

Independent Auditor's Report

To the Members of Tharisa plc

Report on the Audit of the Consolidated and Parent Company Financial Statements

Opinion

We have audited the accompanying consolidated and parent company financial statements of Tharisa plc (the "Company" and together with its subsidiaries the "Group"), which are presented on pages 53 to 151 and comprise the consolidated and parent company statements of financial position as at 30 September 2022, and the consolidated and parent company statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and parent company financial statements give a true and fair view of the consolidated and parent company financial position of the Group and the Company as at 30 September 2022, and of its consolidated and parent company financial performance and its consolidated and parent company cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the IASB.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements* section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* and the ethical requirements that are relevant to our audit of the consolidated and parent company financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and parent company financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and parent company financial statements.

Key Audit Matters	Our response to the Key Audit Matters
<u>Revenue recognition:</u> Revenue for the year ended 30 September 2022 amounted to US\$686m (refer to notes 4 and 5 of the consolidated financial statements). The identification as a key audit matter primarily relates to the following: The significant number of sales transactions and complex terms under which title and control pass to the customer increases the risk of measurement and cut-off errors. We have also identified risks in relation to the calculation of the adjustment for provisional pricing. ▶ Cut-off: the complexity of terms that define when the title and control are transferred to the customer, as well as the high value of transactions, give rise to the risk that revenue is not recognised in the correct period. ▶ Measurement: the determination of revenue from the sale of PGM concentrates from the time of initial recognition of the sale through to final pricing requires management to re-estimate fair value of the price adjustment feature continuously. Management determines this with reference to actual spot prices. Estimation is used in the valuation of these transactions and the profit or loss impact of the mark to market movement is recorded as a fair value adjustment in revenue in the statement of profit or loss and other comprehensive income. These calculations are based on estimations and are susceptible to potential manipulation.	In this area, we performed the following procedures, among others: ▶ We obtained an understanding of the key controls around the revenue recognition process in order to assess whether it is designed to prevent, detect or correct material misstatements in the reported revenue figures; ▶ We analysed the terms and conditions for a sample of sales contracts and evaluated whether they have been accounted for in line with the Group's revenue recognition policy. We have reviewed revenue recognition policies for compliance with the requirements of IFRS 15 "Revenue from contracts with customers" (IFRS 15). ▶ For a risk-based sample of revenue transactions we performed test of details including: agreeing the main inputs to supporting evidence (such as provisional and final invoices, shipment confirmations, assay reports, market prices, agreements and bank statements), recalculating the amounts invoiced and recorded as revenue; ▶ For a risk-based sample of revenue transactions selected, we obtained third party confirmations, to check their completeness and accuracy; ▶ We assessed the methodology adopted by management to identify the provisional pricing terms and the determination of estimates of metal in concentrate sold to third parties; ▶ For a risk-based sample of open sales at year-end where provisional pricing applied, we compared to external sources the inputs used and recalculated the provisional price adjustment to evaluate whether it was correctly measured; ▶ For a risk-based sample of transactions near to the year-end we performed cut off testing over the revenue recognition in the correct period, comparing the date of revenue recognition to supporting evidence such as shipment confirmations and assay reports and considering the appropriate application of terms of sale arrangements; ▶ We considered and analysed the nature of any significant credits raised post year-end to evaluate that revenue transactions were recorded at the correct value in the relevant period;
	▶ We performed substantive analytical review procedures, including yearly and monthly trend analysis and reasonableness tests; and ▶ We assessed whether the financial statements include disclosures in respect of revenue and the provisional pricing in accordance with the applicable IFRS.

Rehabilitation provision:

The carrying value of the Group's rehabilitation provision as at 30 September 2022 amounted to US\$12,4m (refer to Note 25 of the consolidated financial statements).

The calculation of this provision requires management judgement in estimating the quantum and timing of future costs taking into consideration the unique nature of the site and the long timescales involved. This calculation also requires management to determine an appropriate future long term inflation rate as well as a rate to discount future costs to their present value.

The judgement required to estimate such costs is further increased by the limited historical precedent available to accurately determine the future costs and the uncertainty regarding the final outcome on the application to amend the Environmental Management Plan.

Management reviews the close-down, restoration and environmental obligations on an annual basis, using experts to provide support in the assessment where appropriate. This review incorporates the effects of any changes in local regulations and management's anticipated approach to restoration and rehabilitation.

Due to the high level of uncertainty and judgement involved in the determination of the estimate and assumptions used and the expected timing of the cash flows, we consider this to be a key audit matter.

In this area, we performed the following procedures, among others:

- ▶ We assessed management's process for the review of the rehabilitation provision and assessed the movements in the provision in the year, taking into consideration the intended method of rehabilitation and the associated cost estimate, and how this relates to the Environmental Management Plan;
- ▶ We tested the mathematical accuracy of management's calculations, assessed the appropriateness of the future inflation and discount rates as well as the variability of the expected timing of the cash flows, including possible expansions of the mine, and evaluated the assumptions used in determining the provision, considering also the impact of significant regulatory changes, if any;
- ▶ We considered the competence, capabilities and objectivity of the expert used by management in estimating the relevant costs and we evaluated the work performed by the expert;
- ▶ We evaluated the classification of the expenditure and assessed the appropriateness of the related disclosures in the financial statements in accordance with IFRS; and
- ▶ We considered the amendments currently being made to the Environmental plans and how management incorporated these into the judgements and estimates.

Acquisition of Karo Mining Holdings Plc:

The carrying value of the Group's property, plant and equipment as at 30 September 2022 includes mineral rights valued at US\$202m (representing 21% of the total Group assets) that relate to the acquisition of Karo Mining Holdings Plc on 30 March 2022 (refer to Notes 14 and 31 of the consolidated financial statements).

An amount of US\$14,9m was also recognised as a bargain purchase gain on the acquisition of Karo Mining Holdings Plc and an additional gain of US\$33,5m was recognised as a fair value gain on 30 March 2022 with respect to the previously existing shareholding in Karo Mining Holdings Plc (refer to Note 31 of the consolidated financial statements).

Under IFRS, companies are required to measure the identifiable assets acquired in a business combination at fair value. If the fair value of the net assets acquired is greater than the aggregate consideration transferred, the excess value is recognised as a gain in profit or loss. Any fair value adjustments relating to previously existing shareholdings are recognised in profit or loss.

The mining right was the most significant identifiable asset acquired in the business combination. The calculation of the value of the mining right requires judgment and estimation on the part of management in selecting the appropriate valuation methodology and the inputs to be used in the valuation model. Management engaged external experts to derive the valuation of the mining right.

Due to the uncertainty and judgment involved in the determination of the fair value of the mining right and the assumptions used in the valuation, and taking into account the significance of the values involved, we consider this to be a key audit matter.

In this area, we performed the following procedures, among others:

- ▶ We evaluated management's assessment that the acquisition of Karo Mining Holdings Plc qualifies as a business combination under the provisions of IFRS 3;
- ▶ We involved our valuations experts to assess the valuation methodology followed by the experts engaged by management to determine the fair value of the mining right.
- ▶ We involved our valuations experts to assess the key inputs used in the calculation, including assessment of the market values of the reserves and resources, and testing of the mathematical accuracy of the management experts' calculation.
- ▶ We considered the competence, capabilities and objectivity of the experts engaged by management.
- ▶ We tested the mathematical accuracy of management's calculations for the bargain purchase gain and the additional gain with respect to the previously existing shareholding in Karo Mining Holdings Plc; and
- ▶ We evaluated the classification of the mining rights asset and the gains recognised in profit or loss as a result of the business combination, and assessed the appropriateness of the related disclosures in the financial statements in accordance with IFRS.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the Management Report, the Corporate Governance Report, the Chief Executive Officer and the Chief Finance Officer Responsibility Statement and the Statement by the Members of the Board of Directors and Company Officials but does not include the consolidated and parent company financial statements and our auditor's report thereon.

Our opinion on the consolidated and parent company financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and parent company financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated and Parent Company Financial Statements

The Board of Directors is responsible for the preparation of consolidated and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as issued by the IASB, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent company financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee, that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and parent company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other regulatory requirements

Pursuant to additional regulatory requirements in the UK Financial Conduct Authority's Disclosure Guidance and Transparency Rules sourcebook, we report the following:

- In our opinion, based on the work undertaken in the course of the audit:
 - (i) the Management Report has been prepared in accordance with applicable regulatory requirements;
 - (ii) the information given in the Management Report is consistent with the consolidated and parent company financial statements for the year ended 30 September 2022; and
 - (iii) In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of the audit, the information given in the corporate governance statement in compliance with rules 7.2.5 and 7.2.6 of the UK Financial Conduct Authority's Disclosure Guidance and Transparency Rules sourcebook (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures):
 - (i) is consistent with the consolidated and parent company financial statements; and
 - (ii) has been prepared in accordance with applicable regulatory requirements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of the audit, rules 7.2.2, 7.2.3 and 7.2.7 of the UK Financial Conduct Authority's Disclosure Guidance and Transparency Rules sourcebook (information about the Group's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees) have been complied with.

Other Matters

- (i) This report, including the opinion, has been prepared for and only for the Company's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.
- (ii) As described in Note 2.1 of the consolidated financial statements and Note 2.1 of the parent company financial statements, these financial statements have been prepared in accordance with IFRS as issued by the IASB. We have reported separately on the Cyprus statutory financial statements prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

The engagement partner on the audit resulting in this independent auditor's report is Stavros Pantzaris.



Stavros Pantzaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
1 December 2022