

tharisa

MEDIA RELEASE

Johannesburg, 28 November 2018 – Tharisa plc, a co-producer of PGM and chrome concentrates, today reported record production results for the financial year ended 30 September 2018.

Highlights

- Revenue increased by 16.3% to US\$406.3 million (2017: US\$349.4 million)
- Net cash generated from operations up 18.7% to US\$89.8 million (2017: US\$75.7 million)
- HEPS of US\$ 19 cents (2017: US\$ 22 cents) in view of chrome pricing having fallen from US\$200/t in FY2017 to US\$186/t in FY2018
- Proposed final dividend of US\$ 2 cents totalling US\$ 4 cents for 2018 (2017: US\$ 5 cents)
- Record PGM production, up 6.0% to 152.2 koz (2017: 143.6 koz)
- Chrome concentrate production up 8.8% to a record 1.4 Mt (2017: 1.3 Mt)
- Higher value specialty grade production up 13.8% to 367.7 kt (2017: 323.1 kt specialty grade production)
- Continued operational optimisation programmes led to a 3.9% increase in Run of Mine ('ROM') milled to 5.1 Mt, an 84.1% overall PGM recovery, and chrome recoveries of 66.0%
- Tharisa on track for production target of 200 kozpa of PGMs and 2.0 Mtpa of chrome concentrate by 2020

Commenting on the results, CEO Phoevos Pouroulis said:

“Tharisa has consolidated its position as a top seven producer of PGMs and a top five primary producer of chrome concentrates in South Africa. In FY2018, we achieved record production, and increased our free cash flow generation despite unfavourable chrome metal pricing, which firmly demonstrates the efficiency and safety of our operations in South Africa. This solid platform has allowed us to begin the implementation of our diversification strategy, and we have secured an early mover advantage in two exploration projects on the mineral rich Great Dyke of Zimbabwe. Our approach to growth has always been measured and deliberate. We believe this discipline has been central to the success of the Tharisa story, which has led us to become a low cost, highly innovative co-producer of PGMs and chrome .“

A results presentation will be held in Johannesburg at 10:00 (Johannesburg UTC+2) and 08:00 (London UTC). The results presentation will be webcast live via the Tharisa website. Conference call facilities will also be available.

Conference call		Conference replay	
Participant telephone numbers (assisted)		Replay access code : 19409	
Johannesburg (Telkom)	010 201 6800	South Africa	010 500 4108
Johannesburg (Neotel)	011 535 3600	United Kingdom	0 203 608 8021
Other countries (Telkom)	+27 10 201 6800	Australia	073 911 1378

Other countries (Neotel)	+27 11 535 3600	USA	1 412 317 0088
USA and Canada	1 508 924 4326	International	+27 10 500 4108
United Kingdom	0 333 300 1418		

See <http://www.tharisa.com/> for more information.

CEO Statement

Tharisa plc, a co-producer of PGM and chrome concentrates, today reported results for the financial year ended 30 September 2018.

The integrated resources group, which includes the Tharisa mine and processing, logistics and research and development, saw record production in FY2018, as plant throughput increased and metal recovery achieved record levels.

Tharisa Minerals recorded production of 152.2 koz of contained PGMs, and production of 1.4 Mt of chrome concentrates for the financial year. Of the chrome concentrates, 367.7 kt comprised higher value specialty grade products. A number of operational records were achieved, including a 3.9% increase in ROM milled to 5.1 Mt, an 84.1% overall PGM recovery, an increase of 5.5% and well in excess of our target of 80%. Chrome recoveries were 66.0%, an increase of 3.0% year on year.

Arxo Metals surpassed its chrome concentrate production target at the Lonmin K3 chrome plant by 10.9%, to produce 221.8 kt of chrome concentrates by applying the operational skills and standards deployed at the Tharisa processing division.

Against the backdrop of increased production volumes and despite material increases in both fuel prices and freight rates, Tharisa generated strong cash flows from operations.

The prill split of the PGM concentrate Tharisa produces, which favours palladium and rhodium, contributed to an overall increase in the PGM basket price despite weak platinum prices. The PGM basket price increased by US\$137/oz on the back of the rally in the rhodium, ruthenium, and iridium prices underpinned by strong palladium prices to average at US\$923/oz. Palladium continued to trade at a premium to platinum on the back of growing deficit forecasts.

Metallurgical chrome concentrate prices were muted. Following a year where metallurgical chrome concentrate prices reached unprecedented highs of approximately US\$390/t, FY2018 saw chrome concentrate prices fall below US\$200/t. This was mainly due to increasing stock levels of chrome ores in Chinese main ports peaking at 3.8 Mt. The average metallurgical chrome contract price achieved was US\$186/t CIF China for 42% concentrates for FY2018.

Tharisa became owner operator of our mining fleet in the year under review. Our mining division mined 4.9 Mt of ROM for FY2018, a 3.0% decrease year on year. A total of 11.1 Mm³ of waste was moved for the year. Whilst the stripping ratio of 7.9 on a m³:m³ basis remained below the LOM average of 9.5, it represented a 5.3% increase from the previous year. There was a reduction in year on year mining, mainly due to availability of equipment. This was as a result of an ongoing comprehensive maintenance plan to return the used mining fleet, purchased by Tharisa from the previous contractor, to OEM standards.

The Company continued to effectively leverage the business model with third party agency and trading activities, with economies of scale and in-house expertise ensuring that our transport costs, a major

cost of the group, remain competitive. We also continued to invest in research and development as we maintained our focus on innovation.

While Tharisa came into existence after new mining regulations were promulgated in 2004, we nevertheless welcome South Africa's new Mining Charter, as it sets guidelines and structures for future investments. Given our further 15 year open pit life with a potential further 40 year underground life at the Tharisa Mine, we are comfortable this Charter will bring the certainty we require as long-term investors.

Financial Performance

Operating profit for the year amounted to US\$72.5 million (2017: US\$98.4 million), with a net profit after tax of US\$51.0 million (2017: US\$67.7 million) generating HEPS of US\$ 19 cents (2017: US\$22 cents). Importantly the Group generated net cash from operations of US\$89.8 million (2017: US\$75.7 million) and after taking into account the capex, a free cash flow of US\$49.3 million (2017: US\$53.1 million). A final dividend of US\$ 2 cents per share has been proposed bringing the total dividend for the year to US\$ 4 cents.

The reduction in the gross profit margin may be attributed to a number of above inflation cost pressures and a change in the fixed cost element, particularly within mining. The mining fleet has installed capacity to move the required waste (both overburden and interburden) and mine the required ROM to at least produce the market guidance production for FY2019 of 160 koz of PGMs and 1.5 Mt of chrome concentrates. This installed capacity has an embedded fixed cost component, whereas with a mining contractor model, the costs were variable being based on the volumes moved. On a unit cost basis, the reef mining cost per tonne increased by 11.7% from US\$18.8/t to US\$21.0/t. This cost per reef tonne was incurred on a stripping ratio of 7.9 (m³ waste : m³ reef). On a per cube mined basis i.e. including both waste and reef, the cost increased by 3.8% from US\$7.9/m³ to US\$8.2/m³ (the prior year stripping ratio was 7.5).

The funding position of the Group was impacted by the leveraged purchase of the mining fleet with the transition to an owner mining model effective 1 October 2017, with the overall gearing (total interest bearing debt to total equity) of the Group at 25.8% (2017: 19.9%). With the strong net cash flows from operations, the net debt to total equity was 3.3%.

Safety

Safety is a core value and Tharisa continues to strive for zero harm at its operations. Tharisa achieved an LTIFR of 0.18 per 200 000 man hours worked at 30 September 2018. Tharisa continues to implement appropriate risk management processes, strategies, systems and training to promote a safe working environment for all.

Vision 2020

The Vision 2020 projects target an increase in Tharisa Minerals' production to 200 kozpa of PGMs and 2.0 Mt of chrome concentrates by the end of 2020 on a sustainable, annualised basis. The optimisation projects and additional processing plants, together with improved mining grade, are planned to add 40 kozpa of PGMs and 500 ktpa of chrome concentrates to the Tharisa Mine's annual production guidance for FY2019 of 160 kozpa of PGMs and 1.5 Mt of chrome concentrates.

Upgrade of the crusher circuit at the Genesis Plant

The additional crusher circuit at the Genesis Plant was commissioned in Q1 FY2019. The US\$7.5 million project aims to increase the Genesis Plant throughput by 15.0% or about 180 ktpa. The company targets an increase in the higher value specialty grade chrome concentrates by adding approximately 24 ktpa of chemical grade chrome concentrate and approximately 18 ktpa of foundry grade chrome concentrate and approximately 19 ktpa of metallurgical grade chrome concentrate.

PGM optimisation at the Voyager Plant

The addition of flotation capacity and the installation of high energy mechanisms at the Voyager Plant is aimed at improving PGM recoveries and increasing PGM production by an estimated 14 kozpa. The project is being implemented in a staged approach. The first phase of the project, the increase in high grade flotation capacity, has been completed. The second phase of the project will be commissioned in FY2019.

Vulcan Fine Chrome Recovery Plant

The construction of the Vulcan Plant will facilitate additional recovery of fine chrome from tailings streams. This proprietary process has been developed by Arxo Metals and a demonstration scale plant has been commissioned at Tharisa Minerals and through systematic operation has proven the concept and process flow. The feasibility study based on the operation of the demonstration scale plant has been concluded. An engineering company has been awarded the FEED study.

Geographic Diversification

In June 2018, Tharisa acquired a 26.8% shareholding in Karo Mining Holdings for US\$4.5 million. Karo has been awarded a Special Grant over an area covering 23 903 ha on the Great Dyke of Zimbabwe. In terms of the Investment Project Framework Agreement with the Government of Zimbabwe, the plan is to establish a vertically integrated PGM mining complex. Based on historic testwork, this area is purported to contain some 96 Moz of PGMs at an average grade of 3.2 g/t (3PGE + Au).

Tharisa was granted a call option to acquire a 90% shareholding in Salene Chrome Zimbabwe, exercisable on completion of the exploration programme. Salene Chrome Zimbabwe was awarded three Special Grants covering approximately 9 500 ha on the eastern side of the Great Dyke in Zimbabwe. The Special Grants entitle Salene Chrome Zimbabwe to mine the minerals thereon, including illuvial chrome.

Outlook and guidance

Tharisa's unique co-product mix, coupled with open pit mine production, ensures we remain consistently at the low end of the global cost curve. While we believe commodity prices will remain stable, we are well insulated against price volatility.

The outlook for the year ahead is positive, with the various expansion plans and a strong focus on our mining division delivering quality ROM and managing the extensive yellow fleet to OEM standards. We will demonstrate economies of scale through reduced unit costs and increased operating margins.

The production outlook for FY2019 is 160 koz of PGMs and 1.5 Mt of chrome concentrates, of which 375 kt will be specialty grade chrome concentrates. Our vision for 2020 is to produce 200 koz of PGMs and 2.0 Mt of chrome from the Tharisa Mine, on an annualised basis.

The production cuts already seen across the PGM sector and a positive outlook for global vehicle sales, particularly in emerging markets, could support continued strength in rhodium and palladium prices as

demand for gasoline autocatalysts persists. This favours Tharisa's PGM production split, which is rich in these metals.

Fundamentals for the global stainless steel market support demand for chrome concentrates, and Tharisa's specialty chrome products are in demand. The premium pricing of this product ensures we benefit from strong margins.

Ultimately, our success is measured by our consistent operational and financial delivery, and we have again set ourselves robust targets in line with our drive to grow this business. We are confident of meeting these as we deliver against our Vision 2020 strategy.

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About Tharisa

Tharisa is an integrated resources group incorporating mining, processing, beneficiation, marketing, sales and logistics of PGMs and chrome through its 74% interest in Tharisa Minerals (mining and processing) and its wholly-owned subsidiaries including Arxo Metals (processing and beneficiation), Arxo Logistics (logistics) and Arxo Resources (marketing and sales).

The Company has been listed on the Johannesburg Stock Exchange's "General Mining" sector of the Main Board since April 2014. Tharisa listed on the Main Board of the London Stock Exchange in June 2016 by way of a standard listing.

See www.tharisa.com for more information.

Issued by Tharisa plc

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