equivalents		**–**	(1 420)	**79 881**	21 905
Cash and cash equivalents at beginning of year		**–**	1 420	**267 470**	245 565
Cash and cash equivalents at end of year	6	**–**	–	**347 351**	267 470

The notes on pages 87 to 115 are an integral part of these consolidated financial statements.

	CONSOLIDATED		
	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000
1. PROPERTY, PLANT AND EQUIPMENT			
2012			
Land and buildings	**96 166**	**63 730**	**32 436**
Mining rights	**114 004**	**114 004**	**–**
Mine development costs	**138 919**	**125 882**	**13 037**
Mining plant and equipment	**1 257 709**	**918 324**	**339 385**
	1 606 798	**1 221 940**	**384 858**
2011			
Land and buildings	94 549	60 094	34 455
Mining rights	114 004	114 004	–
Mine development costs	131 072	115 696	15 376
Mining plant and equipment	1 218 852	860 005	358 847
	1 558 477	1 149 799	408 678

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

	Land and buildings R'000	Mining rights R'000	Mine development costs R'000	Mining plant and equipment R'000	Total R'000
2012					
Opening balance	**34 455**	**–**	**15 376**	**358 847**	**408 678**
Additions	**290**	**–**	**6 898**	**49 853**	**57 041**
Disposals	**–**	**–**	**–**	**(249)**	**(249)**
Transfers	**162**	**–**	**–**	**(162)**	**–**
Exchange rate differences	**1 162**	**–**	**–**	**113**	**1 275**
Depreciation charge	**(3 633)**	**–**	**(9 237)**	**(69 017)**	**(81 887)**
Closing balance	**32 436**	**–**	**13 037**	**339 385**	**384 858**
2011					
Opening balance	37 814	–	57 313	403 125	498 252
Additions	590	–	1 633	49 648	51 871
Disposals	–	–	(40 169)	(16 998)	(57 167)
Exchange rate differences	(765)	–	814	195	244
Depreciation charge	(3 184)	–	(4 215)	(77 123)	(84 522)
Closing balance	34 455	–	15 376	358 847	408 678

Fixed buildings and water supply equipment erected on leasehold mining property with a book value of R4 325 423 (2011: R5 187 409) will, on termination of the mining rights, become the property of the respective transitional council without payment of compensation. The registers containing details of land and buildings are available for inspection by shareholders or their authorised representatives at the registered offices of the companies owning the relevant properties.

Depreciation expense of R80 868 604 (2011: R83 588 958) has been included in cost of goods sold.

Assets in the course of construction amounted to R2 869 426 (2011: R6 715 961).

Included in mining plant and equipment are earthmoving equipment, financed in terms of a sale and leaseback agreement and pledged as security, with a book value of R87 184 409 (2011: R95 499 291) (note 9).

	CONSOLIDATED	
	2012	2011
	R'000	R'000
2. INVESTMENTS IN ASSOCIATES		
Beginning of year	**108**	141
Equity accounted profit/(loss)	**117**	(10)
Dividend paid by associate	**(225)**	–
End of year	**–**	131
Loans at book value	**–**	(23)
	–	108
Directors' valuation of unlisted investments (including loans)	**–**	108
3. FINANCIAL ASSETS		
3.1 Company		
Unlisted subsidiary companies (refer to note 32):		
Shares at book value	**4 280**	4 280
Advances and loans	**306 342**	306 002
Less: Provision for impairment	**(90 307)**	(94 052)
	220 315	216 230
The movement for the company's provision for impairment of financial assets is as follows:		
Balance at beginning of year	**94 052**	94 925
Reversal of impairment	**(3 745)**	(873)
Balance at end of year	**90 307**	94 052
The loans are unsecured, interest-free with no fixed payment terms.		
3.2 Consolidated		
Interest in joint ventures		
Long-term receivable from Angolan joint ventures	**–**	–
Gross value	**345 546**	345 546
Setoff of loans to joint-venture partners (refer to note 20)	**(84 625)**	–
Less: Provision for impairment	**(260 921)**	(345 546)
Setoff of a financial asset and a financial liability		
In the group financial statements, this asset off-sets against a related liability to the other joint-venture partners.		
Loans to associated companies		
Loan to Somiluana	**50 833**	46 298
3.3 Available-for-sale investments		
Listed investments at fair value		
Equity shares – international listed		
Diamond Fields International Ltd 0,6% (2011: 1,3%)	**347**	1 858
Assets held by the Trans Hex Rehabilitation Trust Fund (primarily cash and cash equivalents)	**47 835**	45 435
Market value	**99 015**	93 591
Total financial assets	**99 015**	93 591

3. FINANCIAL ASSETS *(continued)*

International listed investments

All international listed investments are denominated in Canadian dollars and were translated to rands at the closing exchange rate at 31 March 2012 of C$ = R7,7159 (2011: R7,0411).

Long-term receivable from Angolan joint ventures

The long-term receivable from the Angolan joint venture, as well as the fixed assets of the joint ventures which serve as security, were fully impaired in 2009.

Loans to associated companies

The loan to Somiluana represents exploration costs previously incurred by the group which is recoverable from the newly formed mining company. The loan is repayable in instalments of US$1,15 million.

Trans Hex Rehabilitation Trust Fund

The rehabilitation trust fund in South Africa receives cash contributions to accumulate funds for the group's rehabilitation liability relating to the eventual closure of the group's operations. Amounts are paid out from the trust fund following completion and once the South African Department of Mineral Resources approved the rehabilitation work. The contributions to the fund are placed with investment banks who are responsible for making investments in equity, money market instruments and call deposits. The trust fund is to be used according to the terms of the trust deed and the assets are not available for the general purpose of the group. The trust fund is carried at fair value.

	CONSOLIDATED	
	2012 R'000	2011 R'000
4. INVENTORIES		
Diamonds	**76 123**	91 833
Consumables	**21 653**	22 695
	97 776	114 528

The carrying value of diamond inventories carried at net realisable value amounted to R209 265 (2011: R40 024 747).

Slow-moving consumable stock to the value of R5 418 160 (2011: Rnil) has been written off.

Cost of inventories included in cost of goods sold amounts to R553 million (2011: R567 million).

	COMPANY		CONSOLIDATED	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
5. TRADE AND OTHER RECEIVABLES				
Trade receivables	**–**	–	**4 754**	1 774
Receivables from joint-venture partners	**–**	–	**7 234**	1 454
Prepayments	**101**	128	**386**	332
State – VAT	**4**	553	**2 673**	4 072
Interest accrued	**–**	–	**1 908**	881
Staff loans	**–**	–	**4 011**	4 353
Other receivables	**–**	–	**10 672**	7 005
	105	681	**31 638**	19 871
Provision for impairment of other receivables	**–**	(553)	**(10 045)**	(5 272)
	105	128	**21 593**	14 599
The movement for the group's provision for impairment of other receivables is as follows:				
Balance at beginning of year	**553**	553	**5 272**	5 272
Provision for impairment	**–**	–	**5 326**	–
Reversal of impairment	**(553)**	–	**(553)**	–
Balance at end of year	**–**	553	**10 045**	5 272
Trade and other receivables are denominated in the following currencies:				
South African rands	**105**	128	**14 742**	11 352
Canadian dollars	**–**	–	**335**	–
Euros	**–**	–	**4 419**	303
US dollars	**–**	–	**2 097**	2 944
	105	128	**21 593**	14 599
6. CASH AND CASH EQUIVALENTS				
Cash at the bank and in hand	**–**	–	**38 551**	59 082
Short-term bank deposits	**–**	–	**308 800**	231 975
	–	–	**347 351**	291 057
The effective interest rates on short-term bank deposits varied between 0,28% and 5,40% (2011: 0,5% and 5,25%). These deposits have average maturity of between 1 and 31 days.				
Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:				
Cash and cash equivalents	**–**	–	**347 351**	291 057
Bank overdrafts	**–**	–	**–**	(23 587)
	–	–	**347 351**	267 470

Cash and cash equivalents at the end of the period include deposits with banks of R133 million which are not available for general use by the group. A sum of R127 million has been ceded to a guarantor in anticipation of the acquisition of Namaqualand Mines. The remaining balance of R6 million relates to various guarantees supplied by banks.

	COMPANY 2012 R'000	COMPANY 2011 R'000	CONSOLIDATED 2012 R'000	CONSOLIDATED 2011 R'000
7. STATED CAPITAL				
Authorised				
300 000 000 ordinary shares of no par value				
Issued				
106 051 275 ordinary shares of no par value (2011: 106 051 275 ordinary shares of no par value)	**208 092**	208 092	**206 276**	206 276

The unissued shares were placed under the control of the board of directors until the forthcoming annual general meeting.

The difference between the number of shares issued by the company (106 051 275) and the group (105 698 947) respectively, relates to treasury shares held by the group.

SHARE OPTION SCHEME

No new share options were granted to eligible directors and employees. Outstanding options at 31 March were as follows:

	Number of options at beginning of year	Number of options exercised during the year	Number of options lapsed during the year	Number of options outstanding
2012				
Other employees	**31 600**	–	**14 200**	**17 400**
2011				
Other employees	133 100	–	101 500	31 600

	Exercise price R	**2012**	Exercise price R	2011
Share options outstanding at end of year have the following terms:				
Expiry date – 31 March				
2011	–	–	23,80	31 600
2012	**22,86**	**17 400**	–	–

The weighted average fair value of options granted was determined using the actuarial binomial valuation model.

7. STATED CAPITAL *(continued)*

SHARE APPRECIATION UNITS

During the financial year 1 000 000 units were issued to qualifying employees. At 31 March the units issued were as follows:

	Issue date	Issue price R	Number of units at beginning of year	Number of units issued during the year	Number of units exercised during the year	Number of units lapsed during the year	Number of units outstanding
L Delport	5 July 2006	11,08	336 765				336 765
L Delport	5 July 2007	14,24	242 573				242 573
L Delport	5 July 2008	9,14	421 244				421 244
L Delport	22 January 2009	2,58	1 329 665		531 866		797 799
L Delport	22 January 2010	4,31	78 142				78 142
L Delport	22 January 2011	2,32	197 488				197 488
L Delport	22 January 2012	3,33		283 211			283 211
IP Hestermann	22 January 2010	4,31	181 236				181 236
IP Hestermann	22 January 2011	2,32	89 649				89 649
IP Hestermann	22 January 2012	3,33		127 412			127 412
Other employees	5 July 2006	11,08	483 222			193 351	289 871
Other employees	5 July 2007	14,24	518 580				518 580
Other employees	5 July 2008	9,14	1 152 945			96 005	1 056 940
Other employees	22 January 2009	2,58	2 885 418		650 303	161 152	2 073 963
Other employees	22 January 2010	4,31	620 383			224 194	396 189
Other employees	22 January 2011	2,32	497 845		21 766	87 359	388 720
Other employees	22 January 2012	3,33		589 377			589 377
			9 035 155	1 000 000	1 203 935	762 061	8 069 159

	COMPANY		CONSOLIDATED	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
8. OTHER RESERVES				
Translation reserves	**–**	–	**53 825**	101 026
Available-for-sale investment reserves	**–**	–	**236**	1 647
Equity portion of redeemed debentures	**68 291**	68 291	**68 291**	68 291
Share-based payments	**–**	–	**2 914**	2 914
	68 291	68 291	**125 266**	173 878

The equity portion of redeemed debentures refers to the fair value of the conversion option on issue date.

		CONSOLIDATED	
		2012	2011
		R'000	R'000
9.	**BORROWINGS**		
	Non-current		
	Unsecured loans, bearing interest at a variable rate of 2% below South African prime, per annum, payable monthly in advance, with a final redemption on 1 November 2011	**–**	397
	Less: Portion of loans repayable within one year, included in current liabilities	**–**	397
		–	–
	Secured loan on earthmoving equipment financed in terms of a sale and leaseback agreement (note 1), bearing interest at Jibar, payable quarterly in arrears for 60 months, with a final redemption on 2 December 2013	**56 936**	89 451
	Less: Portion of loans repayable within one year, included in current liabilities	**32 535**	32 514
		24 401	56 937
	US dollar denominated loan secured by 70% of Fucaúma diamond sales, bearing interest at Libor plus 3,5% per annum, payable over 33 equal monthly instalments in arrears, with a final redemption on 29 December 2010. The loan is due to other joint-venture partners and offset against the receivable (note 20).	**–**	16 535
	Less: Portion of loans repayable within one year, included in current liabilities	**–**	16 535
		–	–
	US dollar denominated loan secured by Fucaúma diamond sales and property, plant and equipment with a book value of Rnil (2011: Rnil), bearing interest at 12-month Libor plus 3% per annum, repayable within 12 months. The loan is due to other joint-venture partners and offset against the receivable (note 20).	**–**	187
	Less: Portion of loans repayable within one year, included in current liabilities	**–**	187
		–	–
	US dollar denominated loans secured by Luarica diamond sales and property, plant and equipment with a book value of Rnil (2011: Rnil), bearing interest at between 8% and 10% per annum, repayable within 12 months. The loan is due to other joint-venture partners and offset against the receivable (note 20).	**–**	12 188
	Less: Portion of loans repayable within one year, included in current liabilities	**–**	12 188
		–	–
	US dollar denominated loan secured by Luarica property, plant and equipment with a book value of Rnil (2011: Rnil), bearing interest at Libor plus 3% (2011: 3%) per annum, payable over 48 equal monthly instalments in arrears, with a final redemption on 20 October 2011	**12 600**	11 212
	Less: Portion of loans repayable within one year, included in current liabilities	**12 600**	11 212
		–	–
	US dollar denominated loans secured by 35% of Luarica diamond sales, bearing interest at 15,7% per annum, repayable over 36 equal monthly instalments, with a final redemption on 30 September 2011	**24 204**	21 538
	Less: Portion of loans repayable within one year, included in current liabilities	**24 204**	21 538
		–	–
	Total non-current borrowings	**24 401**	56 937
	Current		
	Total current borrowings	**69 339**	94 571
	Total borrowings	**93 740**	151 508

	CONSOLIDATED	
	2012	2011
	R'000	R'000
10. DEFERRED INCOME TAX		
Deferred income tax liabilities		
At beginning of year	**65 629**	90 165
Income statement charge	**(10 761)**	(4 518)
Tax charge to other comprehensive income	**15 867**	(20 018)
	70 735	65 629
Comprised of:		
Capital allowances	**101 542**	108 000
Provisions	**(29 517)**	(26 504)
Exchange differences on foreign subsidiaries	**(1 290)**	(15 867)
	70 735	65 629
11. PROVISIONS		
Provision for post-retirement medical benefits		
The amount included in the statement of financial position arising from the group's obligation in respect of the defined-benefit plan is as follows:		
• Present value of unfunded obligations	**14 014**	12 869
• Unrecognised actuarial losses	**516**	1 802
	14 530	14 671
Amounts recognised in the income statement were as follows:		
• Current service cost	**28**	26
• Interest cost	**1 121**	1 162
• Expected employer benefit payments	**(775)**	(784)
• Net actuarial losses recognised in year	**(515)**	–
	(141)	404
Movements in the liability recognised in the statement of financial position were as follows:		
• At beginning of year	**14 671**	14 267
• Amounts charged to the income statement	**(141)**	404
At end of year	**14 530**	14 671

The provision is independently actuarially determined at least every third year, with independent forecasts for the years in-between. The last independent actuarial valuation was at the end of March 2012.

Key assumptions used:	**%**	%
• Discount rate	**8,50**	9,00
• Healthcare cost inflation	**8,00**	7,75
• Expected retirement age (years)	**63**	63
• Mortality tables used		

– During employment: SA85-90 (Light) ultimate table PA(90)
– Post-employment: PA(90) ultimate table rated down two years plus 1% improvement per annum (from a base year of 2006)

	CONSOLIDATED	
	R'000	%
11. PROVISIONS *(continued)*		
The sensitivity of the present value of funded obligations for changes in certain key assumptions used is as follows:		
Healthcare cost inflation		
• Liability at 31 March 2012: – 1%	**12 491**	**(10,9)**
• Liability at 31 March 2012: + 1%	**15 850**	**13,1**
• Current service cost and interest cost for the year ending 31 March 2012: - 1%	**1 022**	**(11,1)**
• Current service cost and interest cost for the year ending 31 March 2012: + 1%	**1 303**	**13,4**
• Liability at 31 March 2012: + 5% for 5 years	**17 054**	**21,7**
• Liability at 31 March 2012: + 10% for 5 years	**20 648**	**47,3**
Discount rate		
• Liability at 31 March 2012: – 1%	**15 889**	**13,4**
• Liability at 31 March 2012: + 1%	**12 486**	**(10,9)**
Expected retirement age		
• Liability at 31 March 2012: 1 year younger	**14 052**	**0,3**
• Liability at 31 March 2012: 1 year older	**13 979**	**(0,3)**

The liability and fair value of plan assets relating to the post-retirement medical plan, were as follows for the current and four preceding financial years:

	Present value of obligations R'000	Fair value of plan assets R'000	Fair value of obligations in excess of plan assets R'000	Experience adjustments in respect of present value of obligations R'000	Experience adjustments in respect of fair value of plan assets R'000
2008	13 346	–	13 346	(371)	–
2009	15 398	–	15 398	(2 517)	–
2010	12 977	–	12 977	2 972	–
2011	12 869	–	12 869	1 131	–
2012	14 014	–	14 014	401	–

The expected contributions to be paid for the period 1 April 2012 to 31 March 2013 amount to R773 000.

	CONSOLIDATED	
	2012	2011
	R'000	R'000
11. PROVISIONS *(continued)*		
Provision for long-service awards		
Amounts recognised in the income statement were as follows:		
Current service cost	**1 018**	934
Interest cost	**853**	760
Expected employer benefit payments	**(617)**	(1 027)
Actuarial (gain)/loss recognised in year	**(636)**	571
	618	1 238
Movements in the liability recognised in the statement of financial position were as follows:		
At beginning of year	**9 633**	8 395
Amounts charged to the income statement	**618**	1 238
At end of year	**10 251**	9 633

Key assumptions used:	**%**	%
Discount rate	**8,25**	9,25
Salary inflation	**7,00**	7,50
Expected retirement age (years)	**63**	63
CPI inflation	**5,50**	6,00
Mortality tables used		
• During employment: SA85-90 (Light) ultimate table		

	R'000	**%**
The sensitivity of the liability recognised for changes in certain key assumptions used is as follows:		
Salary inflation		
• Liability at 31 March 2012: – 1%	**9 541**	**(6,9)**
• Liability at 31 March 2012: + 1%	**11 041**	**7,7**
Discount rate		
• Liability at 31 March 2012: – 1%	**11 054**	**7,8**
• Liability at 31 March 2012: + 1%	**9 542**	**(6,9)**
Expected retirement age		
• Liability at 31 March 2012: 1 year younger	**9 752**	**(4,9)**
• Liability at 31 March 2012: 1 year older	**10 580**	**3,2**

		CONSOLIDATED 2012 R'000	CONSOLIDATED 2011 R'000
11.	**PROVISIONS** *(continued)*		
	Provision for rehabilitation liabilities		
	At beginning of year	**58 686**	53 224
	Amounts credited to mining assets	**–**	(1 673)
	Increase/(decrease) in costs debited to income statement	**3 154**	(1 302)
	Rehabilitation provision – unwinding of discount	**4 852**	4 309
	Amount previously included under trade and other payables	**–**	4 128
	At end of year	**66 692**	58 686
	Comprised of:		
	Decommissioning and dismantling	**5 130**	4 775
	Environmental restoration	**61 562**	53 911
		66 692	58 686

A provision is recognised for the restoration and rehabilitation of current mining activities based on current environmental and regulatory requirements. It is expected that the provision will be settled at the end of the life of mine.

Key assumptions used:	%	%
• Inflation rate	**6,2**	6,7
• Risk-free rate	**7,2 – 7,6**	7,3 – 8,4
Total provisions (R'000)	**91 473**	82 990

		COMPANY 2012 R'000	COMPANY 2011 R'000	CONSOLIDATED 2012 R'000	CONSOLIDATED 2011 R'000
12.	**DEFERRED INCOME**				
	Excess of sales proceeds over carrying value of assets sold and leased back (notes 1 and 9)			**17 824**	24 508
	Credited to income statement			**(6 684)**	(6 684)
				11 140	17 824
	Less: Current portion			**(6 684)**	(6 684)
				4 456	11 140
	Deferred income is amortised over the period of the lease term of five years.				
13.	**TRADE AND OTHER PAYABLES**				
	Trade payables	**2 742**	2 988	**163 285**	209 458
	Government royalties	**–**	–	**11 454**	11 134
	Contractor fees payable	**–**	–	**7 164**	5 958
	Accrued leave pay and bonuses	**–**	–	**12 453**	13 278
	State – other taxes	**–**	–	**8 965**	10 088
	Share appreciation units (note 7)	**–**	–	**5 566**	5 087
	Current portion of deferred income (note 12)	**–**	–	**6 684**	6 684
	Other payables	**–**	–	**754**	489
		2 742	2 988	**216 325**	262 176

	COMPANY		CONSOLIDATED	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
14. REVENUE				
Diamonds: Mining	**–**	–	**754 484**	657 998
15. OTHER GAINS/(LOSSES) – NET				
Other gains/(losses) consist mainly of the following principal categories:				
• Net foreign exchange gains/(losses)	**–**	–	**7 795**	(4 222)
• Foreign exchange gains on repayment of long-term receivable from foreign operation	**–**	–	**–**	3 375
	–	–	**7 795**	(847)
16. IMPAIRMENT OF ASSETS				
Reversal of impairment of financial assets	**(3 745)**	(873)	**–**	–

During the year, certain subsidiaries in the group returned to solvency which resulted in the reversal of impairment. The recoverable amount of the loans is its fair value less costs to sell. The fair values used were determined based on the fair value of the underlying subsidiaries' assets and liabilities. Also refer to note 3.1.

	COMPANY		CONSOLIDATED	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
17. PROFIT/(LOSS) BEFORE INCOME TAX				
The following items have been charged in arriving at profit/(loss) before income tax:				
Income				
Income from subsidiary companies:				
• Administration fees	**2 470**	2 813	**–**	–
Profit on sale of property, plant and equipment	**–**	–	**423**	–
Profit on sale of available-for-sale investments	**–**	–	**233**	–
Expenses				
Auditor's remuneration:				
• Audit	**–**	–	**(2 471)**	(3 465)
• Taxation services	**–**	–	**(698)**	(836)
• Other services	**–**	–	**–**	(275)
Depreciation	**–**	–	**(81 887)**	(84 522)
Loss on sale of property, plant and equipment	**–**	–	**–**	(220)
Maintenance and material	**–**	–	**(147 640)**	(155 016)
Movement in provision for impairment of accounts receivable	**553**	–	**(4 773)**	–
Operating lease payments	**–**	–	**(6 312)**	(6 704)
Share appreciation rights (expense)/income	**–**	–	**(479)**	581
Staff costs				
Salaries and wages			**(203 708)**	(214 518)
Termination benefits			**(5 254)**	(5 496)
Company contributions to retirement benefits			**(18 362)**	(18 211)
Other post-retirement medical benefits (Note 11)			**141**	(404)
Total staff costs			**(227 183)**	(238 629)

	CONSOLIDATED				
	Salaries and fees R'000	Retire-ment contri-butions R'000	Perfor-mance bonus R'000	Other benefits* R'000	**Total R'000**
18. DIRECTORS' REMUNERATION					
The directors' remuneration for the year ended 31 March was as follows:					
2012					
Executives					
L Delport	**2 223**	**536**	**1 577**	**720**	**5 056**
IP Hestermann	**1 199**	**289**	**746**	**268**	**2 502**
Subtotal	**3 422**	**825**	**2 323**	**988**	**7 558**
Non-executives					
BR van Rooyen	**280**				**280**
T de Bruyn	**210**				**210**
AR Martin	**298**				**298**
Subtotal	**788**	**–**	**–**	**–**	**788**
Total paid	**4 210**	**825**	**2 323**	**988**	**8 346**
Company					**788**
Subsidiaries					**7 558**
					8 346
Remuneration paid to the three highest paid employees, who are not directors, was as follows:					
LM Cilliers	**935**	**223**	**574**	**309**	**2 041**
VS Madlela	**707**	**170**	**399**	**524**	**1 800**
GM van Heerden	**1 102**	**261**	**659**	**349**	**2 371**
Total	**2 744**	**654**	**1 632**	**1 182**	**6 212**
2011					
Executives					
L Delport	1 989	483	1 430	390	4 292
MJ Carstens#	1 309	321	727	359	2 716
IP Hestermann^	1 019	248	611	273	2 151
Subtotal	4 317	1 052	2 768	1 022	9 159
Non-executives					
BR van Rooyen	266				266
T de Bruyn	180				180
E de la H Hertzog	100				100
JW Dreyer	87				87
AR Martin	229				229
T van Wyk	123				123
Subtotal	985	–	–	–	985
Total paid	5 302	1 052	2 768	1 022	10 144
Company					985
Subsidiaries					9 159
					10 144

	CONSOLIDATED				
	Salaries and fees R'000	Retire-ment contri-butions R'000	Perfor-mance bonus R'000	Other benefits* R'000	**Total R'000**
18. DIRECTORS' REMUNERATION *(continued)*					
Remuneration paid to the three highest paid employees, who are not directors, was as follows:					
LM Cilliers	853	212	521	255	**1 841**
HEM Henning	843	209	412	418	**1 882**
GM van Heerden	992	245	590	240	**2 067**
Total	2 688	666	1 523	913	**5 790**

* *Other benefits mainly comprise car allowances, but include share appreciation units exercised (note 7), leave encashments and medical aid contributions.*

Until 31 March 2011

^ *From 1 February 2010*

Directors' and director-related entities

No material transactions other than directors' emoluments disclosed in note 18 were entered into during the year.

Remuneration philosophy

The remuneration committee establishes executive remuneration. Full details are provided in the remuneration report on pages 52 to 56 of the annual report.

As at 31 March, the directors held, directly or indirectly, interest in the issued capital of the company as reflected in the table below:

	DIRECT	INDIRECT		
	Beneficial	**Beneficial**	**Shares held by associates**	**Total**
2012				
L Delport	**150 000**	**–**	**–**	**150 000**
2011				
L Delport	150 000	–	–	150 000

There has been no change in the director's interest set out above between the end of the financial year and the date of approval of the financial statements.

	COMPANY 2012 R'000	COMPANY 2011 R'000	CONSOLIDATED 2012 R'000	CONSOLIDATED 2011 R'000
19. INCOME TAX				
19.1 Income tax per income statement				
RSA tax				
• Current	**4**	4	**39 188**	12 077
– Current year	**4**	4	**40 193**	11 719
– (Over)/underprovision prior year	**–**	–	**(1 005)**	358
• Deferred	**–**	–	**(10 761)**	(4 518)
– Current year	**–**	–	**(10 761)**	(4 161)
– Overprovision prior years	**–**	–	**–**	(357)
	4	4	**28 427**	7 559

Tax losses and unredeemed capital of certain subsidiaries at the end of the financial year available for utilisation against future taxable income of those companies are estimated at R69,1 million (2011: R226,9 million). No deferred tax asset has been raised for these losses as future utilisation is uncertain.

	%	%	%	%
19.2 Reconciliation of effective income tax rate with standard rate				
Effective income tax rate	**0,1**	0,5	**26,0**	20,7
Increase/(decrease) in rate as a result of:				
Expenses not deductible for income tax purposes	**–**	–	**(5,0)**	(42,4)
Income not taxable	**27,9**	27,5	**6,6**	–
Overprovision prior year	**–**	–	**0,4**	–
Unrecognised tax losses in loss-making affiliates	**–**	–	**–**	(6,3)
Standard rate	**28,0**	28,0	**28,0**	(28,0)

20. DISCONTINUED OPERATIONS

On 5 October 2011 the Angolan Ministry of Geology, Mines and Industry revoked the mining rights of the Luarica and Fucaúma joint ventures as no mining activities had been performed at the sites for a period of three years as a result of the projects being placed under care and maintenance.

Trans Hex currently has a legally enforceable right to setoff a portion of the amounts owed by the other joint-venture parties to Trans Hex against its pro rata share of certain of the joint ventures' liabilities. The amounts owed by the other joint-venture parties were previously disclosed as borrowings (R28,9 million), trade and other payables (R32,1 million) and bank overdraft (R23,6 million). Due to the setoff, this portion of the liabilities owed by the other joint-venture parties to Trans Hex became recoverable which resulted in a reversal of impairment of R84,6 million.

Other gains relate to the prescription of unclaimed debts of R38,2 million and a change in estimate of provisions of R20,9 million.

	CONSOLIDATED	
	2012	2011
	R'000	R'000
The results of these operations were as follows:		
Revenue	**–**	–
Other operating expenses: Luarica and Fucaúma care and maintenance costs	**(12 301)**	(25 284)
Other gains/(losses) – net	**59 079**	–
Finance costs	**(3 965)**	(7 389)
Other expenses	**–**	(550)
Reversal of impairment of assets	**84 625**	–
	127 438	(33 223)
Loss on sale of assets	**–**	(457)
Profit/(loss) before income tax	**127 438**	(33 680)
Income tax	**–**	–
Profit/(loss) for the year	**127 438**	(33 680)
Net operating cash flows	**(12 301)**	(549)
Net investing cash flows	**–**	1 587
Net financing cash flows	**–**	–

21. EARNINGS PER SHARE

Basic earnings per share

Profit/(loss) for the year from continuing operations attributable to owners of the parent	**79 676**	(9 203)
Profit/(loss) for the year from discontinued operations attributable to owners of the parent	**127 438**	(33 680)
Weighted average number of ordinary shares in issue (thousands)	**105 699**	105 699
Basic earnings/(loss) per share – continuing operations (cents)	**75,4**	(8,7)
Basic earnings/(loss) per share – discontinued operations (cents)	**120,6**	(31,9)

In accordance with the revised IAS 33 Earnings per Share, mandatory convertible instruments will be included in weighted average number of share calculation for basic earnings per share.

Diluted earnings per share

No adjustment to basic earnings per share was required.

	CONTINUING OPERATIONS		DISCONTINUED OPERATIONS	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
21. EARNINGS PER SHARE *(continued)*				
Headline earnings per share				
Profit/(loss) for the year	**79 676**	(9 203)	**127 438**	(33 680)
(Profit)/loss on sale of assets	**(423)**	(237)	**–**	457
• Taxation impact	**118**	66	**–**	–
Profit on sale of listed investment	**(233)**	–	**–**	–
• Taxation impact	**–**	–	**–**	–
Reclassification of foreign currency differences on repayment of long-term receivable from foreign operations	**–**	(3 375)	**–**	–
Headline earnings/(loss)	**79 138**	(12 749)	**127 438**	(33 223)
Headline earnings/(loss) per share (cents)	**74,9**	(12,1)	**120,6**	(31,4)
Headline earnings per share – total (cents) (2012)			**195,5**	
Headline loss per share – total (cents) (2011)				(43,5)

	COMPANY		CONSOLIDATED	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
22. RECONCILIATION OF NET PROFIT/(LOSS) BEFORE INCOME TAX WITH CASH GENERATED FROM OPERATIONS				
Profit/(loss) before income tax	**4 312**	888	**236 723**	(37 540)
Adjusted for:				
Depreciation	**–**	–	**81 887**	84 522
(Profit)/loss on sale of assets and investments	**–**	–	**(656)**	220
Net reversal of impairments of assets and investments	**(3 745)**	(873)	**(73 882)**	–
Other non-cash flow gains from Angolan operations	**–**	–	**(35 492)**	–
Deferred income credited	**–**	–	**(6 684)**	(6 684)
Exchange rate adjustments	**–**	–	**(6 203)**	(2 808)
Deferred stripping costs capitalised	**–**	–	**(6 898)**	(1 633)
(Decrease)/increase for post-retirement medical benefit	**–**	–	**(141)**	404
Increase for long-service awards	**–**	–	**618**	1 238
Increase in rehabilitation liabilities	**–**	–	**8 006**	3 007
Income from Trans Hex Rehabilitation Trust Fund	**–**	–	**(2 400)**	(2 544)
Share of results of associated company	**–**	–	**(117)**	10
Net interest (received)/paid	**–**	3	**(1 145)**	2 000
Operating income before movements in working capital	**567**	18	**193 616**	40 192
Movement in working capital	**(223)**	301	**12 770**	54 211
Inventory	**–**	–	**11 350**	16 815
Trade and other receivables	**23**	12	**(12 143)**	17 851
Trade and other payables	**(246)**	289	**13 563**	19 545
Cash generated from operations	**344**	319	**206 386**	94 403

	COMPANY		CONSOLIDATED	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
23. RECONCILIATION OF INCOME TAX PAID WITH AMOUNT DISCLOSED IN THE INCOME STATEMENT				
Amount unpaid at beginning of year	**–**	(12)	**16 138**	20 619
Amount per income statement	**4**	4	**39 188**	12 077
Amount unpaid at end of year	**–**	–	**(4 787)**	(16 138)
Amount paid/(received)	**4**	(8)	**50 539**	16 558
24. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT				
Earthmoving equipment			**4 504**	6 354
Plant extensions			**10 411**	6 855
Housing and personnel benefits			**121**	516
Operational buildings			**36**	75
Computer hardware and software			**242**	26
Other			**1 742**	2 136
			17 056	15 962

	%	%
25. JOINT VENTURES		
The group holds the following interest in jointly controlled entities which are engaged in alluvial diamond mining:		
Fucaúma Association (Angola)*	**32**	32
Luarica Association (Angola)*	**35**	35
Mvelaphanda Exploration (Pty) Ltd (South Africa)	**50**	50
Northbank Diamonds Ltd (Namibia)	**50**	50
Trans Hex Gariep Venture (South Africa)^	**50**	50

The group participates in the following jointly controlled operations: Trans Hex Operations (Pty) Ltd and Freid Delwery BK.

* Refer note 20.

^ Dissolved during the financial year.

	CONSOLIDATED	
	2012	2011
	R'000	R'000
25. JOINT VENTURES *(continued)*		
These investments in jointly controlled entities are accounted for using the proportionate consolidation method. The following amounts represent the group's effective interest in the assets, liabilities, sales and results of the joint ventures:		
Property, plant and equipment	**–**	807
Current assets	**569**	1 125
	569	1 932
Current liabilities	**(131 703)**	(235 502)
Net liabilities	**(131 134)**	(233 570)
Revenue	**2 495**	12 824
Profit/(loss) before income tax	**39 625**	(27 025)
Income tax	**1 539**	(789)
Profit/(loss) after income tax	**41 164**	(27 814)

26. FINANCIAL INSTRUMENTS

Financial instruments as disclosed in the statement of financial position include long and short-term borrowings, investments, cash resources, long-term receivables, trade receivables and trade payables.

Categories of financial instruments

	Loans and receivables R'000	Available for sale R'000	Other financial liabilities at amortised cost R'000
CONSOLIDATED			
At 31 March 2012			
Available-for-sale investments	**–**	**48 182**	**–**
Loans to associated companies	**50 833**	**–**	**–**
Trade and other receivables	**18 534**	**–**	**–**
Cash and cash equivalents	**350 862**	**–**	**–**
Borrowings	**–**	**–**	**(93 740)**
Trade and other payables	**–**	**–**	**(186 432)**
At 31 March 2011			
Available-for-sale investments	–	47 293	–
Loans to associated companies	46 298	–	–
Trade and other receivables	10 195	–	–
Cash and cash equivalents	291 057	–	–
Borrowings	–	–	(151 508)
Trade and other payables	–	–	(222 589)
Bank overdraft	–	–	(23 587)

COMPANY			
At 31 March 2012			
Loans to subsidiaries	**216 035**	–	**–**
Trade and other payables	**–**	–	**(2 742)**
At 31 March 2011			
Loans to subsidiaries	211 950	–	–
Trade and other payables	–	–	(2 988)

27. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks, including the effects of changes in equity market prices, credit risk, foreign currency exchange rates and interest rates. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments such as foreign exchange contracts and options to hedge certain exposures.

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Entities in the group use forward contracts to hedge their exposure to foreign currency risk as economic hedges. Sales denominated in foreign currency are only hedged for a short period of time from tender to payment date. The group also hedges the foreign currency exposure of its contract commitments to purchase certain production equipment. The forward contracts used in its programme are consistent with the related purchase commitments. There were no outstanding forward contracts at year-end.

At 31 March 2012, if the currency had strengthened/weakened by 5% against the US dollar, post-tax equity for the year would have been Rnil (2011: Rnil) lower/higher, mainly as a result of foreign exchange losses/gains on translation of the US dollar denominated long-term receivable from Angolan joint ventures, while post-tax profit or loss for the year would have been R1,8 million (2011: R1,7 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of the US dollar denominated loan to Somiluana.

(ii) Equity market price risk

The group is exposed to equity market price risk because of investments held by the group and classified on the consolidated statement of financial position as available for sale. The group is not exposed to commodity price risk.

At 31 March 2012, if the price of the investments had strengthened/weakened by 5%, other components of equity would have increased/decreased as a result of gains/losses on equity securities classified as available for sale by R17 366 (2011: R92 911).

All investments are classified as level 1 according to the fair value hierarchy.

(iii) Interest rate risk

The group's income and operating cash flows are substantially independent of changes in market interest rates. The group sometimes borrows at variable rates. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group interest rate exposure and effective interest rates are summarised in notes 6 and 9.

At 31 March 2012, if the interest rate had increased/decreased by 1%, post-tax profit for the year would have increased/decreased as a result of interest received/paid on cash and cash equivalents and borrowings by R2 054 000 (2011: R937 000).

The other financial instruments in the group's statement of financial position are not exposed to interest rate risk.

27. FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Credit risk

The group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The group has policies that limit the amount of credit exposure to any one financial institution.

The group minimises its credit risk by investing its cash and cash equivalents with major banks and financial institutions located principally in South Africa, Belgium and Angola. The majority of cash funds are held at South African financial institutions all of which have an F1 or F2 or F3 Fitch short-term credit rating. The group believes that no concentration of credit risk exists with respect to investment of its cash and cash equivalents.

Amounts past due at reporting date have been impaired in full. Management considers the credit quality of fully performing accounts receivable to be good.

The group's maximum exposure to credit risk at the reporting date is the fair value of each class of financial assets.

(v) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the group aims to maintain flexibility in funding by keeping committed credit lines available. In terms of the articles of association, the group has unlimited borrowing powers. There would be forewarning of any payments required in terms of financial guarantees (note 30) as the probability of payment is considered to be low.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Trade and other payable balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year R'000	1 to 2 years R'000	2 to 5 years R'000
CONSOLIDATED			
At 31 March 2012			
Borrowings	**72 756**	**25 118**	**–**
Trade and other payables	**186 432**	**–**	**–**
At 31 March 2011			
Borrowings	124 686	36 204	25 301
Trade and other payables	222 591	–	–
Bank overdraft	23 587	–	–
COMPANY			
At 31 March 2012			
Trade and other payables	**2 742**	**–**	**–**
At 31 March 2011			
Trade and other payables	2 988	–	–

27. FINANCIAL RISK MANAGEMENT *(continued)*

Defaults and breaches

As at 31 March 2012, borrowings with a principal amount of R36 804 459 and accrued interest of R10 143 738 due by joint ventures to external credit providers, were in default.

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Total capital is considered to be "equity" as shown in the consolidated statement of financial position.

Fair value estimation

The fair value of publicly traded derivatives and trading and available-for-sale investments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the group is the current bid price. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

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

28. RELATED-PARTY TRANSACTIONS

Controlling entities

The ultimate holding company of the group is Trans Hex Group Ltd. The company's major shareholders are Regarding Capital Management (Pty) Ltd, which holds 25,3% (2011: 26,9%) of the company's shares and Mvelaphanda Resources Ltd, which holds 20,3% (2011: 20,3%).

Subsidiaries and joint ventures

The group holds several interests in subsidiaries and joint ventures. A detailed list of investments in subsidiaries is disclosed under note 32. A detailed list of joint ventures is disclosed under note 25.

The following transactions were carried out with related parties:

		CONSOLIDATED	
		2012 R'000	2011 R'000
(i)	**Payment for services rendered**		
	Controlling entities		
	Management fee paid to M&I Group Services Ltd (a fellow subsidiary of the group's former major shareholder up till 13 September 2010)	–	941
	Internal audit fee paid to M&I Group Services Ltd (a fellow subsidiary of the group's former major shareholder up till 13 September 2010)	–	206
		–	1 147
	The management services were carried out on commercial terms and conditions.		
(ii)	**Sales of goods**		
	Associated companies	**10 477**	8 284
(iii)	**Receipts for services rendered**		
	Associated companies	**3 245**	10 643
	The sale of goods and rendering of services are usually negotiated with related parties on a cost-plus basis, allowing for a margin ranging from 2,5% to 7,5%.		
(iv)	**Executive directors and key management compensation**		
	Salaries and other short-term benefits	**22 547**	17 997
	Termination benefits	**400**	130
	Other long-term benefits	**5 158**	8 674
	Share-based payments	**726**	–

		COMPANY	
i)	**Receipts for services rendered**		
	Subsidiaries	**2 470**	2 813
ii)	**Loans to subsidiaries at end of year**	**216 035**	211 950

29. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive management that are used to make strategic decisions.

The executive management considers the business from a geographic perspective. Geographically, management considers the performance of South Africa, Angola and Namibia.

The reportable operating segments derive their revenue primarily from the selling of diamonds.

The executive management assesses the performance of the operating segments in a manner consistent with that of the financial statements.

The amounts provided to the executive management with respect to the total assets and total liabilities are measured in a manner consistent with that of the financial statements.

Revenues from transactions with certain customers amount to ten percent or more of total revenue. During the period under review total revenue from these customers amounted to R82,5 million (2011: R74,6 million).

	CONTINUING			DISCONTINUED			
	South Africa	**Angola**	**Subtotal**	**Angola**	**Namibia**	**Subtotal**	**Total**
29. SEGMENT INFORMATION *(continued)*							
2012							
Carats sold	**83 324**	**–**	**83 324**	**–**	**–**	**–**	**83 324**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
External revenue	**754 484**	**–**	**754 484**	**–**	**–**	**–**	**754 484**
Cost of goods sold	**(562 345)**	**(805)**	**(563 150)**	**–**	**–**	**–**	**(563 150)**
Gross profit/(loss)	**192 139**	**(805)**	**191 334**	**–**	**–**	**–**	**191 334**
Other operating expenses	**–**	**–**	**–**	**(12 301)**	**–**	**(12 301)**	**(12 301)**
Royalties	**(21 447)**	**–**	**(21 447)**	**–**	**–**	**–**	**(21 447)**
Selling and administration costs	**(57 396)**	**(4 552)**	**(61 948)**	**–**	**–**	**–**	**(61 948)**
Mining profit/(loss)	**113 296**	**(5 357)**	**107 939**	**(12 301)**	**–**	**(12 301)**	**95 638**
Exploration costs	**(9 225)**	**–**	**(9 225)**	**–**	**–**	**–**	**(9 225)**
Other (losses)/gains – net	**7 795**	**–**	**7 795**	**59 079**	**–**	**59 079**	**66 874**
Finance income	**14 155**	**–**	**14 155**	**–**	**–**	**–**	**14 155**
Finance costs	**(11 496)**	**–**	**(11 496)**	**(3 965)**	**–**	**(3 965)**	**(15 461)**
Reversal of impairment of assets	**–**	**–**	**–**	**84 625**	**–**	**84 625**	**84 625**
Share of associate's results	**117**	**–**	**117**	**–**	**–**	**–**	**117**
Profit/(loss) before income tax	**114 642**	**(5 357)**	**109 285**	**127 438**	**–**	**127 438**	**236 723**
Depreciation included in the above	**(81 083)**	**(805)**	**(81 887)**	**–**	**–**	**–**	**(81 887)**
Assets	**886 745**	**63 673**	**950 418**	**175**	**–**	**175**	**950 593**
Liabilities	**347 003**	**3 160**	**350 163**	**131 353**	**–**	**131 353**	**481 516**
Capital expenditure	**57 041**	**–**	**57 041**	**–**	**–**	**–**	**57 041**
Net asset value per share (cents)	**509**	**57**	**566**	**(124)**	**–**	**(124)**	**442**
2011							
Carats sold	77 957	–	77 957	–	–	–	77 957
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
External revenue	657 998	–	657 998	–	–	–	657 998
Cost of goods sold	(574 625)	(3 378)	(578 003)	–	–	–	(578 003)
Gross profit/(loss)	83 373	(3 378)	79 995	–	–	–	79 995
Other operating expenses	–	–	–	(25 284)	(1 007)	(26 291)	(26 291)
Royalties	(6 061)	–	(6 061)	–	–	–	(6 061)
Selling and administration costs	(59 982)	(8 840)	(68 822)	–	–	–	(68 822)
Mining (loss)/profit	17 330	(12 218)	5 112	(25 284)	(1 007)	(26 291)	(21 179)
Exploration costs	(5 699)	–	(5 699)	–	–	–	(5 699)
Other (losses)/gains – net	5 421	(6 268)	(847)	–	–	–	(847)
Finance income	11 023	–	11 023	–	–	–	11 023
Finance costs	(13 439)	–	(13 439)	(7 389)	–	(7 389)	(20 828)
Share of associate's results	(10)	–	(10)	–	–	–	(10)
Profit/(loss) before income tax	14 626	(18 486)	(3 860)	(32 673)	(1 007)	(33 680)	(37 540)
Depreciation included in the above	(82 735)	(1 788)	(84 523)	–	–	–	(84 523)
Assets	859 330	63 231	922 561	–	–	–	922 561
Liabilities	383 100	7 320	390 420	222 748	–	222 748	613 168
Capital expenditure	51 573	298	51 871	–	–	–	51 871
Net asset value per share (cents)	449	53	502	(210)	–	(210)	292

	CONSOLIDATED 2012 R'000	2011 R'000
29. SEGMENT INFORMATION *(continued)*		
Geographical external revenue for the group is as follows:		
South African customers	**200 439**	213 766
Foreign customers	**554 045**	444 232
	754 484	657 998
Non-current assets (excluding deferred taxation) are located as follows:		
South Africa	**421 967**	445 552
Angola	**61 818**	56 767
Belgium	**88**	58
	483 873	502 377

30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The group is subject to claims which arise in the ordinary course of business. The group has provided performance guarantees to banks and other third parties amounting to R133,2 million (2011: R10,3 million). The group has been advised that potential foreign claims exist in respect of a guarantee on a loan (refer note 27 (v)) from a financial institution of US$8,7 million (2011: US$8,7 million) and other legal claims of US$0,6 million (2011: US$0,6 million). The directors have been advised that such claims would be very unlikely to succeed.

There were no contingent assets in the group at either 31 March 2012 or 31 March 2011.

	CONSOLIDATED 2012 R'000	2011 R'000
31. COMMITMENTS		
Capital commitments		
Incomplete contracts for capital expenditure	**6 843**	6 582
Capital expenditure authorised but not yet contracted for	**46 136**	48 259
	52 979	54 841

The above capital commitments mainly constitute the acquisition of mining plant and equipment.

	CONSOLIDATED 2012 R'000	2011 R'000
Operating lease commitments		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
No later than 1 year	**3 524**	4 613
Later than 1 year and no later than 5 years	**2 624**	10 086
Later than 5 years	**–**	5 853
	6 148	20 552

The above commitments mainly constitute the rental of data lines and buildings.

32. INVESTMENTS

Name of company Incorporated in South Africa (unless stated otherwise)	Issued share capital 2012 R	2011 R	Effective interest 2012 %	2011 %	Held by the company Shares 2012 R'000	2011 R'000	Loan 2012 R'000	2011 R'000
COMPANY								
Buffelsbank Diamante Bpk	**50**	50	**100**	100	**1 481**	1 481	**216 035**	211 950
Trans Hex Bemarking Bpk	**100**	100	**100**	100	**–**	–	**–**	–
Trans Hex Finansiering Bpk	**10**	10	**100**	100	**2 294**	2 294	**–**	–
Trans Hex Diamante Bpk	**4 000**	4 000	**100**	100	**505**	505	**–**	–
					4 280	4 280	**216 035**	211 950

Name of company Incorporated in South Africa (unless stated otherwise)	Issued share capital 2012 R	2011 R	Effective interest 2012 %	2011 %
GROUP				
Benguela Concessions Ltd	**1 077 509**	1 077 509	**100**	100
Benguela Exploration Company (Pty) Ltd*	**–**	500	**–**	100
Daisy Street Investments No 27 (Pty) Ltd*	**–**	100	**–**	100
Data Frame Trade (Pty) Ltd	**120**	–	**100**	–
Diamond Fields International Ltd – Canada (US$) (listed)†	**50 249 525**	50 249 525	**1**	1
Dokolwayo Diamond Mines (Pty) Ltd – Swaziland (E)#	**15 008**	15 008	**50**	50
Emerald Panther Investments 78 (Pty) Ltd#	**100**	–	**50**	–
Gem Diamond Mining Corporation Ltd	**2 833 324**	2 833 324	**100**	100
Hoanib Diamonds (Pty) Ltd – Namibia (N$)	**1 000**	1 000	**90**	90
K P Delwery (Edms) Bpk*	**–**	100	**–**	100
KPO Liberia – Liberia (US$)#	**4**	4	**50**	50
Luderitz Ocean Diamonds (Pty) Ltd – Namibia (N$)	**1**	1	**100**	100
Marine West (Pty) Ltd	**1 355 000**	1 355 000	**100**	100
Matikara Prestacao De Servicos SARL – Angola (Kwanza)#	**100**	100	**49**	49
Mineracao Barra Grande Limitada – Brazil (R$)	**1 000**	1 000	**65**	65
Moonstone Diamonds (Namibia) (Pty) Ltd – Namibia (N$)	**4 000**	4 000	**77,5**	77,5
Moonstone Diamonds (South Africa) (Pty) Ltd	**2**	2	**100**	100
Mvelaphanda Exploration (Pty) Ltd^	**12**	12	**50**	50
Mvelaphanda Trade Solutions (Pty) Ltd	**100**	100	**100**	100
Namex (Edms) Bpk	**120 900**	120 900	**100**	100
Newdico (Pty) Ltd – Botswana (Pula)†	**100**	100	**6**	6
Northbank Diamonds Ltd – Namibia (N$)^	**8**	8	**50**	50

Name of company Incorporated in South Africa (unless stated otherwise)	Issued share capital **2012** **R**	 2011 R	Effective interest **2012** **%**	 2011 %
GROUP *(continued)*				
North Bay Mining (Pty) Ltd*	**–**	1 000	**–**	100
Northern Cape Diamond Mining and Exploration (Pty) Ltd*	**–**	100	**–**	100
Ocean Diamond Mining 6C (Pty) Ltd	**100**	100	**100**	100
Ocean Diamond Mining 14C (Pty) Ltd	**100**	100	**100**	100
Oranje-Kunene Diamante Bpk	**57**	57	**100**	100
Pioneer Minerals (Pty) Ltd	**16 700**	16 700	**100**	100
See-Diamantkonsessie 2B (Edms) Bpk	**200**	200	**49**	49
Somiluana – Sociedade Mineira, S.A. – Angola (Kwanza)#	**2 517 500**	2 517 500	**33**	33
Trans Bamothibi (Pty) Ltd	**200**	200	**100**	100
Trans Hex Angola Lda – Angola (Kwanza)	**50 000**	50 000	**100**	100
Trans Hex België N V – Belgium (Euro)	**62 000**	62 000	**100**	100
Trans Hex Brasil Limitada – Brazil (R$)	**3 568 601**	3 568 601	**100**	100
Trans Hex Diamond Cutting Works (Pty) Ltd	**135**	135	**75**	75
Trans Hex Liberia (THL) Ltd – Liberia (US$)	**100**	100	**100**	100
Trans Hex Marine (Namibia) (Pty) Ltd – Namibia (N$)	**100**	100	**100**	100
Trans Hex Mynbou Bpk	**500 000**	500 000	**100**	100
Trans Hex Namibia (Pty) Ltd – Namibia (N$)	**5**	5	**100**	100
Trans Hex Operations (Pty) Ltd	**12 768**	12 768	**100**	100
Trans Hex (Swaziland) (Pty) Ltd – Swaziland (E)	**3**	3	**100**	100
Trans Hex UK Ltd – UK (GBP)	**1 000**	1 000	**100**	100
Trans Hex (Zimbabwe) Ltd – Zimbabwe (ZIM$)	**30 000**	30 000	**100**	100
Trans Tropic Trading Incorporated – British Virgin Islands (US$)	**250 000**	250 000	**100**	100
WADU – Investimentos Mineiros SARL – Angola (Kwanza)	**100**	100	**80**	80
Weasua Diamonds Ltd – Seychelles (US$)#	**178 555**	178 555	**50**	50

All the companies are unlisted unless stated otherwise.

All the companies are subsidiaries unless classified as one of the following:

Associated company
† Available-for-sale
^ Joint venture

* In process of deregistration

NON-PUBLIC/PUBLIC SHAREHOLDERS AND SHAREHOLDER SPREAD

NON-PUBLIC/PUBLIC SHAREHOLDERS

Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 31 March 2012 appears below:

	2012 %	2011 %
Mvelaphanda Resources Ltd	**20,30**	20,30
Trans Hex Group Share Trust	**0,33**	0,33
Directors and associates	**0,14**	0,14
Public shareholders	**79,23**	79,18

NON-PUBLIC/PUBLIC SHAREHOLDERS 2012

NON-PUBLIC/PUBLIC SHAREHOLDERS 2011

SHAREHOLDER SPREAD

Public/non-public shareholders	Number of shareholders	% of shareholders	Number of shares	% of total shares
Non-public shareholders	3	0,03	22 032 591	20,77
Directors and associates of the company	1	0,01	150 000	0,14
Share trusts	1	0,01	352 328	0,33
Strategic Holdings	1	0,01	21 530 263	20,30
Public shareholders	17 791	99,97	84 018 684	79,23
Total	17 794	100,00	106 051 275	100,00

MAJOR SHAREHOLDERS AS AT 31 MARCH 2012

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

Shareholder	Number of shares	Percentage
Mvelaphanda Resources Ltd	21 530 263	20,30
Standard Bank	5 880 026	5,54
Investment Solutions	5 800 684	5,47
Investec	5 667 817	5,34
Nedbank Group	5 305 588	5,00
Regarding Capital Management	4 426 414	4,17
Government Employees Pension Fund	4 192 501	3,95
Peregrine	4 180 801	3,94
Flagship Asset Management	3 586 740	3,38
Old Mutual	3 571 426	3,37
Total	64 142 260	60,48

ADDITIONAL SHAREHOLDER INFORMATION

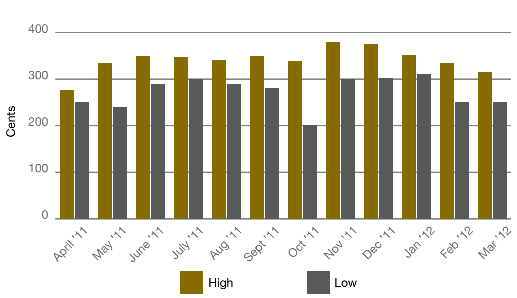
According to information available to the directors, shareholders (by group) holding in excess of three percent (3%) of the issued share capital at 31 March 2012, were as follows:

Shareholder	Number of shares	Percentage
Regarding Capital Management Ltd	26 831 837	25,30
Mvelaphanda Resources Ltd	21 530 263	20,30
Kagiso Asset Management (Pty) Limited	13 021 160	12,28
Investec Asset Management	7 922 477	7,47
Flagship Asset Management	3 860 229	3,64
Total	73 165 966	68,99

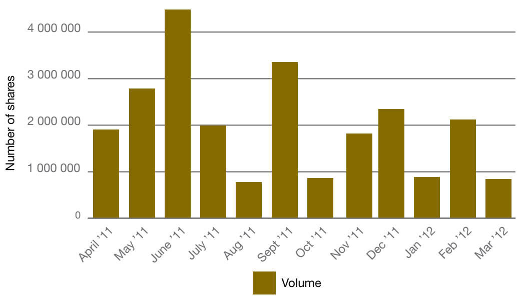
Trans Hex's ordinary shares are quoted on the JSE Limited (JSE). Share trading code is TSX for the JSE.

SHARE TRADING

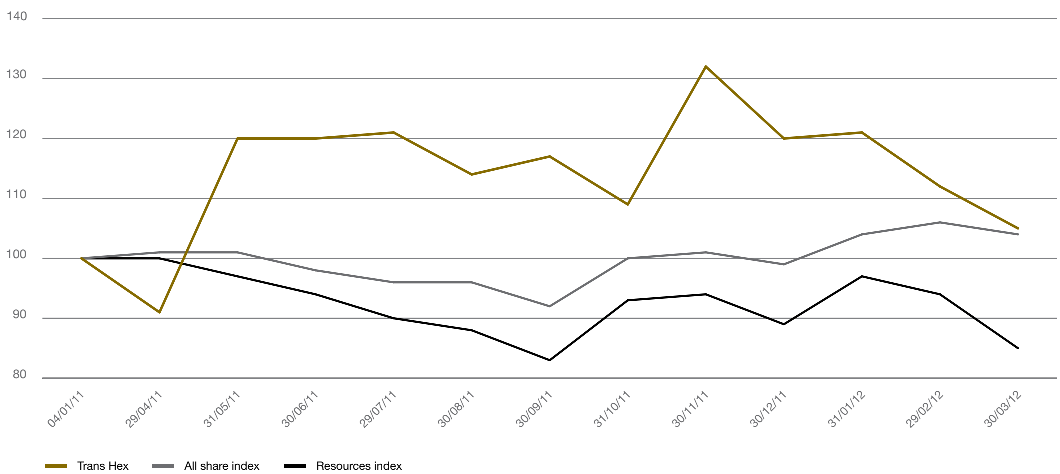
MONTHLY HIGHS AND LOWS FOR 2011/2012



MONTHLY VOLUMES TRADED FOR 2011/2012



TRANS HEX CLOSE VERSUS ALL SHARE INDEX CLOSE VERSUS RESOURCES INDEX CLOSE



GENERAL STATISTICS AND RATIOS

	2012	2011
Total number of shares in issue at year-end	**106 051 275**	106 051 275
Weighted average number of shares in issue	**105 698 947**	105 698 947
Total shares traded	**24 292 394**	70 746 681
Volume traded as a percentage of shares in issue (%)	**22,9**	66,7
Closing price as at 31 March (cents)	**289**	256
Volume weighted average annual price per share (cents)	**311**	297
Price/earnings ratio as at 31 March	**1,48**	(5,89)
Earnings yield as at 31 March (%)	**67,6**	(17,0)
Dividend yield as at 31 March (%)	**–**	–
Market capitalisation at 31 March (Rm)	**306**	271
Headline earnings per share (cents)	**195,5**	(43,5)
Interim dividend (cents)	**–**	–
Final dividend (cents)	**–**	–
Net asset value per share (cents)	**442**	292

SHAREHOLDER CATEGORIES AS AT 31 MARCH 2012

Category	Number of shareholders	%	Number of shares	%
Banks	79	0,44	1 967 825	1,86
Individuals	14 066	79,05	10 379 553	9,79
Insurance companies	27	0,15	488 156	0,46
Investment companies and corporate bodies	730	4,10	30 527 522	28,79
Medical schemes	10	0,06	14 257	0,01
Mutual funds	85	0,48	41 790 943	39,41
Nominees and trusts	2 627	14,76	4 753 248	4,48
Own holdings	1	0,01	4 136	0,00
Pension and endowment funds	169	0,95	16 125 635	15,21
	17 794	100,00	106 051 275	100,00

SHAREHOLDING ANALYSIS AS AT 31 MARCH 2012

Holdings	Number of shareholdings	%	Number of shares	%
1 – 5 000 shares	17 215	96,75	3 560 675	3,36
5 001 – 10 000 shares	233	1,31	1 704 729	1,61
10 001 – 100 000 shares	258	1,45	7 550 682	7,12
100 001 – 500 000 shares	55	0,31	11 767 749	11,10
500 001 – 1 000 000 shares	10	0,06	7 147 795	6,74
Over 1 000 000 shares	23	0,13	74 319 645	70,08
Total	17 794	100,00	106 051 275	100,00

CONTACT DETAILS AND WEBSITE

Shareholders or interested parties may contact the company secretary for general information concerning Trans Hex or visit our website at www.transhex.co.za.

Share transfers, dividend payments, change of address and similar queries should also be addressed to the company secretary or the company's transfer secretaries.

COMPANY SECRETARY

Trans Hex Group Limited
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Fax: +27 21 937 2100
email: gregv@transhex.co.za
Registration number: 1963/007579/06

TRANSFER SECRETARIES

SOUTH AFRICA

Computershare Investor Services (Pty) Ltd
PO Box 61051
Marshalltown 2107
Telephone: +27 11 370 5000
Fax: +27 11 688 5237

APPOINTED SPONSOR

(as per JSE Listings Requirements)
Sasfin Capital
(A division of Sasfin Bank Ltd)
PO Box 7520 Roggebaai, 8012
Telephone: +27 21 443 6800
Fax: +27 21 443 6884
email: mburger@sasfin.com

STRATE

Telephone: +27 11 759 5300
Fax: +27 11 759 5500
email: info@strate.co.za
website: www.strate.co.za

TRANS HEX WEBSITE

www.transhex.co.za

IMPORTANT DATES FOR SHAREHOLDERS

Financial year-end	31 March
Annual general meeting	8 August 2012
Financial reports:	
Half-year interim report	November
Announcement of annual results	June
Annual financial statements	June
Interim dividend	
Declared	May
Paid	July
Final dividend	
Declared	November
Paid	December

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