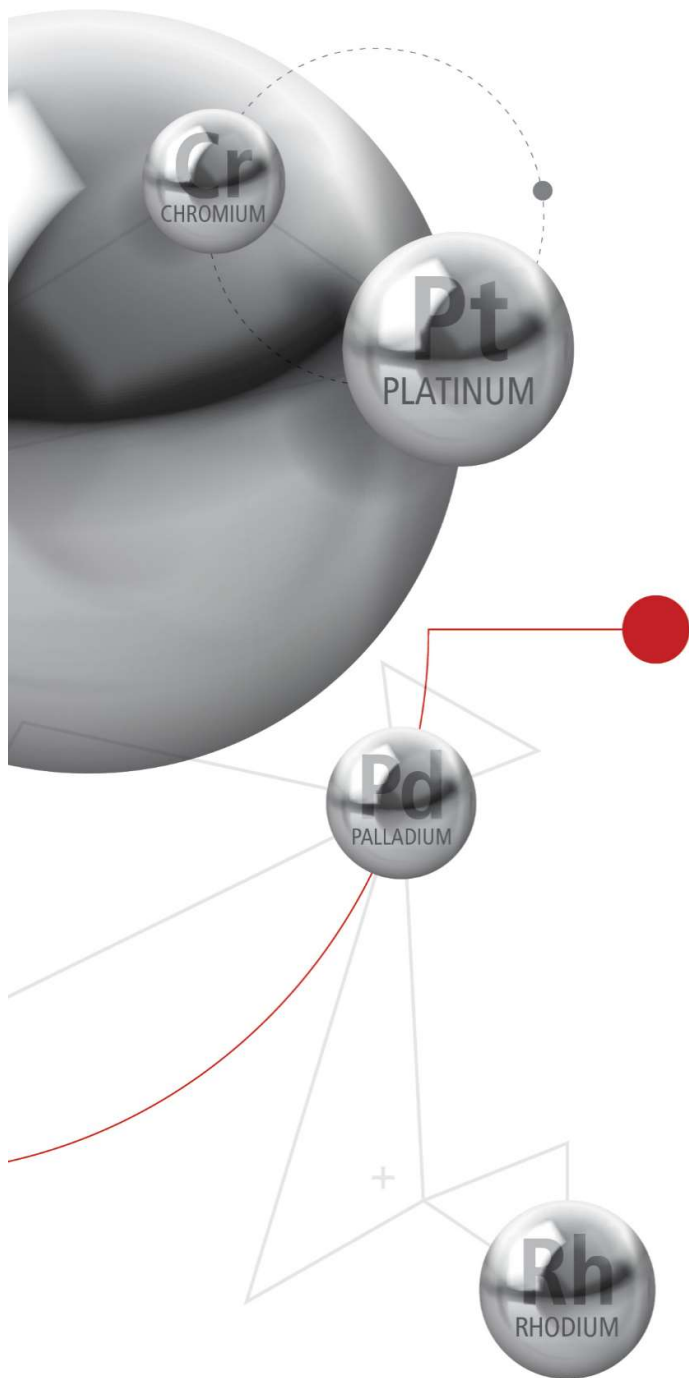


# tharisa

REPORTS AND  
CONSOLIDATED FINANCIAL STATEMENTS  
30 September 2022



enriching lives through innovating the resources company of the future

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## MANAGEMENT REPORT

for the year ended 30 September 2022

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The Board of Directors of Tharisa plc ('the Company' or 'Tharisa') presents to the members its Management Report together with the audited consolidated financial statements of the Company and its subsidiaries (together with the Company, 'the Group') and the Company financial statements for the year ended 30 September 2022.

The Company is a Cypriot incorporated public company with a primary listing on the main board of the Johannesburg Stock Exchange, a secondary standard listing on the main board of the London Stock Exchange and a secondary listing on the A2X Exchange in South Africa. The Group's consolidated financial statements and Company financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

### PRINCIPAL ACTIVITY

The principal activity of the Company is that of an investment holding company with controlling interests in platinum group metals ('PGM') and chrome mining, processing operations and associated sales and logistics operations. The principal activity remains unchanged from the previous year. Its major investment is its wholly-owned subsidiary, Tharisa Minerals Proprietary Limited ('Tharisa Minerals'). Tharisa Minerals owns and operates the Tharisa Mine, an open pit PGM and chrome mine located in the Bushveld Complex of South Africa. In addition, the Company has a 70% shareholding in Karo Mining Holdings plc which has an indirect 85% interest in a development stage, low cost, open pit PGM asset, located on the Great Dyke in Zimbabwe.

The principal activity of the Group is the exploitation of metals and minerals, principally PGMs and chrome, and associated sales and logistics operations.

### OPERATIONAL REVIEW

Tharisa is an integrated resource group critical to economies' energy transition and decarbonisation. It incorporates mining, processing, exploration, and the beneficiation, marketing, sales, and logistics of PGMs and chrome concentrates, using innovation and technology as enablers.

Our multi-operational business has been transformed from a single pit mine to a portfolio of assets complementing the business and operating in metals that we believe are vital for the future sustainability of this planet.

#### Operational highlights

The total reef mined for the year amounted to 5 505.4 kt (2021: 5 379.9 kt), an improvement of 2.3% compared to the prior year. The annualised stripping ratio was 12.8 m<sup>3</sup>: m<sup>3</sup> (2021: 11.6 m<sup>3</sup>: m<sup>3</sup>).

A strong mining performance ensured milling throughput reached a record in the last quarter of the year while totalling 5 608.2 kt (2021: 5 600.0 kt) for the year, in line with the previous year's milling throughput. The strong mining performance has contributed to a run of mine stockpile ahead of the crushing circuit equivalent to around six weeks of milling requirements.

The confidence in the mining, which is a result of several factors, including continued investment, investment in training of the operators and detailed mine planning, means that grade control is addressed as a vital requirement to improve output further and achieve the stated operational excellence, resulting in an improved PGM rougher feed grade (rougher feed grade is the grade measured into the metallurgical circuit post the first mass chrome extraction) up 14.1% to 1.7g/t as compared to 1.49 g/t in 2021.

Overall PGM recoveries were slightly lower for the year at 76.6% (2021: 77.6%) as some oxidised ore was fed into the milling circuit. The Company maintains that PGM recoveries in the low 80% range are being targeted, a number that has historically been achieved on numerous occasions.

Chrome output increased 5.1% to 1 582.7 kt (2021: 1 506.1 kt). While grade was slightly lower on an annual basis at 17.4% Cr<sub>2</sub>O<sub>3</sub> (2021: 17.9% Cr<sub>2</sub>O<sub>3</sub>), a better recovery performance, in part due to the commissioning of the Vulcan Plant meant that annualised recovery was 68.3% (2021: 63.3%). Of the total chrome output, 1 233.2 kt was metallurgical chrome and 349.5 kt specialty-grade chrome or some 22.1% of the total.

### Safety

The safety and health of our people is a core value and Tharisa acknowledges that the safety of its people, in turn, is critical to its success. The Company had one fatality, Legohu Raymond Mothapo, on Friday, 21 October 2022. The LTIFR for 2022 was 0.40 (2021: 0.34) per 200 000 man hours worked. Before 21 October 2022, the mine achieved seven years fatality-free and over six million fatality-free shifts.

## MANAGEMENT REPORT

for the year ended 30 September 2022

### Tharisa Minerals

Tharisa Minerals is 100% owned by Tharisa and is uniquely positioned as a significant co-producer of both PGMs and chrome concentrates. Tharisa Minerals' core asset is the Tharisa Mine, which is situated on South Africa's Western Limb of the Bushveld Complex – home to more than 70% of the world's platinum and chrome resources.

Tharisa Minerals holds a Mining Right over 5 475 ha of land near the town of Rustenburg in the North West province of South Africa. The Mining Right was granted on 19 September 2008 for an initial period of 30 years, providing access to MG Chromitite Layers, which outcrop with a strike length of approximately 5 km.

Tharisa Minerals mines and processes five MG Chromitite Layers. The mined reef is processed through innovative engineering at two independent plants extracting both PGMs and chrome concentrates. This combined co-product output reduces unit costs and positions Tharisa Minerals in the lower cost quartile of operating costs in South Africa for both PGMs and chrome concentrates.

Tharisa Minerals' low unit costs, operating flexibility and multiple polymetallic products have ensured that it is well placed to manage commodity price and exchange rate volatility.

Its dual revenue streams provide a natural hedge against different commodity cycles with the products used in various applications.

The Tharisa Mine has a remaining open-pit life of 19 years with a managed transition 40-year underground mining operation thereafter. The open pit is divided into the east and west pits and extracts reef from five MG Chromitite Layers. The Tharisa Mine remains a world-class, long-life asset that underpins our business and will continue to provide a sustainable, low-cost platform for over 50 years.

### Key Operating Numbers

|                                                               |         | Year ended<br>30 Sep 2022 | Year ended<br>30 Sep 2021 | Year on year<br>movement % |
|---------------------------------------------------------------|---------|---------------------------|---------------------------|----------------------------|
| Reef mined                                                    | kt      | 5 505.4                   | 5 379.9                   | 2.3                        |
| PGMs produced (6E)                                            | koz     | 179.2                     | 157.8                     | 13.6                       |
| PGMs sold (6E)                                                | koz     | 168.3                     | 151.5                     | 11.1                       |
| Chrome concentrates produced (excluding third party)          | kt      | 1 582.7                   | 1 506.1                   | 5.1                        |
| Chrome concentrates sold (excluding third party)              | kt      | 1 526.0                   | 1 480.8                   | 3.1                        |
| Average PGM basket price                                      | US\$/oz | 2 564                     | 3 074                     | (16.6)                     |
| Average metallurgical grade chrome concentrate contract price | US\$/t  | 209                       | 154                       | 35.7                       |

Tharisa Minerals' two independent processing plants are designed to treat the MG Chromitite Layers of the Bushveld Complex. The smaller volume Genesis Plant was commissioned in August 2011 with the PGM circuit being commissioned in December 2011. The larger-volume Voyager Plant was commissioned in December 2012. Both plants operate above nameplate capacity following various upgrades and milled 5.6 Mt (2021: 5.6 Mt). The plants have a similar process flow that includes crushing and grinding, primary removal of chrome concentrate by spirals, followed by PGM flotation from the chrome tails and a second spiral recovery of chrome from the PGM tails.

Using off-the-shelf technology, the Genesis and Voyager processing plants are uniquely engineered to produce both PGM and chrome concentrates. This innovative approach to production has made Tharisa a world-class PGM and chrome concentrate co-producer.

A third high-volume plant, the Vulcan Plant, was commissioned in 2021. The plant processes live tailings produced by the independent Voyager and Genesis plants, will ensure further beneficiation of the Company's chrome production at the Tharisa Mine while reducing the unit output of carbon emissions.

The Vulcan Plant is the first large-scale plant to produce chrome concentrates from ultra-fines, consolidating Tharisa's position as a key chrome producer. The concept of Vulcan was developed entirely in-house by the R&D team, to extract the ultra-fine chrome from tailings.

Specialty chrome recovery circuits are integrated into the feed circuit of the Genesis Plant, known as the Challenger Plant. The Challenger Plant, owned by fellow subsidiary Arxo Metals, was commissioned in July 2013 and produces chemical and foundry-grade chrome concentrates, significantly adding to the revenue diversification strategy of Tharisa.

## MANAGEMENT REPORT

for the year ended 30 September 2022

The PGMs in the MG ore mined by Tharisa Minerals occur in the silicates. They are not associated with chromite, thus enabling the process to extract chrome before PGMs without sacrificing PGM recovery.

This lowers the chrome content in the PGM circuit and results in much lower chrome content in the PGM concentrate compared to typical UG2 operations. Base metal content in the MGs is also significantly lower than in Merensky and UG2 ores, resulting in a low matte fall during smelting, reducing base metal refining requirements.

Operating in parallel, the independent plants provide processing flexibility and production stability by allowing one plant to be shut down without hampering the production of the other. The modular design of the processing circuits allows sections of the plant to be stopped without affecting the rest of the operation (i.e. a crushing circuit can be stopped independently of the milling, spiral, and flotation circuits). While Tharisa Minerals has stand-by generating capacity to withstand stage 4 loadshedding, the operational flexibility of the two independent processing plants adds to continued production during times of loadshedding, which was prominent in the latter part of the financial year and has, unfortunately, continued into the new reporting period.

### Sales

|                                                           |          | 30 September<br>2022 | 30 September<br>2021 | Change<br>% |
|-----------------------------------------------------------|----------|----------------------|----------------------|-------------|
| PGM basket price                                          | US\$/oz  | 2 564                | 3 074                | (16.6)      |
| PGM basket price                                          | ZAR/oz   | 40 437               | 45 336               | (10.8)      |
| 42% metallurgical grade chrome concentrate contract price | US\$/t   | 209                  | 154                  | 35.7        |
| 42% metallurgical grade chrome concentrate contract price | ZAR/t    | 3 345                | 2 284                | 46.5        |
| Average exchange rate                                     | ZAR:US\$ | 15.8                 | 14.8                 | 6.8         |

This Group's dual exposure to both the PGM and chrome markets gives the Group a hedge against volatility in either commodity price.

Tharisa Minerals supplied most of its PGM concentrate to Impala Platinum in terms of its offtake agreement and is paid a variable percentage of the PGMs and base metals contained within each tonne of concentrate in terms of an agreed market formula. The remainder of the PGM concentrate is sold to Sibanye-Stillwater. Notice has been given on the contract with the last delivery scheduled for November 2022. An off-take contract has been entered into with Northam Platinum and PGM concentrate will be delivered to both Sibanye-Stillwater and Northam Platinum following the termination of the Impala Platinum off-take agreement.

The average PGM basket price was down 16.6% to US\$ 2 564/oz (2021: US\$3 074/oz)

Chrome concentrate sales totalled 1.50 Mt, 307 kt of which was Tharisa's higher margin specialty chemical and foundry-grade chrome concentrates. The bulk of Tharisa's sales is derived from metallurgical-grade chrome concentrate, which included 188.2 kt of third-party chrome concentrates.

Specialty-grade chrome concentrates produced within the Group are sold in terms of an agency and offtake agreement.

Tharisa and an independent third party jointly market the chemical-grade chrome concentrate.

Chrome prices and sales volumes improved year on year, with Tharisa increasing output by 5.11% to 1.6 Mt, with an average metallurgical price received of US\$209/t (2021 US\$154/t), an increase of 35.7%.

The production of the higher-value specialty chrome concentrates, which typically command a premium of US\$30/t to US\$50/t, provided additional margin.

Metallurgical chrome production is shipped in bulk and containers via South African and Mozambiquan ports to major stainless steel and ferrochrome producers in China and Indonesia.

## MANAGEMENT REPORT

for the year ended 30 September 2022

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### Arxo Metals

Arxo Metals is also the beneficiation, research, and development arm of the Group. Arxo Metals conducts extensive research into technologies and downstream beneficiation opportunities that have the potential to improve yields and recoveries at the Tharisa Mine and allows the Group to benefit in the downstream value chain. Its core focus is creating increased value PGM and chrome products through expanding and optimising the Group's processing operations.

Arxo Metals operates a comprehensive beneficiation site near Brits, 40km from the Tharisa Mine. Incorporated at the beneficiation site is the Company's 1 MW DC furnace, owned by Tharisa Minerals, which produces PGM alloy, and is continuing its research work into refining processes. The beneficiation site also now houses other metal production facilities, in line with the Company's stated strategy of maximising value for the raw materials it produces and research facilities for energy production and storage.

Arxo Metals owns the Challenger Plant, which is integrated into Tharisa Minerals' Genesis Plant. The Challenger Plant is dedicated to producing chemical-grade and foundry-grade concentrates. Specialty-grade concentrates carry more stringent specifications and therefore fetch a higher selling price. Arxo Metals has an offtake agreement to sell its concentrates to customers globally in the chemical and foundry industries. Arxo Metals accounted for producing 80.8 kt of chemical-grade chrome concentrate (2021: 99.5 kt) and 21.6 kt of foundry-grade chrome concentrate (2021: 25.5 kt) in FY2022.

In August 2017, Arxo Metals entered into an agreement with Sibanye-Stillwater on the operation of its K3 UG2 chrome plant and for the sales and marketing of the UG2 chrome concentrate produced. The chrome production for FY2022 from the K3 UG2 chrome plant was 188.2 kt, down slightly from 223.0 kt in 2021.

### Arxo Resources

Arxo Resources, with a strong established platform of global customers, customers in China, including stainless steel and ferrochrome producers, and global commodity traders, has the exclusive right to sell the metallurgical-grade chrome concentrate produced by Tharisa Minerals to customers in China and other international markets.

The scale of Arxo Resources' operations allows for direct access to market and price discovery. Its established contact with customers also directly creates an excellent platform for additional sales of third-party products.

In 2022, Arxo Resources sold 1.4 Mt (2021: 1.3 Mt) metallurgical-grade chrome concentrates, of which 1.2 Mt was produced by Tharisa Minerals.

### Arxo Logistics

Arxo Logistics provides an integrated logistics platform that reduces the risk and costs of transporting concentrates. It manages the road transportation of Tharisa Minerals' PGM concentrates to Impala Platinum and Sibanye-Stillwater and the long-haul transportation of chrome concentrates from the Tharisa Mine and K3 UG2 chrome plant to international customers through bulk and container shipping. Due to inland logistical constraints on the rail network, Arxo Logistics has, over the past year and beyond, expanded its footprint and operating ports to ensure greater flexibility and supply certainty for global customers. Arxo Logistics now ships via Richards Bay Dry Bulk Terminal, Maputo Harbour, and the Durban container port.

The logistics arm of the Group has the necessary road and rail transport capacity, warehousing facilities, and port facilities to manage Tharisa Minerals' full production capacity. It also serves as a platform from which the Group can provide services to additional third-party customers.

Arxo Logistics shipped a total of 1.4 Mt (2021: 1.3 Mt) of chrome concentrate in 2022, primarily to main ports in China, including third-party materials.

### MetQ

MetQ is a South African-based company founded in 1979 that specialises in the manufacturing and distribution of mineral processing equipment, with a manufacturing facility based in Rosslyn, Pretoria, South Africa, becoming one of the market leaders in processes relying on particle sizing and gravity concentration of various minerals. It was acquired by Tharisa with effect from 1 October 2019.

MetQ developed and built its own polyurethane spraying equipment to spray solventless polyurethane as a wear-resistant coating. With this spraying system, spirals could be manufactured to rival the best international offerings and bring enormous cost savings for the mining industry. MetQ has expanded its spiral range to include custom-designed units to ensure maximum efficiency in gravity separation circuits used to recover numerous minerals. Other products like hydrocyclones, hydrosizers and screening media were also developed and added to the range. Products are continuously improved and developed to ensure an ever-expanding range of solutions.

MetQ supplies spiral to the Tharisa Group operations and other engineering equipment required by the Group while expanding its footprint to third-party customers within the mining industry.

## MANAGEMENT REPORT

for the year ended 30 September 2022

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### Development projects

Tharisa's development pipeline has been focused on developing the Karo Platinum Project.

### Karo Mining Holdings

The Mining Lease area for the Karo Project covers an area of 23 903 ha and is located within the Great Dyke in the Mashonaland West District of Zimbabwe, approximately 80 km southwest of Harare and 35 km southeast of Chegutu.

The Great Dyke is a PGM-bearing geological feature that runs north to south. At approximately 550 km in length and up to 11 km wide, it is second to the Bushveld Complex of South Africa in terms of its PGM resource base.

The project, situated within a designated special economic zone ('SEZ'), is in the southern portion of the middle chamber of the Great Dyke and is supported by good infrastructure, including road and power access in the project area.

On 31 March 2022, Tharisa exercised its farm-in option and acquired a controlling interest in Karo Mining for a purchase consideration of US\$27.0 million, which was settled through the issue of 13.69 million new Tharisa shares to The Leto Settlement ('Leto'), a related party, thereby increasing Tharisa's shareholding in Karo Mining from 26.8% to 66.3%. After the acquisition on 31 March 2022, Tharisa has increased its stake in Karo Mining to 70%, with Leto holding 30%.

The Republic of Zimbabwe has a 15% stake on a free carry basis at the Karo Platinum level, held via Generation Minerals.

The increased shareholding in the Karo Platinum Project is in line with Tharisa's growth strategy and is a natural evolution for Tharisa as it fulfils its strategy of becoming an integrated diversified developer of new metal assets. It also meets the Company's strict capital allocation policy, ensuring all three aspects of capital are met, namely continuous investment, growth capital and shareholder returns, while the Karo Platinum Project meets all of the strategic investment criteria for Tharisa, being open pit, quick to market, providing returns in line with Tharisa's stated strategy while providing diversification for the Group.

The Karo Platinum Project has been well funded to date and Tharisa has spent some significant capital developing the project.

Investment to date of US\$70.3 million:

- US\$4.5 million cash - acquisition of 26.8% shareholding
- US\$8.0 million Phase 1 exploration capital
- US\$3.4 million technical studies
- US\$25.0 million early development funding (not fully drawn)
- US\$29.4 million in shares - acquisition of 39.5% shareholding

Following the completion of an update study, which saw output increase from an initial 150koz of PGMs per annum, the project continues to show strong fundamentals,

- Tier 1 world-class PGM asset
- 17 years open-pit life of mine
- Annual production of 194 koz of PGMs with significant base metal credits
- Licensed for the life of mine

The Karo Project has a 24-month design and construction schedule - starting 1 July 2022, with the first ore in the mill ('FOIM') planned for July 2024. The capital and working capital cost to FOIM is budgeted at US\$391 million.

## MANAGEMENT REPORT

for the year ended 30 September 2022

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### Outlook

Operationally, this has been a rewarding year, despite the macro challenges that have impacted global supply chains, inflation, and the mining sector. This operational performance is built on critical decisions Tharisa undertook some years ago, in order to accelerate our growth strategy and thus build a highly innovative, stronger, and more sustainable company.

Central to the success has been the continued efficiency at the flagship Tharisa Mine, where production increased across the board. The Vulcan Plant contributed to increased production resulting in improved recoveries.

Tharisa has simplified its structure by fully aligning the long-term BEE partners as shareholders in the broader Tharisa business.

The long-life Platinum Karo Project, when added to the more than 60-year LOM of the Tharisa PGM and chrome operations in South Africa, sets the foundation for Tharisa's growth, particularly in the downstream value-enhancing beneficiation sector. The development of the Karo Platinum Project will significantly consolidate Tharisa as one of the world's most forward-thinking and low-cost producers of PGMs in Africa.

Tharisa remains a key participant in the global transition to a low-carbon economy through the critical metals we produce. The development of the ESG pathway into 2030 and 2050 respectively, further propels Tharisa to transition to low-carbon and renewable energy frontiers with an end goal of decarbonisation. We are committed to carbon neutrality by 2050 and contributing to the transition through the development of new technologies that will help industries transition into a low-carbon economy.

Production guidance for 2023 is set between 175 koz and 185 koz PGMs (6E basis) and 1.75 Mt to 1.85 Mt of chrome concentrates.

### PRODUCTS

The Tharisa Mine produces the following products:

**PGM concentrate:** PGM concentrate is produced by Tharisa Minerals from both processing facilities typically processing different chromitite reefs. The major element of the PGMs is platinum, followed by palladium and rhodium.

**Metallurgical grade** chrome concentrate: The typical metallurgical grade produced by Tharisa is 40.0% to a 42.0% chrome (as  $\text{Cr}_2\text{O}_3$ ) with the silica ( $\text{SiO}_2$ ) lower than 5.0%.

**Chemical grade** chrome concentrate: The typical chemical grade produced by Tharisa is 44.0% to 46.0%  $\text{Cr}_2\text{O}_3$  with the  $\text{SiO}_2$  lower than 1.0%. This is a higher value chromite product than the metallurgical grade chrome concentrate.

**Foundry grade** chrome concentrate: The typical foundry grade produced by Tharisa is 45.0% to 46.0%  $\text{Cr}_2\text{O}_3$  with the  $\text{SiO}_2$  lower than 1.0%. The American Foundryman Society Grain Fineness Number (AFS Number) is managed between 45 and 50. As with the chemical grade chromite, this is a higher value chrome concentrate than the metallurgical grade chrome concentrate.

## MANAGEMENT REPORT

for the year ended 30 September 2022

### FINANCIAL OVERVIEW

The results of the Group for the year ended 30 September 2022 presented in this report have been audited and the auditors have expressed an unqualified audit opinion. The comparable financial and production information, unless otherwise stated, is for the preceding financial year ended 30 September 2021.

#### Key financial metrics

|                                              |            | 30 September<br>2022 | 30 September<br>2021 | Change<br>% |
|----------------------------------------------|------------|----------------------|----------------------|-------------|
| Revenue                                      | US\$'000   | 685 996              | 596 345              | 15.0        |
| PGM basket price                             | US\$/oz    | 2 564                | 3 074                | (16.6)      |
| Metallurgical grade CIF basis selling price  | US\$/t     | 209                  | 154                  | 35.7        |
| EBITDA                                       | US\$'000   | 237 319              | 224 292              | 5.8         |
| Profit before tax                            | US\$'000   | 220 223              | 185 256              | 18.9        |
| Profit attributable to owners of the Company | US\$'000   | 153 881              | 100 469              | 53.2        |
| Earnings per share                           | US\$ cents | 53.8                 | 37.4                 | 43.9        |
| Equity attributable to owners of the Company | US\$'000   | 559 026              | 444 432              | 25.8        |
| Free cash flow                               | US\$'000   | 68 662               | 102 363              | (32.9)      |
| Return on invested capital                   | %          | 23.5                 | 25.5                 | (7.8)       |
| Total debt                                   | US\$'000   | 62 884               | 36 850               | 70.6        |
| Net debt/(cash)                              | US\$'000   | (80 416)             | (46 586)             | 72.6        |
| Net debt/EBITDA                              |            | (0.3)                | (0.2)                | 50          |
| Net debt/equity                              | %          | (13.0)               | (10.3)               | 26.2        |
| Net current assets                           | US\$'000   | 207 212              | 168 651              | 22.9        |
| Current ratio                                |            | 2.2                  | 2.4                  | (8.3)       |
| Exchange rate (ZAR:US\$) - average           |            | 15.82                | 14.83                | 6.7         |

The ZAR:US\$ exchange rate since the commencement of the financial year has remained volatile with a midpoint upper and lower trading range of ZAR18.08 and ZAR14.44 respectively, with a trading average of ZAR15.82.

### Segmental analysis

The contribution to revenue and gross profit from the respective segments is summarised below:

| US\$ million        | 30 September 2022 |               |                    |               |         | 30 September 2021 |               |                    |               |         |
|---------------------|-------------------|---------------|--------------------|---------------|---------|-------------------|---------------|--------------------|---------------|---------|
|                     | PGM               | Chrome        | Agency and trading | Manufacturing | Total   | PGM               | Chrome        | Agency and trading | Manufacturing | Total   |
| Revenue             | 346.8             | 295.2         | 40.5               | 3.5           | 686.0   | 353.4             | 203.9         | 36.5               | 2.6           | 596.4   |
| Cost of sales       | (194.1)           | (205.8)       | (37.2)             | (3.2)         | (440.3) | (205.6)           | (147.1)       | (33.7)             | (2.6)         | (389.0) |
| Manufacturing       | (193.3)           | (90.8)        | (21.2)             | (3.2)         | (308.5) | (205.0)           | (63.6)        | (13.6)             | (2.6)         | (284.8) |
| Selling costs       | (0.8)             | (69.5)        | (9.2)              | -             | (79.5)  | (0.6)             | (54.3)        | (14.9)             | -             | (69.8)  |
| Freight services    | -                 | (45.5)        | (6.8)              | -             | (52.3)  | -                 | (29.2)        | (5.2)              | -             | (34.4)  |
| Gross profit        | 152.7             | 89.4          | 3.3                | 0.3           | 245.7   | 147.8             | 56.8          | 2.8                | -             | 207.4   |
| Gross profit margin | 44.0%             | 30.3%         | 8.1%               | 8.6%          | 35.8%   | 41.8%             | 27.9%         | 7.7%               | -             | 34.8%   |
| Sales volumes       | 168.3<br>koz      | 1 526.0<br>kt | 186.3 kt           |               |         | 151.5<br>koz      | 1 480.8<br>kt | 219.5 kt           | -             |         |

The basis of the allocation of shared costs is 70% for the PGM segment (2021: 80%) and 30% for the chrome segment (2021: 20%). The allocation is reviewed half yearly.

The decrease in PGM revenue is primarily due to the 16.6% decrease in basket prices, notwithstanding the increase in volumes sold.

## MANAGEMENT REPORT

for the year ended 30 September 2022

Rhodium prices averaged US\$14 972/oz (2021: US\$19 473/oz) for the period, a decrease of 23.1%. Platinum prices averaged US\$968/oz (2021: US\$1 074/oz), a decrease of 9.9% and palladium prices averaged US\$2 108/oz (2021: US\$2 506/oz), a decrease of 15.9%.

Chrome revenue increased 44.8% due mainly to a 35.7% increase in metallurgical grade selling prices. In terms of volumes sold, metallurgical grade sales totalled 1 219.2 kt (2021: 1 123.1 kt) an increase of 8.6% and specialty grade sales totalled 306.8 kt (2021: 371.9 kt) a decrease of 17.5%.

Average sea freight rates increased 38.9% during the period to US\$35.7/t (2021: US\$25.7/t). Average sea freight rates were elevated due to shipping capacity constraints in the first half of the year but have declined into the second half of the year.

### Costs

The following analysis computes the cash costs (i.e. excluding non-cash flow items such as depreciation) on a per cube and per ROM tonne mined for mining costs and then analyses the major cost categories on a per tonne milled basis. Costs relating to deferred stripping (which are capitalised) of US\$15.1 million (2021: US\$25.4 million) were excluded from the per tonne milled analysis.

|                                         |                     | 30 September<br>2022 | 30 September<br>2021 | Change<br>% |
|-----------------------------------------|---------------------|----------------------|----------------------|-------------|
| Cubes mined                             | m <sup>3</sup>      | 20 896 674           | 19 191 407           | 8.9         |
| Cost per cube mined                     | US\$/m <sup>3</sup> | 8.5                  | 8.9                  | (4.5)       |
| Reef tonnes mined                       | tonnes              | 5 505 369            | 5 379 913            | 2.3         |
| Cost per reef tonne mined               | US\$/t              | 32.4                 | 31.9                 | 1.2         |
| Tonnes milled                           | tonnes              | 5 608 200            | 5 600 011            | 0.1         |
| Consolidated cash cost per tonne milled | US\$                | 47.0                 | 49.4                 | (4.9)       |

Mining costs per cube decreased by 4.5%. Diesel cost, a significant input cost for mining in South Africa, increased by 46.5% per litre from ZAR13.55 (US\$1.3) per litre to ZAR19.85 (US\$0.9) per litre.

### Summary of results

In summary, revenue for the period amounted to US\$686.0 million (2021: US\$596.3 million), an increase of 15.0%. Gross profit amounted to US\$245.7 million (2021: US\$207.4 million). The gross profit margin widened 100 bps to 35.8% (2021: 34.8%).

Other operating expenses amounted to US\$63.9 million (2021: US\$44.8 million), an increase of 42.6%. The major cost within other operating expenses was employee costs at US\$26.7 million (including equity settled share-based payment expenses) (2021: US\$26.3 million) comprising 41.8% of other operating expenses (2021: 56.6%).

EBITDA amounted to US\$237.3 million (2021: US\$224.3 million).

Finance costs of US\$4.8 million (2021: US\$4.9 million) relate primarily to the asset equipment finance and trade finance facilities utilisation.

The Group generated a profit before tax of US\$220.2 million (2021: US\$185.3 million) benefiting from US\$44.3 million in net fair value gains (2021: US\$15.4 million net gains).

The tax charge amounted to US\$53.1 million (2021: US\$53.7 million), an effective charge of 24.1% (2021: 29.0% charge). A normalised tax rate should be circa 25%. Cash taxes paid amounted to US\$41.2 million.

The total comprehensive income for the period, as a consequence a of foreign currency translation difference charge of US\$69.7 million (2021: US\$20.4 million (gain)), amounted to US\$97.4 million (2021: US\$152.0 million).

Basic earnings per share for the period amounted to US 53.8 cents (2021: US 37.4 cents).

The return on invested capital, calculated as the net operating profit after tax divided by the average invested capital (comprising total assets less cash and non-interest-bearing short-term liabilities), for the period under review was 23.5% (2021: 25.5%).

### Impairment

Salene Chrome was placed in care and maintenance following the introduction of a ban on exports of chrome concentrates by the Government of Zimbabwe and pending a review of the business case. In addition, MetQ incurred a net loss. As a consequence, the Company impaired the goodwill and other acquisition intangibles recognised on consolidation of these subsidiaries. The goodwill impairment amounts to US\$1.9 million and the other acquisition intangible amounts totals US\$8.4 million.

## MANAGEMENT REPORT

for the year ended 30 September 2022

### Funding

At 30 September 2022 there were 302 596 743 shares in issue, of which 299 746 365 carried voting rights and 2 850 378 were treasury shares.

Tharisa Minerals has an OEM funding facility from CAT Finance for new mining equipment purchased from Barloworld. The facility is available on a revolving basis with the maximum of US\$35.0 million (2021: USD30.0 million). The facility bears interest at a margin to the SOFR rate and has a tenor of 4 years with monthly repayments. At 30 September 2022 the facility had headroom of US\$11.1 million.

Tharisa Minerals has a ZAR150 million (US\$8.3 million) asset finance facility from ABSA on which it made its maiden drawdown in November 2021. The facility bears interest at a discount to the South African prime lending rate and has a tenor of 4 years with monthly repayments. At 30 September 2022 the facility had headroom of US\$1.4 million.

Tharisa Minerals has a ZAR125 million (US\$6.9 million) asset finance facility from Wesbank on which it made its maiden drawdown during September 2022. The facility bears interest at a discount to the South African prime lending rate and has a tenor of between 3- and 4-years dependent on the machinery procured, repayable monthly. At 30 September 2022 the facility had headroom of US\$5.5 million.

The discounting facility in Arxo Resources includes a US\$10.0 million trade finance facility from Nedbank which bears interest at Libor + 2.5% as well as a US\$10.0 million trade finance facility from Absa Mauritius which bears interest at Libor + 3.0%.

The facility limit of the limited recourse disclosed receivables discounting facility is US\$33.0 million. This facility is being reduced on a phased basis to coincide with the end of the off-take contract with Impala Platinum.

The debt (interest bearing) to total equity ratio for the Group was 10.0% (2021: 8.1%). Of the total interest-bearing debt US\$50.6 million was USD denominated and US\$12.0 million was ZAR denominated.

Tharisa Minerals has an unutilised overdraft facility of ZAR150 million. A US\$60.0 million bridge facility secured by the proceeds of the Tharisa Minerals PGM production was concluded with ABSA repayable over 12 months. The facility bears interest at SOFR plus 2.65%. The proceeds of the facility will be used towards the Karo Project. The first drawdown is expected to be in late December 2022.

Cash and cash equivalents at 30 September 2022 amounted to US\$143.3 million resulting in a net debt to equity ratio of -13.0%.

The net debt to EBITDA multiple is -0.3x.

### Credit Rating

Sovereign debt rating as per the latest available information at the reporting date:

| Country      | Agency                                        | 30 September 2022 | 30 September 2021 |
|--------------|-----------------------------------------------|-------------------|-------------------|
| Cyprus       | Standard & Poor's                             | BBB*              | BBB*              |
|              | Fitch's                                       | BBB*              | BBB*              |
|              | Moody's                                       | Ba1*              | Ba2*              |
| South Africa | Standard & Poor's                             | BB*               | BB*               |
|              | Fitch's                                       | BB*               | BB*               |
|              | Moody's                                       | Ba2*              | Ba2*              |
| Zimbabwe     | Credit rating not available at date of report |                   |                   |

\*Speculation grade/non-investment grade

### Capital expenditure

Of the total capex spend for the period of US\$105.0 million, approximately US\$34.8 million related to additions to the mining fleet and US\$59.2 million related to other mining assets. Of the US\$59.2 million, US\$12.4 million related to expansion capital principally the Vulcan Plant construction.

## MANAGEMENT REPORT

for the year ended 30 September 2022

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### Cash flows and working capital

Cash flows from operations before movements in working capital for the period amounted to US\$239.6 million. Working capital requirements including (i) an increase in trade and other receivables of US\$30.1 million, (ii) an increase in trade and other payables of US\$41.1 million, (iii) an increase in inventories of US\$28.2 million, and (iv) a decrease in provisions of US\$7.6 million resulted in net cash flows from operating activities after tax of US\$173.7 million.

Additions to property, plant and equipment amounted to US\$105.0 million.

After taking into account, inter alia, debt and interest repayments, there was a net increase in cash and cash equivalents for the period of US\$69.5 million.

Cash and cash equivalents on hand totalled US\$143.3 million.

Net current assets amounted to US\$207.2 million.

### Commitments

Capital commitments amount to US\$28.9 million.

### Corporate actions

#### Karo Platinum

The Company announced the exercise of the farm-in option to acquire control, with effect from 30 March 2022, of the Karo Platinum Project. This increased the Company's shareholding in Karo Mining Holdings from 26.8% to 66.3% which was settled by the issue of 13 693 000 shares. For accounting purposes, the settlement of the transaction consideration was valued at US\$29.4 million.

The first-time consolidation of Karo Mining Holdings at 31 March 2022 resulted in the recognition of US\$201.8 million in assets related to the mineral right of the Karo Platinum Project. Furthermore, the consolidation entries resulted in a US\$33.5 million fair value gain on the 26.8% shareholding held by the Company before the exercise of the farm-in option and a US\$14.9 million bargain purchase income from acquiring control of Karo Mining Holdings at a discount to the valuation metrics as provided in the farm-in agreement between the parties.

Karo Mining Holdings currently controls an indirect 85% of the shareholding of Karo Platinum with the Republic of Zimbabwe holding the remaining 15% on a free funded carry basis. Furthermore, the Zimbabwean Government holds an option to increase its shareholding in Karo Platinum by 11% from the current 15% to 26% after 24 months but before 36 months from 30 March 2022. The fair value of the option liability relating to the 11% of Karo Platinum was valued at 30 September 2022 at US\$16.8 million. The Company followed its rights in a US\$25.0 million rights offer by Karo Mining Holdings including taking up the rights of the minority shareholder. Following the rights offer, and together with the capitalisation of the shareholders loan of US\$8.0 million, the Company holds ~70% of the share capital in Karo Mining Holdings.

#### Tharisa Minerals

The Company announced the acquisition of the minority shareholders' interests in Tharisa Minerals for a consideration of ZAR390 million settled through the issue of 13.9 million new shares of the Company during the year. Tharisa Minerals is now a wholly owned subsidiary of the Company after all conditions precedent to complete the transaction were fulfilled during June 2022.

## MANAGEMENT REPORT

for the year ended 30 September 2022

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### Definitions to non-IFRS financial information

EBITDA represents the sum of: results from operating activities, depreciation and impairments and write offs of property, plant and equipment as stated in the consolidated statement of cash flows and changes in fair value of financial assets and liabilities as stated in the consolidated statement of profit or loss.

Return to the ordinary shareholders on the equity attributable to the owners of the company: calculated as the profit attributable to the owners of the company divided by the average equity attributable to the owners of the company.

Return on invested capital: calculated as the net operating profit after tax divided by the average invested capital (comprising total assets less cash and non-interest bearing short term liabilities).

Debt to equity ratio is calculated by dividing the total of the non-current and current borrowings by the total equity as stated in the statement of financial position.

Net debt to equity ratio is calculated by dividing the total of the non-current and current borrowings less the cash and cash equivalents by the total equity as stated in the statement of financial position.

Headroom: undrawn available funding in terms of the relevant financing facility

Net debt to EBITDA multiple: the total of the non-current and current borrowings less the cash and cash equivalents divided by the EBITDA as defined previously.

Current ratio: represents the current assets divided by the current liabilities.

Free cash flow: represents the cash flows from operations less the additions to property, plant and equipment.

Total debt: represents the total of the non-current and current borrowings.

### CHANGES IN THE GROUP STRUCTURE

On 18 April 2022, the Company incorporated Redox One Limited, a company established in Cyprus. The principal activity of Redox One Limited is the research and development on renewable energy solutions. On 16 December 2021, the Company incorporated Skyler Storm (Private) Limited, a company established in Zimbabwe. The principal activity of Skyler Storm (Private) Limited is the mining and beneficiation of chrome concentrate. On 19 April 2021, the Company incorporated Arxo Prospecting (Cyprus) Limited, a company established in Cyprus. The principal activity of Arxo Prospecting (Cyprus) Limited is the prospecting for minerals and metals. On 20 April 2021, the Company incorporated Arxo Exploration (Cyprus) Limited, a company established in Cyprus. The principal activity of Arxo Exploration (Cyprus) Limited is the exploration for various metals and minerals. On 30 June 2021, the Company incorporated Arxo Technologies Limited, a company established in Cyprus. The principal activity of Arxo Technologies Limited is to perform research and development operations. On 30 March 2022, the Company acquired the controlling interest in Karo Mining Holdings plc and subsidiary companies. Karo Mining Holdings plc is a company incorporated in Cyprus and its principal activity is an investment holding company. Since the acquisition, the Company subscribed to additional ordinary shares in Karo Mining Holdings plc. At 30 September 2022 and the date of this report, the effective interest in Karo Mining Holdings plc is 70.0%. Effective 16 February 2022, the Company acquired 20.0% of the issued share capital of Tharisa Minerals from one of the non-controlling shareholders. At the same time, the Company purchased the remaining 6.0% of the issued ordinary shareholding of Tharisa Minerals from the remaining non-controlling shareholder. Refer to notes 31 of the consolidated financial statements and note 11 of the Company financial statements.

### RESULTS

The Group's results are set out on page 53 of the consolidated financial statements while the results of the Company are set out on page 123.

## MANAGEMENT REPORT

for the year ended 30 September 2022

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### DIVIDENDS

During the period ended 30 September 2022, the Company declared and paid a final dividend of US 5.0 cents per share in respect of the financial year ended 30 September 2021. In addition, an interim dividend of US 3.0 cents per share was declared and paid in respect of the financial year ended 30 September 2022.

During the period ended 30 September 2021, the Company declared and paid a final dividend of US 3.5 cents per share in respect of the financial year ended 30 September 2020. In addition, an interim dividend of US 4.0 cents per share was declared and paid in respect of the financial year ended 30 September 2021.

On 1 December 2022, the Board has proposed a final dividend of US 4.00 cents per share, subject to the necessary shareholder approval at the Annual General Meeting.

### RELATED PARTIES

From time to time, the Group concludes transactions with related parties. Outstanding balances at year-end are unsecured and settlement occurs in cash and are disclosed in the ensuing consolidated financial statements (refer to note 34) and the Company financial statements (refer to note 21).

### CONTINGENCIES AND COMMITMENTS

The Group's contingencies and commitments are disclosed in notes 35 and 36 to the consolidated financial statements and note 22 to the Company financial statements.

### SHARE CAPITAL AND PREMIUM AND TREASURY SHARES

The authorised share capital of the Company comprises 10 000 million ordinary shares of US\$0.001 each and 1 051 convertible redeemable preference shares of US\$1 each. At 30 September 2022, the issued and fully paid ordinary share capital comprised 299 746 365 (2021: 271 284 379) ordinary shares. During the year ended 30 September 2020, the Company issued 5 000 000 ordinary shares to be held as treasury shares mainly for the purpose of settling obligations in respect of the conditional awards and share appreciation rights as employees exercise their rights. As at 30 September 2022 and the date of this report, treasury shares totalled 2 850 378 (2021: 3 715 621) ordinary shares (refer to note 24 to the consolidated financial statements and note 16 to the Company financial statements).

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

There are no restrictions in the exercising of voting rights of shares issued by the Company.

### SIGNIFICANT SHAREHOLDERS

Refer to the Corporate Governance report for stakeholders holding more than 5% of the issued share capital of the Company.

### MEMBERS OF THE BOARD OF DIRECTORS

The Board of Directors, during the year, as at 30 September 2022 and the date of this report are:

|                           |                                         |
|---------------------------|-----------------------------------------|
| Loucas Christos Pouroulis | Executive Chairman                      |
| Phoevos Pouroulis         | Chief Executive Officer                 |
| Michael Gifford Jones     | Chief Finance Officer                   |
| Carol Bell*               | Lead Independent Non-Executive Director |
| John David Salter         | Independent Non-Executive Director      |
| Antonios Djakouris        | Independent Non-Executive Director      |
| Omar Marwan Kamal         | Independent Non-Executive Director      |
| Roger Owen Davey          | Independent Non-Executive Director      |
| Zhong Liang Hong          | Non-Executive Director                  |
| Shelley Wai Man Lo        | Non-Executive Director                  |

\* Appointed as lead independent director effective 1 October 2021

There has been no other change in the composition or the allocation of responsibilities of the Board of Directors' of the Company between 30 September 2022 and the date of approval of the consolidated and Company financial statements.

## MANAGEMENT REPORT

for the year ended 30 September 2022

### DIRECTORS' INTEREST

The interest in the share capital of the Company, both direct and indirect, of the Board of Directors is disclosed below:

|              | 30 September<br>2022<br>% | 30 September<br>2021<br>% |
|--------------|---------------------------|---------------------------|
| LC Pouroulis | 0.40                      | 0.38                      |
| P Pouroulis  | 2.68                      | 2.90                      |
| MG Jones     | 0.26                      | 0.25                      |
| A Djakouris  | 0.01                      | 0.02                      |
| C Bell       | 0.02                      | 0.02                      |
| Total        | 3.37                      | 3.57                      |

The interest percentage represents the percentage of voting rights.

There has been no change in the Board of Directors' interests in the share capital of the Company between 30 September 2022 and the date of approval of the consolidated and Company financial statements.

### COMPANY SECRETARIES

Sanet Findlay serves as the Company Secretary. Lysandros Lysandrides serves as the Assistant Company Secretary. The Board of Directors formally assessed and considered the performance and qualifications of the Company Secretaries and is satisfied that they are competent, suitably qualified and experienced. They are not directors of the Company, nor are they related or connected to any of the Directors and the Board of Directors is satisfied that they maintain an arm's length relationship with the Board of Directors. Their contact details are as follows:

|                         |                                       |
|-------------------------|---------------------------------------|
| Sanet Findlay           | Lysandros Lysandrides                 |
| 2nd Floor, The Crossing | 31 Evagoras Avenue                    |
| 372 Main Road           | Evagoras House, 6 <sup>th</sup> Floor |
| Bryanston, 2191         | Nicosia                               |
| South Africa            | Cyprus                                |

The Company Secretaries are available to advise all Directors to ensure compliance with the Board procedures. A procedure is also in place to enable Directors, if they so wish, to seek independent professional advice at the Group's expense.

### EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are disclosed in note 37 to the consolidated financial statements and note 23 to the Company financial statements.

### DIRECTORS' AND MANAGEMENT REMUNERATION

Directors' remuneration is disclosed in note 11 to the consolidated financial statements and note 6 to the Company financial statements. Key management's remuneration is disclosed in note 34 to the consolidated financial statements. There has been no significant change in the remuneration of the Board of Directors' and key management of the Company between 30 September 2022 and the date of approval of the consolidated financial statements.

### ARTICLES OF ASSOCIATION

Refer to the Corporate Governance Report for provisions relating to how Articles of Association may be amended.

### COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

Refer to the Corporate Governance Report for provisions relating to internal control and risk management.

### INDEPENDENT AUDITORS

The independent auditors, Ernst & Young Cyprus Ltd, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

## MANAGEMENT REPORT

for the year ended 30 September 2022

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### BRANCHES

During the year the Group and the Company did not operate any branches.

### GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis.

Refer to note 33 to the consolidated financial statements and note 20 to the Company financial statements for statements on the Group's objectives, policies and processes for managing its capital, details of its financial instruments and hedging activities; its exposures to market risk in relation to commodity prices and foreign exchange risks; interest rate risk; credit risk; and liquidity risk.

### ENVIRONMENTAL

The Group has a legal obligation to rehabilitate the mining area, once the mining operations cease (refer to note 25 to the consolidated financial statements).

### RESEARCH AND DEVELOPMENT

The Group's approach to research and development is founded on its core value of innovation. The Group strives to push through established boundaries and limitations within existing processing and product development, optimizing processes and challenging convention. The development of downstream beneficiation of the Group's PGMs is part of its philosophy of capturing value and margin down the supply chain and ultimately being in control of metal flows through direct sales.

### CORPORATE SOCIAL RESPONSIBILITY

Sustainability starts with a corporate value system that upholds responsibilities to the planet and to people. This corporate value system is based on a principled approach to doing business and is guided by the need to protect the environment, human rights and stakeholders that are affected by the Group's businesses.

Sustainability is a blueprint for shared value and it is through sustainability that the Group is able to create additional value for its investors and for all of its stakeholders including employees, contractors, suppliers, the communities in which it operates, and various levels of government.

On a broader basis, the Group subscribes to the Equator Principles and has embraced the Ten Principles of the UN Global Compact.

The Equator Principles are a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects. They are primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.

The safety and health of the Group's employees is a core value. Tharisa Minerals is proud of its track record in minimising its environmental impact and, while it strives to improve further, it takes similar pride in its mature and mutually beneficial relationships with the communities that border the Tharisa Minerals' mine.

The Group not only understands its obligations to create social capital as enshrined in the MPRDA, but also strives to achieve these obligations in ways that create ongoing positive social impacts.

The Group will be publishing its sustainability report within its Annual Report and it will be available on the Company's website. The sustainability report will contain information about safety and health, human resources, environmental matters, social development and human rights.

### STAKEHOLDER ENGAGEMENT

The Group believes that stakeholder engagement is a business imperative and that strong lines of communication between stakeholders ensure the success of the Group and secure its place within the community. The Group's stakeholder engagement strategy aims to maintain good working relations, manages social risk and develops solutions to social challenges faced by its stakeholders. Tharisa's stakeholder engagement framework will be further developed for the new jurisdictions that it is entering as those operations are established.

### HUMAN RESOURCES

The Group considers the wellbeing of employees central to its success and strives to maintain exemplary working standards, ensure job satisfaction and create opportunities for professional growth. The Group's human resources policy focuses on creating a positive atmosphere at all offices and facilities to maximise productivity. The Group's future success will partly depend on its ability to continue to attract, retain and motivate key employees and qualified personnel, in particular an experienced management team.

Adequate remuneration packages, which are in line with or in excess of market levels, are offered to all employees and key managers. The Human Resource function regularly monitors salary levels and other benefits offered by competitors to ensure that the Group's remuneration packages are adequate.

## MANAGEMENT REPORT

for the year ended 30 September 2022

### NON-FINANCIAL INFORMATION

The Group will be publishing its non-financial information within its Annual Report that will be issued within four months after the balance sheet date and will be available on the company's website: [www.tharisa.com](http://www.tharisa.com).

### PRINCIPAL RISKS AND UNCERTAINTIES

The Group's critical estimates and judgements and financial risk management are disclosed in notes 3 and 33 to the consolidated financial statements and notes 3 and 20 to the Company financial statements. Additional disclosure on financial risk and judgement is disclosed in each note to the financial statements.

The Group's contingencies, commitments and guarantees are disclosed in notes 35 and 36 to the consolidated financial statements and note 22 to the Company financial statements.

Tharisa regards principal business risks as issues that may, if they materialise, substantially affect the Group's ability to create and sustain value in the short, medium and long term. The risks that are material to Tharisa and its stakeholders are determined by an analysis of the Group's risks, the external environment and the Group's engagement with stakeholders. Material risks may impact the achievement of the Group's strategy. Each risk also carries with it challenges and opportunities. The Group's strategy takes into account known risks, but risks may exist of which the Group is currently unaware.

Material risks are considered and reported on an ongoing basis by those members of the management team responsible for risk management. The Tharisa Risk Committee comprises all members of the Board. Risks are identified in the Group Risk Register and are considered by management on a quarterly basis and reported to the Board at least twice a year.

The following tables summarise the material risks identified by management in consultation with stakeholders and with reference to the Group's business model and strategy.

| Risk                                                                                                                                                                               | Impact                                                                                                                                                                                            | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Health and safety</b>                                                                                                                                                           |                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| The safety and health of our people are our core value. Operating safely is a key performance indicator for all executives and managers at Tharisa and its subsidiaries. COVID-19. | Harm to people, the environment and assets. Potential section 54 and section 55 instructions from the DMRE in terms of the South African Mine Health and Safety Act and the impact on production. | Strive for a zero-harm working environment. Further, implement a culture where safety risks will not be tolerated. Comprehensive training on mandatory code of practices and standard operating procedures. Continuous training and adherence to global best practices. Transparent and open relationships with the DMRE inspectorate and other regulatory bodies. Key performance indicator ('KPI') in Group cash bonus scheme to incentivise safe behaviour. Ensuring alignment and standardisation across all jurisdictions and operations. Tharisa continues to put in place measures that, at a minimum, comply with government regulations and adhere to best practices. A comprehensive communication strategy for employees and contractors remains in place, providing educational awareness to employees on the impact, prevention and treatment of COVID-19. |

**MANAGEMENT REPORT**  
for the year ended 30 September 2022

| Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Impact                                                                                                                                                                                                                                                                                                                    | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Political uncertainty</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <p>South Africa – the burgeoning unemployment, increasing government debt and negligible GDP growth has led to a negative response to political certainty.</p> <p>Negative business confidence.</p> <p>Zimbabwe – limited international sanctions still exist and may affect the economy's stability.</p> <p>Hyperinflation and monetary policy uncertainty.</p> <p>Negative business confidence and political uncertainty.</p> <p>Lack of currency liquidity.</p> <p>Instability in Eastern Europe.</p>                                                                                                                                                                       | <p>Unattractive investment destination(s) for investors.</p> <p>Potential for further credit rating downgrades.</p> <p>Political and civil unrest adversely impacted mining production.</p> <p>Closing (temporary or permanent) of end-user markets.</p> <p>Imposition of sanctions on countries buying our products.</p> | <p>The South African government has indicated commitment and intent to ensuring South Africa remains politically stable and that the economy is advanced.</p> <p>Pledges by global concerns to invest in the country will improve business confidence, unlock investment by local concerns and build GDP growth.</p> <p>Continuous drive by the Government of Zimbabwe to create an investor-friendly environment.</p> <p>Establishment and awarding of SEZ in Zimbabwe to assist capital flows and investment.</p> <p>Tharisa has a wide range of offtakers who value the quality product Tharisa produces.</p> <p>The Company continuously strives to create new markets for its products to ensure offtake is not overly concentrated and thus has a negative effect on purchases.</p>                                                                                                                                                                                                   |
| <b>Regulatory compliance</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <p>Tharisa Minerals' right to mine is dependent on strict adherence to various legal and legislative requirements such as:</p> <p>Non-compliance with the MPRDA and/or Mining Charter and/or the Group's Social and Labour Plan.</p> <p>The Group is required to comply with a range of health and safety laws and regulations in connection with its mining, processing, manufacturing and logistics activities. Any perceived violation of the regulations could lead to a temporary shutdown of all or a portion of the Group's mining activities.</p> <p>Non-compliance with the Mines and Minerals Act of Zimbabwe and mining regulations promulgated under such Act.</p> | <p>Cost of compliance to changes in the Mining Charter.</p> <p>Non-compliance resulting in potential legal sanctions including fines, penalties and risks to the right to mine through forfeiture or cancellation.</p> <p>Access to forms of capital is hindered.</p>                                                     | <p>Ensure compliance with current MPRDA is applicable to legislation.</p> <p>Mining Charter provides some certainty.</p> <p>Ensure compliance with the terms of the Mining Charter.</p> <p>Ensure compliance with the Group's Social and Labour Plan.</p> <p>Proactive engagement with regulatory authorities and industry organisations.</p> <p>Ensure communication and awareness with investors are maintained.</p> <p>Ensure compliance with all relevant Zimbabwean legislation including the Mines and Minerals Act, Mining regulations promulgated under section 403 of the Mines and Minerals Act, the Labour Act, Exchange Control regulations and other laws and enactments governing investments.</p> <p>Routine audits are carried out by regulatory/competent authorities in line with the relevant legislative prescripts to ensure compliance.</p> <p>Regular internal inspections are conducted by the SHE department to ensure compliance with regulatory requirements</p> |
| <b>Production/location concentration</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <p>Tharisa currently owns and operates one primary producing asset located in South Africa. The Group has made early entry investments into Zimbabwean development projects; however, it is still exposed to the potential political risk and instability within the country of its operation.</p>                                                                                                                                                                                                                                                                                                                                                                             | <p>Exposure to potential macroeconomic, social and socio-political risks and instability.</p> <p>Sovereign rating downgrades of the country of operation can limit the Group's ability to raise financing and increase the cost thereof.</p> <p>Exposure to only two main commodities.</p>                                | <p>Third-party operations, such as the operations of Sibanye Stillwater's K3 UG2 chrome plant, provide additional revenue from an alternate operation</p> <p>Diversification into higher-grade chrome products has opened new markets for Tharisa.</p> <p>Development of the Karo Platinum project in Zimbabwe will provide geographic diversification considering opportunities to diversify commodities as they arise.</p> <p>Development of new offtake agreements for the Company's PGM concentrates.</p> <p>In-house development of downstream beneficiated products to create a broader market for our products.</p>                                                                                                                                                                                                                                                                                                                                                                  |

**MANAGEMENT REPORT**  
for the year ended 30 September 2022

| Risk                                                                                                                                                                                                                                                                                                                                                                                                          | Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Global commodity prices and currency volatility</b>                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p>The Group's revenues, profitability and future growth rate depend on the prices of PGMs and chrome.</p> <p>The state of the world's economies impacts demand and market prices for PGMs and chrome.</p> <p>Volatility in the ZAR:US\$ exchange rate affects the Group's profitability, of which South Africa's land reform uncertainty and effects of other emerging markets are contributing factors.</p> | <p>Downward pressure on PGMs and/or chrome prices may negatively affect the Group's profitability and cash flows.</p> <p>The Group's reporting currency is US dollar. The Group's dominant current operations are predominately based in South Africa, with a ZAR cost base, while the majority of the revenue stream is in US dollar, exposing the Group to the volatility and movement in the currencies.</p> <p>Risk of competitor product dumping and undercutting market prices in respect of the chrome market.</p> | <p>Monitor costs closely to ensure that the Group remains in the lowest cost quartile.</p> <p>Stringent cost control.</p> <p>Improved operating efficiencies and production driving down unit costs.</p> <p>Service providers appointed to manage the Group foreign exchange and PGM hedging strategy.</p> <p>Production of higher-value-add speciality grade chrome concentrates comprising ~25% of Group chrome concentrate production.</p> <p>Diversification into higher-priced chrome products through the development of the Salene Chrome operation.</p>                                                                                                                                                                                 |
| <b>Financing and liquidity</b>                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p>The Group's activities expose it to various financial risks including market, commodity prices, credit, foreign exchange and interest rate risks.</p> <p>Static share price trading.</p> <p>Non-compliance to ESG standards and requirements may affect capital raising abilities.</p>                                                                                                                     | <p>Significant changes in the financial assumptions made by the Group could impact its ability to continue operating and jeopardise its ability to raise financing in the future.</p> <p>Adverse impact on the ability to raise capital for growth and acquisitions.</p>                                                                                                                                                                                                                                                  | <p>Positioned as a low-cost producer of both PGM and chrome concentrates.</p> <p>Production of higher value-add specialty grade chrome concentrates</p> <p>Leveraging third-party operations.</p> <p>Diversified customers and markets.</p> <p>Undrawn banking facilities.</p> <p>Trade finance facilities assist with working capital requirements.</p> <p>Secondary listing on the LSE and an additional listing on A2X in South Africa provide additional trading platforms and increased liquidity.</p> <p>Marketing and roadshow efforts have significantly enhanced the Group's profile, investor awareness, and investor spread.</p> <p>Compliance of ESG standards.</p> <p>Employment of relevant skills to manage ESG effectively.</p> |
| <b>Market/customer concentration</b>                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p>The bulk of Tharisa's chrome production is exported to China. This gives the Group significant exposure to a single geographic market.</p> <p>Proposal by the South African government to impose chrome tax.</p>                                                                                                                                                                                           | <p>Customer base is largely located in China, with accompanying exposure to Chinese markets.</p>                                                                                                                                                                                                                                                                                                                                                                                                                          | <p>No reliance on a dominant customer within that market.</p> <p>Tharisa has strategically diversified its production by increasing specialty grade chrome concentrates, which make up approximately 25% of Tharisa's total chrome production.</p> <p>Chemical and foundry grade chrome concentrates sold into diversified global markets.</p> <p>Diversified commodities with PGM concentrate sold to leading precious metal refiners on an offtake basis.</p> <p>Lobbying of government has thus far resulted in the shelving of the proposed chrome tax in South Africa.</p>                                                                                                                                                                 |

**MANAGEMENT REPORT**  
for the year ended 30 September 2022

| Risk                                                                                                                                                                                                                                                                                                                                                                                                     | Impact                                                                                                                                                                                                                                                                                                                                                                                                          | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Environment</b>                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Tharisa is obliged in terms of its undertaking to stakeholders, including the government, providers of capital and the community, to monitor, minimise and mitigate our impact on the physical environment and not to infringe on the rights to a safe and healthy environment. Non-compliance with this undertaking may infringe on the terms of the mining licence and the ability to continue mining. | Harm to the environment.<br>Increased costs of remediation and rehabilitation due to legislative changes.<br>Potential legal sanctions including mine stoppage and class action suits.<br>Poor image of mining companies.                                                                                                                                                                                       | Conduct all mining and processing operations in an environmentally responsible manner.<br>Compliance with applicable national and local laws and regulations.<br>Monitor compliance against EMPR, licences and Equator Principles.<br>Compliance with provision for rehabilitation and mine closure.<br>Ongoing environmental impact monitoring, management and evaluation.<br><br>Ongoing internal and external compliance audits/inspections.<br>Update/ amendment of licences, permits and authorisations.<br>Community engagements through SLP and local forums.<br>Ongoing engagements with competent authorities to source advice on new or amended regulations.                                                                                                                                                                                                                         |
| <b>Climate change</b>                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| The Group is exposed to risks arising from climate change. The risks can be divided into physical risks, arising from the impact of climate change on operations, and reputational risks (arising from Tharisa being perceived as not contributing to addressing climate risk in a timely and meaningful way by providers of capital).                                                                   | Rising temperature levels can affect the availability of natural elements required by the mine, such as access to water.<br>Rising temperatures can affect the physical wellbeing of the workforce.<br>The availability of capital will reflect how well companies seek to decarbonise their operations and supply chains.<br>Implement carbon taxes to encourage companies to improve their carbon footprints. | Disclosure and reporting on annual CO <sub>2</sub> emissions.<br>Expand and implement a roadmap to reduce operational CO <sub>2</sub> emissions with a targeted reduction of 30% set by 2030 and a drive to become net carbon neutral by 2050.<br>Engaging with our supply chain on their commitment to decarbonisation<br>Closer cooperation with suppliers and ensuring the latest technology is implemented to reduce CO <sub>2</sub> emissions in South Africa.<br>Introduction and implementation of energy and water-efficient ways of product processing.<br>Construction of new water storage facilities to cater to projected water shortages.<br>Forming part of the water management forums in the catchment area.<br>Electricity generation from renewable sources wherever possible.<br>Replacement of diesel fuel as an energy source within the fleet at the end of asset life. |
| <b>Local stakeholders</b>                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Tharisa Minerals' neighbours are impacted by its operations in terms of dust, noise, water usage and security.<br><br>The stakeholders' perceptions, including different sections of the community and various levels of government, are varied and multi-layered.<br><br>Negative and inaccurate media coverage can influence perception.                                                               | Local stakeholder discontent has the potential to disrupt operations.<br>Safety and health of the community.<br>Complaints to regulatory authorities and risk of intervention.<br>Potential for adverse litigation.<br>Poor image of mining companies<br>Lack of support in equity markets and amongst stakeholders, ultimately leading to a cost of capital impact.                                            | Ongoing environmental impact monitoring.<br>Property purchase agreements being concluded with local landowners.<br>Partner with government and local municipality to develop identified land within the municipal spatial development area to which the community may be relocated.<br>Ongoing discussions with the DMRE and other government bodies.<br>Positive engagements with the local community with a focus on sustainable community projects.<br>Focus on recruiting from local communities as much as possible if there is a skills match.<br>Regular and repetitive communication and emphasis on key messages utilising all available media channels.<br>Immediate corrective actions and corrections on factual inaccuracies or misconceptions.                                                                                                                                   |

**MANAGEMENT REPORT**  
for the year ended 30 September 2022

| Risk                                                                                                                                                                                                                                                                            | Impact                                                                                                                                                                                                                                                                                                     | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Access to resources and infrastructure</b>                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Tharisa's mining, processing, manufacturing logistics and marketing operations rely on sustainable access to water, electricity as well as road, rail and port infrastructure.                                                                                                  | Production interruptions.<br>Failure to meet delivery and customer commitments and contracts.                                                                                                                                                                                                              | Two independent processing plants provide flexibility in times of electricity and water curtailments.<br>Multi-modal transport optionality via bulk or containers, road and/or rail<br>Integrated agreement for rail transportation and port facilities concluded with Transnet.<br>Improved water supply through close collaboration with the custodian of the water resource. Agricultural water rights from Buffelspoort as a result of the additional properties that were purchased.<br>Mine water reticulation system and construction of new water storage facilities.<br>Salt and water balancing have improved water quality. Supply potable water from Samancor Mine (Randwater line).<br>Drilling and licensing of new boreholes to ensure water supply volumes remain positive.<br>The increased depth of the mine pit provides more ingress of water which is dewatered for surface use.<br>The deeper the open pits (current mining area) the more water ingress into the pit leading to more water being dewatered to the surface for use.<br>Open-pit diesel-powered mining fleet reduces reliance on electricity<br>Generators installed at the processing plants to mitigate electrical supply curtailments.<br>Development of solar energy for further independence from grid power. |
| <b>Labour</b>                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| The consistent, assured availability of appropriately skilled human resources at economical rates is essential to the sustainability of Tharisa's operations. Similarly important is the efficiency and discipline of the Group's workforce.                                    | Labour disruptions in South Africa remain a risk, particularly with the current political climate, which may contribute to heightened labour and community unrest.<br>Potential damage to property.<br>Loss of production.                                                                                 | Monthly liaison with shop stewards and regular contact with regional leadership.<br>Ongoing training programmes.<br>Adequate insurance cover in the event of damage to property arising from unrest.<br>All levels of employees are incentivised through bonus and incentive schemes leading to improved productivity and employee retention.<br>Tharisa has completed two years of a four-year wage agreement without disruptions, providing certainty for both parties.<br>Care for employees during COVID-19 with additional safety and health measures put in place while Tharisa managed through waves 1, 2, 3 and 4 without retrenching the workforce.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Management of resources and reserves</b>                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Management and planning of the extraction of the multiple MG layers of the reef are critical to the business model.<br><br>Tharisa's success depends on extracting the maximum value per tonne of the reef while avoiding pit dilution and undue sterilisation of the resource. | Sub-optimal quantity and quality of reef results in poor processing plant recoveries, impacting production and financial performance.<br>Sterilisation of resources reduces the life of mine and inhibits mining flexibility.<br>Loss of production as a result of low ROM stockpiles ahead of the plants. | Owner mining model enables in-house management and control of all mining activities, focusing on correct mining practices with optimal quality and quantity of ROM.<br>Investment in the latest technology and machinery for optimal mining practices.<br>In-house mining skills.<br>Accuracy and execution of mine plan.<br>Mining employees managed on KPIs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

**MANAGEMENT REPORT**  
for the year ended 30 September 2022

| Risk                                                                                                                         | Impact                                                                                                                                                                                                                                                                                                                          | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Unscheduled breakdowns</b>                                                                                                |                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| The Group's performance relies on the consistent mining and production of PGM and chrome concentrates from the Tharisa Mine. | Any unscheduled breakdown leading to a prolonged reduction in mining and/or production may have a material impact on the Group's financial performance and results of operations.<br>Loss of production in the event of low ROM stockpiles ahead of the plants.                                                                 | Optimisation of the existing mining fleet.<br>Developed engineering and geological skills that are integral to in-house mining.<br>Preventative maintenance programme for the fleet and plant<br>Long lead item spares in stock.<br>Ensure adequate ROM stockpiles (target two months) while supplementing times of low ROM with purchases of ROM from third parties.<br>Continuous investment throughout the cycle ensures unscheduled breakdowns are kept to a minimum.                                                                                                                                                   |
| <b>Cyber security</b>                                                                                                        |                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| The Group's performance may be materially and adversely impacted by a cyber-attack on its IT system.                         | The processing plants at the mine are controlled by a supervisory control and data acquisition operating system and a cyber-attack could potentially subject the Group to a ransomware demand and/or cause a shutdown of the processing operations until a backup system is operational, or a work-around solution is obtained. | The Group has carried out an audit of its potential exposure to a cyber-attack in respect of all its IT and has implemented mitigating measures which limit its exposure to internal and third-party access.<br>The Group has implemented and continuously ensures globally accepted best-in-class software and protocols to filter malicious and criminal content, as well as the latest antivirus and security programmes<br>Insurance against cyber-attack including backup and restoration assistance.<br>Internal backups and scheduled backup tests for integrity and continuity<br>Investment in people and systems. |

**CORPORATE GOVERNANCE STATEMENT**

The Board is of the opinion that the Company is compliant with the JSE Listings Requirements and King IV in all material respects, other than having an Executive Chairman. The former has been mitigated by the appointment of a Lead Independent Director (refer to the Corporate Governance Report).

On behalf of the Board of Directors



**Phoevos Pouroulis**



**Michael Jones**

Cyprus  
1 December 2022

## CORPORATE GOVERNANCE REPORT

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### BOARD OF DIRECTORS

#### **Loucas Pouroulis (84)**

##### **Chairman**

Appointed: 27 October 2010

Mining and Metallurgical Engineering (Hons) (National Technical University, Athens, Greece)

Loucas Pouroulis is the Executive Chairman of the Group, with the responsibility of developing strategy and identifying new opportunities for the Group. He began his career in Cyprus in 1962, and his initial postgraduate training took place in Germany, Sweden and Cyprus. Loucas is trained as a mining and metallurgical engineer and has more than 50 years' experience in mining exploration, project management, financing and production in open-pit and underground mining operations, including PGM and gold mines. He immigrated to South Africa in 1964 and then joined Anglo American, where he rose rapidly through the management ranks and received extensive training and experience. In 1971, Loucas began to pursue his own mining interests, initially focusing on gold mining opportunities that were considered uneconomical by the majors. By the 1990s, he had established Petra Diamonds and, since 2000, has established Eland Platinum, Tharisa, Kameni, Keaton Energy, Salene Chrome and the Karo Mining Group.

#### **Phoevos Pouroulis (48)**

##### **Chief Executive Officer (CEO)**

Appointed: 27 October 2010

Bachelor of Science and Business Administration (Boston University, USA)

Phoevos Pouroulis is the Chief Executive Officer of the Group, with responsibility for overall strategy and management. Phoevos has held various senior managerial and operational positions in his career spanning more than 20 years. He has extensive experience in project management, mining design, commissioning and mining operations, including coal, chrome and PGM mines, having been involved in South Africa's mining industry since 2003. He has served as Commercial Director for Chromex Mining and was a founding member of Keaton Energy. Phoevos currently serves on the board of the World Platinum Investment Council.

#### **Michael Jones (60)**

##### **Chief Finance Officer (CFO)**

Appointed: 30 January 2013

Bachelor of Accounting (University of KwaZulu-Natal, Pietermaritzburg, South Africa) CA(SA)

Member of the South African Institute of Chartered Accountants

Michael Jones is the Chief Finance Officer of the Group and is responsible for the overall financial operation, funding and financial reporting management of the Group. Michael has more than 12 years' executive financial management experience in the mining sector. In addition, he has over 20 years' experience in investment banking, focusing on mergers and acquisitions and capital raising of both equity and debt.

### **Non-executive directors**

#### **Carol Bell (64)**

##### **Lead Independent Director**

from 1 October 2021

Appointed: 22 March 2016

Master of Arts in Natural Sciences (University of Cambridge), PhD Archaeology (University College, London)

Carol Bell has more than 40 years' experience in the energy and allied industries, including a successful career as a Managing Director of Chase Manhattan Bank's Global Oil & Gas Group, Head of European Equity Research at JP Morgan and several years as an equity research analyst in the oil and gas sector at Credit Suisse First Boston and UBS Phillips & Drew. Carol began her career in corporate planning and business development at Charterhouse Petroleum and RTZ Oil and Gas. She has broad public company experience and currently serves on the Bonheur board and is also a non-executive director of the BlackRock Energy and Resources Income Trust. Carol also serves on the Board of the Development Bank of Wales and The Football Association of Wales and is one of the founder-directors of Chapter Zero, a network for non-executive directors to engage with climate risk. She is also Vice-President of the National Museum of Wales, Vice-Chair of the Wales Millennium Centre, Senior Independent Director of the National Physical Laboratory and Treasurer of the Institute for Archaeo-metallurgical Studies.

## CORPORATE GOVERNANCE REPORT

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### **David Salter (64)**

#### **Independent non-executive director**

Appointed: 27 October 2010

Bachelor of Science Engineering (Hons) PhD in Mineral Technology (Imperial College, London), Fellow of the South African Institute of Mining and Metallurgy (FSAIMM)

David Salter has more than 30 years' experience in developing and managing mining companies, including open pit and underground PGM mining operations. David's most recent public company roles were Chairman of Keaton Energy until its sale to Wescoal in 2017 and Managing Director of Eland Platinum until its sale to Xstrata in 2007. He serves on the board of Sirius Finance (Cyprus) Limited and is a non-executive director of a number of unlisted companies in the mining, property and agricultural sectors.

### **Antonios Djakouris (75)**

#### **Independent non-executive director**

Appointed: 11 October 2011

Chartered Accountant and Fellow of the Institute of Chartered Accountants in England and Wales

Antonios Djakouris is a qualified Chartered Accountant and has over 30 years' experience as a manager and director, having served in the accounting profession and in a number of posts with the Bank of Cyprus, including internal audit, credit review and retail banking, and as Group General Manager in charge of operations. From 2003 to 2009, he directed the Bank of Cyprus group's overseas operations, including banks in the United Kingdom, Australia, Russia, Romania and Ukraine. Antonios currently serves in an honorary capacity on the Board and Executive Committee of the Cyprus Anti-Cancer Society, one of the largest charities in Cyprus.

### **Omar Kamal (50)**

#### **Independent non-executive director**

Appointed: 11 June 2014

Bachelor in Economics and Political Science (University of Jordan) PhD in Management (Finance and Banking) (Coventry University in collaboration with Harvard Islamic Finance Programme at Harvard University)

Omar Kamal has more than 28 years' international experience in banking, investment management, strategic advisory services and high-growth entrepreneurship. He has served at high-growth companies and multibillion-dollar corporates in various executive capacities. Until August 2015, he was the co-Group CEO of a business group owned by a prominent family with global reach based in Geneva, Switzerland. Prior to that, he was one of the initial founders and acted as the CIO of a regional bank in the Middle East and, before that, was a partner with Ernst & Young on the advisory and consulting side. Omar continues to serve on the boards of a number of listed and unlisted companies, among others, Cambridge Scientific Innovation ('CSI'), Cybsafe, Crowdemotion, Quiqup and Arab Bank Switzerland as Chairman of the Fintech Committee. In the same context, Omar makes a personal strategic contribution toward digital innovation and transformation. Omar is a member of the Young President Organisation ('YPO') and a Learning Chair of the London Stars Chapter in the UK.

### **Roger Davey (77)**

#### **Independent non-executive director**

Appointed: 1 June 2017

Master of Science in Mineral Production Management (Royal School of Mines, Imperial College, London) Master of Science in Water Resource Management and Water Environment (Bournemouth University) Associate of the Camborne School of Mines ('ACSM') Chartered Engineer European Engineer Member of the Institute of Materials, Minerals and Mining (IMMM)

Roger Davey, a British national, has more than 40 years' operational experience at senior management and director level in the mining industry in South America, Africa and Europe. His experience at senior management level includes financing, feasibility studies, construction, development, commissioning and operational management of both underground and surface mining operations in gold and base metals. Previous positions include being the Senior Mining Engineer at NM Rothschild (London) (1998 to 2010) in the Mining and Metals project finance team, where he was responsible for the assessment of the technical risk associated with current and prospective project loans Director, Vice-President and General Manager of Minarco (AngloGold) subsidiaries in Argentina (1994 to 1997), where he was responsible for the development of the Cerro Vanguardia open pit gold-silver mine in Patagonia, Operations Director of Greenwich Resources plc, London (1984 to 1992), with gold interests in Sudan, Egypt and Australia Production Manager for Blue Circle Industries in Chile (1979 to 1984) and various production roles from graduate trainee to mine manager, in Gold Fields of South Africa (1971 to 1978). Roger serves on several boards, including Atalaya Mining Plc, Central Asia Metals plc and Highfield Resources Limited.

## CORPORATE GOVERNANCE REPORT

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**Shelley Wai Man Lo (47)**

**Non-executive director**

Appointed: 10 February 2021

Bachelor of Economics (University of Hong Kong)

Shelley Wai Man Lo, a Chinese National and representative of Rance Holdings, has more than 20 years' experience in accounting, project investment and management in the infrastructure business in Hong Kong and mainland China. She is the General Manager – Roads of NWS Holdings Limited. Before joining the NWS group, she worked in the audit department of Deloitte, Hong Kong. Ms Lo is a member of both the Hong Kong and American Institutes of Certified Public Accountants.

**Zhong Liang Hong (59)**

**Non-executive director**

Appointed: 1 April 2018

Bachelor (Ferrous Metallurgy) (Shanghai Metallurgy Technology Academy)

Zhong Liang Hong is a Chinese national with 35 years' experience in commodity trading. Representing Fujian Wuhang Stainless Steel Co. Limited and Huachuang Singapore Pte Limited, he has a strong understanding of analysis and forecasting of commodity markets and end-user demand. He started his career in 1980 at the Baosteel Group. In 2001 he founded Shanghai Hongli Metal Material Co. Limited and is still the Chairman of this company. In 2002 he expanded his business to import manganese into China and became the sole manganese agent in China acting for BHP Billiton.

## CORPORATE GOVERNANCE REPORT

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### Introduction

Tharisa is incorporated in Cyprus and is subject to Cyprus Companies Law. With a primary listing on the JSE under the general mining sector, Tharisa is subject to the JSE Listings Requirements and the requirements of the South African Code of Corporate Practices and Conduct laid out in King IV. Tharisa also has a secondary standard listing of its depositary interests on the London Stock Exchange ('LSE') and is subject to the LSE Listing Rules and Disclosure and Transparency Rules applicable to a secondary standard listing. In addition, Tharisa is listed on the A2X Exchange in South Africa with effect from 6 February 2019. Tharisa's primary listing on the JSE and secondary standard listing on the main board of the LSE remains unaffected by the secondary listing on A2X. The A2X is a licensed stock exchange authorised to provide a secondary listing venue for companies and is regulated by the South African Financial Sector Conduct Authority in terms of the Financial Markets Act 19 of 2012. The listing on A2X provides an opportunity to improve liquidity and attract new investors through the lower trading costs offered by this trading platform. There are no additional regulatory requirements or ongoing obligations to comply with.

The Board recognises the importance of good governance and considers the principles and recommendations contained therein.

The Board is fully committed to accountability, integrity, fairness, transparency and integrated thinking, which are essential to the Group's long-term sustainability and to its ongoing ability to create value for investors and other stakeholders. It endorses and accepts full responsibility for applying the principles necessary to ensure that effective corporate governance is practised consistently throughout the Group.

In discharging this responsibility, the Board strives to comply with the requirements set out in King IV. The Board believes that the Company complies with the Cyprus Companies Law and the Company's Articles of Association. For the application of King IV, refer to the Annual Report which will be available on Tharisa's website ([www.tharisa.com](http://www.tharisa.com)) within four months after the balance sheet date.

In terms of King IV, independent non-executive directors serving for more than nine years are subject to a rigorous annual review by the Board to evaluate their continued independence. Having served for more than nine years, David Salter's and Antonios Djakouris' independence was considered and reviewed by the Board during the year under review. In doing so, the Board considered and assessed the presence or absence of any interest, position, association, or relationship that could potentially influence or cause bias in their decision-making process and concluded that it was satisfied that there were no such factors present that impaired David Salter's and Antonios Djakouris' independence. Both David Salter and Antonios Djakouris continued to bring an independent and objective view and unfettered judgement distinct from that of shareholders and management and continue to be classified as independent non-executive directors.

The Board also believes that the Company is compliant with the JSE Listings Requirements and King IV in all material respects, other than having an Executive Chairman, which has been mitigated by the appointment of the Lead Independent Director.

### Board composition

#### Executive directors

Loucas Pouroulis (Executive Chairman)  
Phoevos Pouroulis (CEO)  
Michael Jones (CFO)

#### Independent non-executive directors

Carol Bell (Lead Independent Director)  
David Salter  
Antonios Djakouris  
Omar Kamal  
Roger Davey

#### Non-executive directors

Zhong Liang Hong  
Shelley Wai Man Lo

## CORPORATE GOVERNANCE REPORT

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The Company has a unitary board, which both leads and controls the Company. It comprises three executive directors and seven non-executive directors. Five of the seven non-executive directors are independent.

The Board is structured so that there is a clear balance of authority, ensuring that no one director has unfettered powers. The size of the Board is regulated by the Company's Articles of Association and directors are appointed through a formal process.

The Nomination Committee identifies suitable candidates for appointment as directors. Directors are required to be individuals of calibre and credibility with the necessary skills and experience to bring judgement, independent of management, on issues of strategy, performance, resources, diversity, standards of conduct, and evaluation of performance. Merit, commitment, integrity and diversity are the core considerations in ensuring that the Board and its committees have an appropriate blend and balance of perspectives, knowledge, and experience to discharge their duties effectively and competently, having regard to the strategic direction of the Group.

There has been no change to the board composition during the year under review.

### Board diversity

The Nomination Committee reviews and assesses the Board's size, structure, and composition on an ongoing basis to ensure it is appropriately diversified. In this assessment, it takes into consideration that the perspective of Board members is influenced by a combination of three different sets of attributes:

- experiential attributes such as skills, education, functional experience, industry experience and accomplishments
- demographic attributes such as gender, race, ethnicity, culture, religion, generational cohort and
- personal attributes such as personality, interests and values. The Board recognises that having a blend of attributes across all facets of diversity will lead to more thorough and robust decision-making processes and direction and therefore strives to ensure its diverse composition.

Acknowledging the benefits that can be achieved through diversity, and specifically the meaningful participation of women who possess the appropriate skills and experience as members of the Board, the Board will continue to focus on the long-term goal of improving gender representation at Board level. At present, the two female directors represent 20% of the total number of directors and 29% of the non-executive directors.

Similarly, recognising the value of age and ethnic and cultural diversity at Board level, the Board encourages the inclusion and consideration of prospective candidates' backgrounds and a range of suitable skills based on merit and against objective criteria, and with due regard for the benefits of diversity on the Board.

In compliance with King IV, the JSE Listings Requirements and international best practice, the Nomination Committee and Board have adopted a Board level diversity policy, without introducing voluntary targets with regard to gender and racial diversification of the Board. The Nomination Committee and the Board are committed to maintaining a diverse Board of Directors with appropriate skills, without setting numerical targets. When undertaking searches for new Board members, diversity and inclusion are key considerations within these processes, alongside recruiting for skills and experience relevant to governing the Company effectively. The Board will also pursue opportunities to increase the number of female and racially and ethnically diverse Board members over time, provided that it is consistent with the skills and diversity requirements of the Board.

The Nomination Committee also considers the relationship between executive and non-executive directors during the assessment process. The Board believes there is an appropriate balance between executive and non-executive directors. The Board is satisfied that the current members of the Board collectively possess the skills, knowledge, and experience required to discharge the responsibilities of the Board effectively to achieve the Group's objectives, promote shareholder interests, and to create value for stakeholders over the long term.

### Role and responsibilities of the Board

The Board is the ultimate governing authority, responsible for the Company's strategy, key policies, ethics, and corporate governance, as well as approving the Company's financial objectives and targets, and its approach to environmental stewardship. The Board recognises that strategy, performance, risk, and sustainability are inseparable and that the execution of strategy can have a material impact on the Company's value creation and its various stakeholders. The Board is fundamentally important to the achievement of the Company's mission and financial objectives and the fulfilment of its corporate responsibilities sustainably and provides effective leadership on an ethical foundation.

The Board is the ultimate custodian of the governance framework, which commits the Company and its representatives to act according to the highest standards of fairness, accountability, responsibility, transparency, ethics, and sustainability. The Company's approach to corporate governance strives to be stakeholder inclusive and based on good communication. This approach has been integrated into every aspect of the Company's business.

## CORPORATE GOVERNANCE REPORT

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The Board ensures that the Group is, and is seen to be, a responsible corporate citizen by having regard not only for the financial aspects of the business of the Group but also the impact that the business operations have on the environment and the society in which they operate. In recognition of the importance of this aspect of the Group's business, the Board has established a Climate Change and Sustainability Committee.

The Board has adopted a Board Charter setting out the role, functions, obligations, rights, responsibilities, and powers of the Board and the policies and practices of the Board in respect of its duties, functions, and responsibilities. The Board has also adopted terms of reference for each of its committees. The Board Charter and terms of reference are available on the Company's website.

The directors who are also members of the Executive Committee of the Company are involved in the day-to-day business activities of the Company and are responsible for ensuring that the decisions of the Executive Committee, as approved by the Board, are implemented in accordance with the mandate given by the Board and Executive Committee.

The Board is satisfied that the approved delegation of authority framework contributes to role clarity and the effective exercise of responsibilities. All non-executive directors have unrestricted access to the Chairman, management, the Group Company Secretary, the Assistant Company Secretary, and the external and internal auditors. The Board considers and satisfies itself, on an annual basis, of the qualifications, experience, and arm's length relationship between the Company Secretaries and the Board.

Board meetings are held regularly, at least quarterly, and all directors participate in the critical areas of decision-making.

### Role of the Executive Chairman

There is a clear distinction between the roles of the Executive Chairman and the CEO. The Executive Chairman is responsible for ensuring the integrity and effectiveness of the Board and its committees, which includes:

- providing overall leadership to the Board, without limiting the principle of collective responsibility for Board decisions
- presiding over meetings of the Board and meetings of shareholders
- acting as facilitator at Board meetings to ensure that no director, or group of directors, dominate the discussion, that sufficient debate takes place, that the opinions of all directors relevant to the subject under discussion are solicited and expressed freely, that conflicts of interests are managed and that Board discussions lead to appropriate decisions
- participating in the selection of Board members and overseeing a formal succession plan for the Board and certain senior management appointments
- encouraging collegiality among Board members and management while at the same time maintaining an arm's length relationship
- mentoring to enhance directors' confidence, especially new or inexperienced directors, and encouraging them to contribute at meetings actively.

The non-executive directors appraise the Chairman's performance on an annual basis, or such other basis as the Board may determine.

### Role of the CEO

The Board's authority conferred on management is delegated through the CEO and the authority and accountability of management is accordingly considered to be the authority and accountability of the CEO.

The CEO provides executive leadership and is accountable to the Board for the implementation of strategies, objectives, and decisions within the framework of the delegated authorities, values, and policies of the Company, which include:

- recommending or appointing the executive members and ensuring proper succession planning and performance appraisals
- developing the Company's strategy and vision for Board consideration and approval
- developing and recommending annual business plans and budgets that support the Company's long-term strategy to the Board
- monitoring and reporting to the Board on performance against and conforming with strategic imperatives
- ensuring that the Company has appropriate management structures and a management team to effectively carry out the Company's objectives, strategy, and business plans
- ensuring that the assets of the Company are properly maintained and safeguarded and not unnecessarily placed at risk
- setting the tone from the top in providing ethical leadership and creating an ethical environment and not causing or permitting any decision or internal or external practice or activity by the Company that may be contrary to commonly accepted business practice, good corporate governance, or professional ethics
- acting as the chief spokesperson of the Company.

The non-executive directors monitor and evaluate the CEO in achieving the approved targets and objectives. The Remuneration Committee considers the results of such evaluation to guide it in its appraisal of the performance and remuneration of the CEO.

## CORPORATE GOVERNANCE REPORT

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### Role of the Lead Independent Director

The Lead Independent Director:

- chairs the Nomination Committee and is a member of all other Board committees
- facilitates meetings of the non-executive directors
- acts as a sounding board to the Executive Chairman and the CEO
- leads the non-executive directors in the appraisal of the Executive Chairman and CEO
- provides leadership and advice to the Board when the Executive Chairman has a conflict of interest, without detracting from the authority of the Executive Chairman and
- acts as an intermediary for the other Board members and shareholders about concerns that have not been resolved through the normal channels.

### Role of the non-executive directors

The role of non-executive directors is to bring independent judgement and to challenge executive directors constructively, without becoming involved in the day-to-day running of the business.

The key responsibilities of non-executive directors include oversight of the Board on issues relating to:

- strategic direction, by providing an objective, informed, and creative insight based on their own experience, to act as a constructive critic in assessing the strategic objectives devised by the CEO and to ensure that the necessary financial and human resources are in place for the Company to meet its objectives
- monitoring performance of executive management with regard to the progress made towards achieving the Company's strategy and objectives and, in doing so, playing an important role in key executive appointments, removals where necessary, and succession planning
- remuneration, through the work of the Remuneration Committee, by objectively and independently determining appropriate levels of remuneration of executive directors
- risk and strategic risk in particular, through the work of the Risk Committee, by reviewing the risk philosophy, strategy, and policies as recommended by executive management and ensuring compliance with such policies, and with the overall risk profile of the Company
- integrity of financial information, through the work of the Audit Committee, by ensuring that the Company accounts properly to its shareholders by presenting an accurate and fair reflection of its actions and financial performance and that the necessary internal control systems are implemented and monitored regularly
- standards of conduct of the Board and executive management.

Tharisa's non-executive directors bring diverse experience and expertise to the Board. They are required to have a clear understanding of the Group's strategy and must be sufficiently familiar with the Group's businesses to be effective contributors to the development of the Group's strategy and the identification and monitoring of risks faced by the Group. Non-executive directors must have sufficient time to perform their duties as directors and make a meaningful contribution. They should be prepared to challenge executive directors' opinions and provide fresh insight into the Group's strategic direction. Non-executive directors assess the performance of the Executive Chairman and CEO and serve on various Board committees. Non-executive directors have a standing invitation to meet without the presence of the executive directors after every board meeting or when required.

### Board appointments

The Company's shareholders appoint members of the Board. The Board also has the power to appoint directors, subject to such appointments being approved by shareholders at the next annual general meeting (AGM) following such appointment. In compliance with the JSE Listings Requirements, shareholders may not consent in writing to the appointment of directors. Pursuant to the terms of the Board Charter, appointments to the Board are made on the recommendation of the Nomination Committee. A formal policy detailing the procedures for appointments to the Board has been adopted by the Company.

Non-executive directors are required to be individuals of calibre and credibility, be independent of management, and possess the necessary skills and expertise to bring judgement to bear on issues of strategy, performance, resources, diversity, standards of conduct, and evaluation of performance.

Directors are required to conduct themselves, at all times, in a professional manner, having due regard for their fiduciary duties and responsibilities to the Company and to ensure that sufficient time is made available to devote to their duties as Board members. Directors are further required to be diligent in discharging their duties to the Company, seek to acquire sufficient knowledge of the business of the Company, and endeavour to keep abreast of changes and trends in the business environment and markets in which the Company operates, in order to be able to provide meaningful direction to the Company's business activities and operations.

## CORPORATE GOVERNANCE REPORT

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### **Director induction**

Upon appointment, all new directors are provided with induction materials to familiarise them with the Group's operations, business environment and executive management and to induct them in their fiduciary duties and responsibilities. The induction programme involves an information pack comprising, inter alia, the Group structure, a list of the top shareholders, Board packs and minutes of previous Board meetings, annual and interim reports, Articles of Association, the Board Charter, committee terms of reference, information on directors' and officers' insurance, a guide to the JSE Listings Requirements, and a memorandum on dealings in securities, market abuse and insider trading. Periodic site visits are arranged for existing and new non-executive directors to improve their understanding of the Group's operations.

### **Retirement by rotation and re-election of directors**

In terms of the Company's Articles of Association, any directors appointed by the Board during the course of the financial year shall hold office only until the next AGM of the Company following their appointment and shall then retire and be eligible for election. Shelley Wai Man Lo was appointed on 10 February 2021 and will accordingly retire at the next AGM and will be eligible for election.

In accordance with the Company's Articles of Association, one-third of non-executive directors must retire from office at each AGM. Executive directors are not subject to retirement by rotation. The non-executive directors retiring at each AGM are those directors who have been the longest serving since their last election. Retiring directors are eligible for re-election and, if so re-elected, are deemed not to have vacated their office. Carol Bell, Omar Kamal, and Roger Davey will be retiring by rotation at the upcoming AGM. All three directors have made themselves available for re-election.

Board support for election or re-election is not automatic. The Nomination Committee assesses the composition of the Board and the performance of individual Board members on an annual basis prior to recommending any directors for election or re-election by shareholders at the AGM. Upon recommendation by the Nomination Committee, the Board decides whether it will endorse a director standing for election or re-election. Having assessed the performance of the directors standing for election, it is the recommendation of the Board that all three directors be re-elected.

### **Board meetings**

The Board meets formally at least four times per year and at such other times as may be required. The Board met four times during the year under review. In addition, four informal mid-cycle briefing calls were held during the period.

## CORPORATE GOVERNANCE REPORT

### Key focus areas and decisions of the Board during FY2022

In addition to the standard agenda items such as feedback by the chairmen of the various board committees on the key deliberations and activities of those committees, consideration of detailed reports on the operational and financial performance of the Group, climate change and sustainability, investor relations and legal and governance matters. The Board deliberated on the following key areas during the year under review:

#### Q1 FY2022

- Approved the FY2021 annual financial results
- Approved the FY2021 Annual Report
- Proposed a final cash dividend of US 5.0 cents per ordinary share
- Considered and agreed to support the re-election of the directors retiring by rotation at the AGM
- Discussed the market context in which the Group operates
- Considered and discussed the top strategic risks facing the Group
- Considered the Company's production guidance for FY2022

#### Q2 FY2022

- Considered and approved the acquisition of the 26% minority shareholding in Tharisa Minerals [at a consideration of ZAR390 million]
- Approved the issue of 13.9 million ordinary shares in lieu of the purchase consideration
- Held the Company's second virtual AGM
- Considered and discussed the various research and development projects being undertaken by the Group's research and development arm
- Considered the operating and market context within which the Group operates
- Considered and discussed the top strategic risks facing the Group
- Considered management's succession plan and new senior appointments
- Considered implementation of the Group's Vision 2025 strategy
- Discussed risk considerations as a consequence of the Russia/Ukraine conflict and mitigating actions being taken by management
- Exercised Tharisa's farm-in option to acquire a controlling interest in Karo Mining Holdings at a consideration of US\$27 million] to take control of the Karo Project in Zimbabwe
- Approved the issue of 27.5 million ordinary shares in lieu of the purchase consideration

#### Q3 FY2022

- Considered the operating and market context within which the Group operates
- Considered the progress of the Karo Project and its funding requirements
- Considered the top strategic risks facing the Group
- Considered implementation of the Group's Vision 2025 strategy
- Considered reputational risk matters
- Exercised Tharisa's farm-in option to acquire a controlling interest in Karo Mining Holdings at a consideration of US\$27 million] to take control of the Karo Project in Zimbabwe
- Approved the issue of 27.5 million ordinary shares in lieu of the purchase consideration
- Considered and approved the Group's interim financial results for FY2022
- Declared an interim dividend of US 3.0 cents per share

#### Q4 FY2022

- Considered and approved, in principle, the issue of a USD denominated bond to be listed on the Victoria Falls Stock Exchange by Karo Mining Holdings as part of the fundraising for the Karo Project
- Considered and approved, in principle, Arxo Finance's subscription for US\$10 million of the Karo Mining Holding bond notes]
- Considered and agreed on the Nomination Committee's assessment of the independence of non-executive directors
- Performed the annual assessment of the independence of non-executive directors with a tenure longer than nine years
- Considered and approved the recommendations by the Remuneration Committee on executive remuneration
- Considered implementation of the Group's Vision 2025 strategy
- Considered the Company's production guidance for FY2023
- Interrogated and approved the FY2023 budget
- Considered the progress of the Karo Project and its funding requirements
- Considered the top strategic risks facing the Group
- Considered reputational risk matters
- Exercised Tharisa's farm-in option to acquire a controlling interest in Karo Mining Holdings at a consideration of US\$27 million] to take control of the Karo Project in Zimbabwe
- Approved the issue of 27.5 million ordinary shares in lieu of the purchase consideration
- Considered and approved the Group's interim financial results for FY2022
- Declared an interim dividend of US 3.0 cents per share

## CORPORATE GOVERNANCE REPORT

### Significant shareholders

The shareholders holding more than 5% (directly or indirectly) of the issued share capital:

|                                                   | 30 September 2022 |      | 30 September 2021 |      |
|---------------------------------------------------|-------------------|------|-------------------|------|
|                                                   | Number of shares  | %    | Number of shares  | %    |
| Medway Development Limited                        | 123 320 006       | 41.1 | 109 627 006       | 40.4 |
| Rance Holdings Limited                            | 38 526 509        | 12.9 | 39 226 509        | 14.5 |
| FIL Limited                                       | -                 | -    | -                 | -    |
| Fujian Wuhan Stainless Steel Products Co. Limited | 26 737 540        | 8.9  | 27 870 211        | 10.3 |

There has been no significant change in the shareholders holding more than 5% of the issued share capital of the Company between 30 September 2022 and the date of the approval of the consolidated and Company financial statements.

Public and non-public shareholders:

| 2022                                                                                | Number of shareholders | Number of shares | % of issued share capital |
|-------------------------------------------------------------------------------------|------------------------|------------------|---------------------------|
| Public                                                                              | 2 382                  | 126 802 216      | 42.3                      |
| Non public:                                                                         |                        |                  |                           |
| Directors and associates of the Company and its subsidiaries                        | 16                     | 11 097 634       | 3.7                       |
| Persons interested (other than directors), directly or indirectly, in 10.0% or more | 2                      | 161 846 515      | 54.0                      |
|                                                                                     | 2 400                  | 299 746 365      | 100.00                    |
| 2021                                                                                |                        |                  |                           |
| Public                                                                              | 1 713                  | 83 820 746       | 30.9                      |
| Non public:                                                                         |                        |                  |                           |
| Directors and associates of the Company and its subsidiaries                        | 15                     | 10 739 907       | 4.0                       |
| Persons interested (other than directors), directly or indirectly, in 10.0% or more | 3                      | 176 723 726      | 65.1                      |
|                                                                                     | 1 731                  | 271 284 379      | 100.00                    |

The shareholding percentage represents the percentage of voting rights.

### Key focus areas for FY2023

- Board succession planning
- Continue implementation of Vision 2025 strategy
- Continue development of the Karo Project
- Monitor continued optimisation of existing operations
- Continue striving to be the investment of choice.

### Board committees

Certain responsibilities are reserved for the Board, while others are delegated to Board committees, each with formal mandates and terms of reference, without reducing the individual and collective responsibilities of Board members' overall fiduciary duties and responsibilities. The terms of reference of each Board committee determines, inter alia, the composition, purpose, scope of mandate, and powers and duties of the committee. Board committees provide feedback to the Board through reports by their respective chairmen and provide the Board with copies of minutes of committee meetings. All directors receive notice and packs for committee meetings and are encouraged to join meetings of Board committees of which they are not members. Terms of reference of the various committees are compliant with the provisions of the Company's Articles of Association and the JSE Listings Requirements. The terms of reference are reviewed on a regular basis and are available on the Company's website. All committees have satisfied their responsibilities in compliance with their respective terms of reference during the year under review.

## CORPORATE GOVERNANCE REPORT

The Company's Board committees during the year were constituted as follows:

|                                             | Chairman           | Members                                                                                                                                                            | By standing invitation                                                                                                   |
|---------------------------------------------|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Audit Committee                             | Antonios Djakouris | David Salter<br>Omar Kamal<br>Carol Bell                                                                                                                           | CFO<br>CEO<br>Group Head of Internal Audit                                                                               |
| Risk Committee                              | Antonios Djakouris | Lucas Pouroulis<br>Phoevos Pouroulis<br>Michael Jones<br>David Salter<br>Omar Kamal<br>Carol Bell<br>Roger Davey<br>Zhong Liang Hong<br>Shelley Wai Man Lo         | Chief Operation Officer (COO)<br>Group Executive: Legal<br>Chief Technical Officer (CTO)<br>Group Head of Internal Audit |
| Nomination Committee                        | Carol Bell         | Lucas Pouroulis<br>David Salter<br>Antonios Djakouris                                                                                                              | CEO                                                                                                                      |
| Remuneration Committee                      | Carol Bell         | David Salter<br>Antonios Djakouris<br>Roger Davey                                                                                                                  | CEO<br>CFO                                                                                                               |
| Safety, Health and Environment Committee    | David Salter       | Antonios Djakouris<br>Carol Bell<br>Roger Davey                                                                                                                    | CEO<br>COO<br>CTO                                                                                                        |
| Social and Ethics Committee                 | David Salter       | Antonios Djakouris<br>Omar Kamal<br>Carol Bell<br>Phoevos Pouroulis                                                                                                |                                                                                                                          |
| New Business Committee                      | Roger Davey        | David Salter<br>Carol Bell<br>Lucas Pouroulis<br>Phoevos Pouroulis                                                                                                 | CFO<br>COO<br>Group Executive: Legal<br>CTO                                                                              |
| Climate Change and Sustainability Committee | Carol Bell         | Lucas Pouroulis<br>Phoevos Pouroulis<br>Michael Jones<br>David Salter<br>Antonios Djakouris<br>Omar Kamal<br>Roger Davey<br>Zhong Liang Hong<br>Shelley Wai Man Lo | COO<br>Group Executive: Legal<br>CTO<br>Group ESG Manager                                                                |

## CORPORATE GOVERNANCE REPORT

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### Audit Committee

The Audit Committee, which must comprise at least three independent non-executive directors, is chaired by Antonios Djakouris, an independent non-executive director. Other members of the committee are David Salter, Omar Kamal, and Carol Bell, all independent non-executive directors. The Board is satisfied that the committee's members have the appropriate mix of qualifications and experience in order to fulfil their responsibilities appropriately. The Group's independent external auditor, independent internal auditors, CFO, and CEO attend committee meetings by invitation. The committee meets with the internal and external auditor, without any executive directors being present.

Both the internal and external auditors have unrestricted access to the chairman of the committee and the Lead Independent Director.

The Audit Committee provides the Board with additional assurance regarding the quality and reliability of financial information used by the Board and the financial statements of the Group. The committee reviews the internal and financial control systems, accounting systems, and reporting and internal audit functions. It liaises with the Group's external auditor and monitors compliance with legal requirements.

Furthermore, the Audit Committee assesses the performance of financial management, approves external audit fees and budgets, monitors non-audit services provided by the external auditor against an approved policy, and ensures that management addresses any identified internal control weakness. In addition, the committee oversees the integrated reporting process, risk management systems, information technology risks (as they relate to financial reporting), the Group's whistleblowing arrangements, and policies and procedures for preventing corrupt behaviour and detecting fraud and bribery.

During the year under review, the Audit Committee considered and recommended the appointment of BDO as external auditors of the Karo Group to the Karo Mining Holdings board for approval. BDO has also been appointed as external auditors of the other Zimbabwean operations within the Group.

In terms of the Audit Committee's oversight role in the integrated reporting process, it considers all factors and risks that may impact the integrity of the integrated report. In this regard, the committee considers and reviews the findings and recommendations of the Risk, Safety, Health and Environment, and Climate Change and Sustainability Committees insofar as they are relevant to the functions of the Audit Committee. The committee also reviews and evaluates the disclosure of material sustainability issues in the integrated report, in conjunction with the Risk, Safety, Health and Environment, and Climate Change and Sustainability Committees, with specific focus on ensuring that the disclosure is reliable and does not conflict with the financial information. It recommends and/or approves the engagement of external assurance providers on material sustainability issues and ensures that the appropriate measures of progress towards achieving disclosed climate change risk mitigation actions are included in the integrated report disclosures.

The committee has unrestricted access to all Company and Group information and may seek information from any employee. The committee may also consult external professional advisers in executing its duties. The chairman of the Audit Committee is required to report to the Board after each meeting of the committee and the minutes of meetings of the Audit Committee are provided to the Board. The appropriateness of the expertise and experience of the CFO is considered on an annual basis and the committee is satisfied with the appropriateness of the expertise of Michael Jones, the CFO.

The Audit Committee meets as often as is deemed necessary but is required to meet at least twice a year. The committee met five times during the year under review.

### Risk Committee

Control of the complete process of risk management, the evaluation of its effectiveness and approval of recommended risk management and internal control strategies, systems, and procedures are key Board responsibilities. For this reason, the Risk Committee comprises the entire Board. The Risk Committee is chaired by Antonios Djakouris. Risk Committee meetings are attended by the COO, Group Executive: Legal, Chief Technical Officer ('CTO'), and Group Head of Internal Audit by invitation.

The Risk Committee reviews management reports on the adequacy and effectiveness of the Group's operational risk management functions, ensures compliance with the Group's risk management policies, and reviews the adequacy of the Group's insurance coverage.

During the year under review, in-depth risk reviews were undertaken at operating subsidiary and business unit level throughout the Tharisa Group. The committee conducted a high-level review of the residual risks identified by management during these reviews. It continues to monitor progress made by risk owners in identifying mitigating factors, performing gap analyses, and implementing additional mitigating measures where required. In addition, the committee identifies, reviews and evaluates non-operational and strategic risks impacting the Company and the Group on an ongoing basis. The Risk Committee meets as often as is deemed necessary and met once during the year under review.

## CORPORATE GOVERNANCE REPORT

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### Nomination Committee

During the year under review, the Nomination Committee was chaired by Carol Bell in her capacity as the Lead Independent Director. Other members of the Nomination Committee were David Salter and Antonios Djakouris, independent non-executive directors, and Loucas Pouroulis, the Executive Chairman. Loucas Pouroulis is entitled to participate and contribute to the Nomination Committee, but is not entitled to vote on any matter before the Nomination Committee. In the event of a tied vote, the chairman of the committee has a casting vote. The CEO attends meetings by invitation if required.

The Nomination Committee ensures that the procedures for appointments to the Board are formal and transparent by making recommendations to the Board on all new Board appointments in accordance with the Company's policy for Board appointments. It does so by evaluating the Board performance, undertaking performance appraisals of the executive and non-executive directors, evaluating the effectiveness of Board committees, and making recommendations to the Board. The Nomination Committee also considers and approves the Board succession plans.

The work of the Nomination Committee during the year followed both its terms of reference and established good practice in corporate governance. The committee conducted a review of the structure, size, and composition of the Board, with specific emphasis on skills, knowledge, independence, and diversity of the Board members. During the period under review, the committee considered the independence of non-executive directors. Consideration was given, among others, as to whether the individual non-executive directors are sufficiently independent of the Company to effectively carry out their responsibilities as directors, whether they are independent in judgement and character, and that there are no conflicts of interest in the form of contracts, relationships, shareholding, remuneration, employment, or related-party disclosures that could affect their independence.

The committee determined that David Salter, Antonios Djakouris, Omar Kamal, Carol Bell, and Roger Davey are independent. Zhong Liang Hong and Shelley Wai Man Lo are not considered independent due to their association with significant shareholders.

The Nomination Committee met formally once during the year under review.

### Remuneration Committee

All members of the Remuneration Committee are independent non-executive directors. During the year under review, the committee was chaired by Carol Bell, and the other committee members were David Salter, Carol Bell, and Roger Davey. The CEO and CFO are invited to attend committee meetings to make presentations, except when their remuneration is under consideration.

The Remuneration Committee considers the remuneration framework of the Executive Chairman, CEO, CFO, and other members of the executive management of the Company and its subsidiaries, regarding local and international benchmarks. As far as the remuneration of the Executive Chairman and the CEO is concerned, the committee considers and if appropriate, recommends the remuneration of the Executive Chairman and the CEO to the Board for final approval.

The committee also considers bonuses, which are discretionary and based upon general economic variables, the performance of the Company and each individual's performance against personalised key performance indicators, allocations in terms of the Group's incentive schemes, and certain other employee benefits and schemes.

During the year, the committee reviewed various aspects of the Group's remuneration structure, including executive salaries, both short-term and long-term performance-based remuneration schemes and annual cost of living adjustments. It continued its work around the methodology for setting appropriate salary levels for the executive team with Korn Ferry through benchmarking executive remuneration packages against an appropriate peer group and the median of a mining industry group developed by Korn Ferry. The Committee was satisfied that it had developed a satisfactory method to ensure that the executive team was being fairly remunerated compared to the peer group.

The Committee also considered and approved an interim relief measure proposed by the executive team in light of the financial pressure placed on employees due to fuel and food inflation. In terms of the interim relief measure, all employees on Patterson Grades up to and including E5 had been granted either a provident fund payment holiday or additional bonuses paid for two months depending on where the employees are located, the cost of the contributions being covered by the employer companies.

The committee met formally six times during the year under review.

### Safety, Health and Environment Committee

All members of the committee are independent non-executive directors. The committee is chaired by David Salter and other members are Antonios Djakouris, Carol Bell, and Roger Davey. The CEO and COO attend the meeting by invitation.

The Safety, Health and Environment Committee develops and reviews the Group's framework, policies and guidelines on safety, health, and environmental management, monitors key indicators on accidents and incidents, and considers developments in relevant safety, health, and environmental practices and regulations.

The committee met four times during the year under review.

## CORPORATE GOVERNANCE REPORT

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### Social and Ethics Committee

As required by the JSE Listings Requirements, the Board established a Social and Ethics Committee. The committee is chaired by David Salter and other members are Antonios Djakouris, Omar Kamal, Carol Bell, and Phoevos Pouroulis.

The committee's objective is, inter alia, to assist the Board in ensuring that the Company and the other entities in the Group are and remain committed, socially responsible corporate citizens by creating a sustainable business and regard for the Company's economic, social, and environmental impact on the communities in which it operates. This includes, among others, public safety, HIV/Aids, environmental management, corporate social investment, consumer relationships, labour and employment, the promotion of equality, and ethics management.

The committee has an independent role with accountability to both the Board and the Company's shareholders. The committee does not assume the functions of management of the Company. These functions remain the responsibility of the Company's executive directors, executive management, and senior managers.

It is the committee's responsibility to monitor the Group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to, among others, the following:

- (i) Social and economic development, focusing on the Company's standing in terms of the goals and purposes of the 10 United Nations Global Compact Principles, among others:
  - upholding and respecting human rights
  - upholding fair labour practices, which include the freedom of association, the right to collective bargaining, and the elimination of forced labour, child labour, and discrimination
  - upholding the promotion of greater responsibility toward the environment
  - upholding the prevention of bribery and corruption
  - upholding the Organisation for Economic Co-operation and Development's recommendations regarding corruption
  - upholding the Equator Principles
  - upholding the Employment Equity Act and the Broad-Based Black Economic Empowerment Act, applicable to South African subsidiaries.
- (ii) Good corporate citizenship and the impact of the Group's activities and its products or services on the environment, health, and public safety, the Company's employment relationships, and its contribution toward the educational development of its employees. In order to ensure that Tharisa is and is seen to be a responsible corporate citizen, the committee oversees and monitors, on an ongoing basis, the consequences of the Group's activities and outputs on:
  - the workplace, by ensuring employment equity, fair remuneration, safety, health, dignity, and development of employees and the Group's standing in relation to the International Labour Organisation Protocol on decent work and working conditions
  - the economy, by working towards economic transformation
  - the prevention, detection, and response to fraud and corruption
  - society, by upholding public health and safety, consumer protection, community development, and protection of human rights
  - the environment, by ensuring pollution prevention, minimising waste disposal, and protecting biodiversity.
- (iii) Ethical leadership and ethical behaviour, by reviewing the Company's Code of Ethics and making recommendations to the Board for approval reviewing results of whistleblowing activities reviewing significant cases of employee conflicts of interest, misconduct, fraud, or any other unethical activity by employees or the Company and ensuring that the Company's ethics performance is assessed, monitored, reported and disclosed.

The committee is pleased to report that it has fulfilled its mandate in terms of its terms of reference and that there are no instances of material non-compliance to report.

The committee meets as often as it deems necessary but, in any case, at least once a year and at such other times as determined. The committee met once during the year under review.

### New Business Committee

The New Business Committee is responsible for the investigation and assessment of new projects and business opportunities, particularly from a strategic, technical and operational point of view, and identifying project-related risks, and safety, health, and environmental risks. The committee is not authorised to approve individual projects or investments or commit the Company, but works with executive management to review and evaluate new business opportunities and initiatives and make recommendations to the Board for approval. The committee has the right of access to management and/or external consultants, and the right to seek additional information or explanations.

The committee is chaired by Roger Davey and other members are David Salter, Carol Bell, Loucas Pouroulis, and Phoevos Pouroulis. The CFO, COO, Group Executive: Legal, and CTO attend meetings as invitees. All members of the Board who are not committee members have a standing invitation to attend the meetings.

During the year, the committee considered various opportunities presented to it.

The committee meets as often as necessary to undertake its role effectively. The committee met formally three times during the year under review.

## CORPORATE GOVERNANCE REPORT

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### Climate Change and Sustainability Committee

During FY2021, the Board established the Climate Change and Sustainability Committee, delegating the responsibility for overseeing the climate change and sustainability strategy, policies, and functions of the Group. This committee functions alongside the Safety, Health and Environment and the Social and Ethics Committees. Given the significance of the subject matter, not only for the business but also for all stakeholders and the planet, the committee comprises, for the time being, all members of the Board and is chaired by Carol Bell. The committee meetings are attended by the COO, Group Executive: Legal, CTO, Head of Investor Relations and Communications, and the Group ESG Manager by invitation.

The committee's purpose is to provide stewardship and enhance the Group's and, in particular, Tharisa Minerals', efforts in fighting climate change, driving sustainability and maintaining the social licence to operate within communities. Furthermore, the committee supports management in ensuring that the Company addresses climate change and sustainability issues through the development and implementation of a climate change and sustainability policy and sustainability framework. The committee also provides oversight on the Company's sustainability strategy and reporting and all matters under the theme of climate change and sustainability.

In the near term, the focus of this committee is oversight of the implementation of the Company's carbon action plan to become net carbon neutral by 2050. It will also guide the Group towards its goal of creating a circular economy while producing critical metals for the decarbonisation of global economies.

The committee has access to sufficient resources to carry out its duties, including the authority to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference and to invite those persons to attend meetings of the committee.

Meetings are held as often as necessary, but at least twice a year. The committee held four meetings during the year under review.

### Group Company Secretary

The role of the Group Company Secretary is, inter alia, to provide guidance and advice to the Board with respect to matters relating to the JSE Listings Requirements, the LSE Listings Rules, Disclosure Guidance and Transparency Rules, Cyprus Companies Law, King IV, market abuse laws and regulations, and other corporate governance-related matters. In addition to her statutory duties, the Group Company Secretary provides individual directors, the Board as a whole, and the various committees with guidance as to how their responsibilities should be discharged in the best interests of the Group.

Sanet Findlay is a full-time employee within the Group and is based in South Africa. She holds a Bachelor of Science and a Bachelor of Law, a CIS professional postgraduate qualification: Company Secretarial and Governance Practice and has been an Associate member of the Chartered Governance Institute of Southern Africa (formerly Chartered Secretaries Southern Africa) since 2003. She has experience as a Group Company Secretary of JSE- and LSE-listed companies since 2009. She is not a director of Tharisa or any of its subsidiaries and maintains an arm's length relationship with the Board.

Lysandros Lysandrides acts as the Assistant Company Secretary and holds a Bachelor of Law and a postgraduate diploma in Legal Practice (UK). He is an associate member of the Institute of Chartered Secretaries and Administrators (UK), a Fellow of the Chartered Institute of Legal Executives (UK), and a registered practising Cyprus attorney at law. He has experience as a company secretary and legal adviser to companies listed on the LSE and Cyprus Stock Exchange. Lysandros has been appointed as an external adviser to Tharisa and its Cyprus subsidiaries and maintains an arm's length relationship with the Board.

The Board formally assessed and considered the performance and qualifications of the Company Secretaries and is satisfied that the Company Secretaries are competent, suitably qualified, and experienced.

The appointment and removal of the Company Secretaries are matters reserved for the Board as a whole.

### Board evaluation

The Nomination Committee, under the leadership of the Lead Independent Director, evaluates the performance of the Board, its committees, the Executive Chairman, CEO, CFO, the Company Secretary, and the performance and contribution of the individual non-executive directors. The Board committees conduct a self-evaluation against their respective terms of reference and each individual Board member is evaluated by fellow Board members using an evaluation questionnaire. The results of the evaluation process are considered by the Nomination Committee prior to their presentation to the Board. Results and any identified training requirements are discussed with individual directors if deemed necessary. An extensive evaluation was conducted in October 2019. There were no material findings and remedial action is being taken to address areas that can be improved. The Board is satisfied that the evaluation process assists in the improvement of performance and effectiveness of the Board.

A comprehensive evaluation will be undertaken in FY2023.

## CORPORATE GOVERNANCE REPORT

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### Conflicts of interest

Disclosure of other directorships, personal financial interests and any other conflicts of interest, and those of related persons, in any matter before the Board is a standing Board agenda item and a register is kept of all such disclosures. Directors recuse themselves from discussion on any matters in which they may have a conflict of interest. Non-executive directors are required to inform the Board of any proposed new directorships and the Board reserves the right to review such additional appointments to ensure that no conflict of interest would arise and to ensure that a director accepting a new appointment would be able to continue to fulfil his or her obligations as a member of the Board.

### Share dealing and insider trading

All directors of the Company and its major subsidiaries, senior executives, the Company Secretaries, and employees and advisers who, by virtue of their positions, have access to financial and other price-sensitive information are regarded as insiders and are required, at all times, to obtain prior authorisation to deal in the Company's shares.

Directors of the Company and its major subsidiaries and Persons Discharging Managerial Responsibilities (PDMRs) are reminded of their obligation to inform all their associates, as defined by the JSE Listings Requirements, and investment managers of the fact that dealings by the directors and their associates in Tharisa shares have to be pre-approved and/or disclosed to the Company within the stipulated timeframe to facilitate the release of the required announcements in terms of the JSE Listings Requirements. A similar requirement exists under the UK Market Abuse Regime for PDMRs and persons closely associated with them. The Company's directors, executives and employees who are classified as insiders are not permitted to deal in the Company's shares during closed periods or when they are in possession of non-public information.

An appropriate communication is sent to all such directors, PDMRs and employees alerting them that the Company is entering a closed period. Closed periods are observed as required by the JSE Listings Requirements, including the period from the end of the interim and annual financial reporting periods to the announcement of the financial results for the respective periods, and during periods that the Company is under a cautionary announcement. The UK Market Abuse Regulation stipulates a closed period of 30 calendar days before the announcement of the interim and/or annual results. The Company applies the longer duration in any given financial reporting period.

Directors of the Company and its major subsidiaries and PDMRs were made aware of an amendment to the JSE Listings Requirements, which expands the definition of a transaction (for purposes of directors' dealings in securities) to include the use of the issuer's securities as security, guarantee, collateral or otherwise granting a charge, lien or other encumbrance over the securities. In the past, disclosure of such security arrangements had only been required at the time of enforcement against the security, and not at the time the relevant security agreement was entered into. In terms of the amended Listings Requirements, separate transactions are regarded to occur, and an announcement is required at the time a security agreement is entered into, at the time when a right of the secured party is exercised, and at the time that an existing security agreement is amended or terminated. All existing transactions entered into prior to the amendment of the Listings Requirements must be disclosed in the annual report. None of the directors or Company Secretaries of the Company, its major subsidiaries, or any PDMRs had entered into any such transactions prior to the amendment to the Listings Requirements, which came into effect on 2 December 2019.

### Succession planning

The Board, assisted by the Nomination Committee, is responsible for overseeing succession planning and ensuring that appropriate strategies are in place to ensure the smooth continuation of roles and responsibilities of members of the Board and senior management.

### Compliance

Compliance with financial reporting requirements and accounting standards falls within the ambit of the Audit Committee. The Group's statutory and regulatory compliance resides with the Legal, Risk and Compliance Officer and reports on compliance are presented to the Audit and Social and Ethics Committees. In addition to the formal authorisation processes required for dealings in the Company's shares, the Group has various policies and procedures in place governing the declaration of interests, the accepting and granting of gifts and an approved delegation of authorities matrix that governs the delegation of authority and value limits within the Group and ensures that all transactions are approved appropriately. No incidents of non-compliance were identified and no significant penalties or regulatory censures were imposed on the Company or any of its subsidiaries during the year under review.

The Board is satisfied that the Company complied with the Cyprus Companies Law, its Articles of Association, and the requirements of the JSE Listings Requirements pursuant to the Company's primary listing on the JSE during the year under review. The Board also acknowledges the role and responsibilities of its JSE sponsor, Investec Bank Limited, and believes that the sponsor has discharged its responsibilities with due care during the period.

### Information technology governance

The Board Charter commits the Board to assume ultimate responsibility for ensuring that effective information technology (IT) systems, internal control, auditing and compliance policies, and procedures and processes are implemented to avoid or mitigate key IT-related business risks. The Board has delegated responsibility for governing IT to the Audit Committee. An assurance on the IT systems and processes is provided by the Group's internal auditors, and/or other professional consultants if required, and findings are reported to the Audit Committee, which ensures that all material findings are addressed appropriately.

A Group Chief Information Officer, responsible for the Group's strategy and implementation of Information Technology and Information Systems across all Group companies, has been appointed with effect 1 October 2022.

## CORPORATE GOVERNANCE REPORT

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### Climate change governance

The Board is ultimately responsible for the strategic direction of the Group and monitoring that Tharisa and its subsidiaries are operating responsibly. Tharisa has evolved its approach to dealing with stakeholders, focusing on actively healing rather than merely avoiding harm. Both the risks and opportunities presented by climate change are debated actively by the Board when developing the Group's strategy. Investment decisions, likewise, factor in climate risk, as well as the business opportunities that arise from decarbonisation of energy so that the Group's capital investment is allocated appropriately and responsively to ensure that Tharisa's business model remains both sustainable and competitive. The Group produces several raw materials required for decarbonising the global economy. It also directs its research and development activities towards minimising its direct carbon footprint and contributing to the worldwide goal of achieving net-zero carbon emissions by 2050. The Board supports the Paris Climate Agreement, which was adopted in 2015 to address the negative impact of climate change by substantially reducing global greenhouse gas emissions to limit the global increase in temperature.

During FY2021, the Board established the Climate Change and Sustainability Committee, delegating the responsibility for overseeing the climate change and sustainability strategy, policies, and functions of the Group.

Tharisa has seen an intense focus on the impacts of climate change and is acutely aware of its accountability in reducing the Group's carbon footprint. The mining industry is a critical contributor to the global economy and the delivery of critical metals for the worldwide energy transition. It is also essential for the mining industry to minimise the environmental impact of its activities and Tharisa has been reviewing its operations with respect to establishing a corporate plan to reduce its carbon emissions while continuing to grow its operations in producing metals that are needed to effect the energy transition away from fossil fuels and deliver the decarbonisation of economies. Tharisa's management is committed to reducing its carbon emissions by 30% by 2030 (from its FY2020 baseline, which uses 2019 data) and the development of a roadmap is continuing to be net carbon neutral by 2050. Investment decisions taken by Tharisa's Board will be informed by these decarbonisation targets, alongside the current financial investment criteria. Furthermore, this developed roadmap will ensure that the pre-defined decarbonisation targets are achieved by deploying numerous sustainability initiatives.

### External audit

Ernst & Young Cyprus Limited acts as an external auditor to the Group and its independence is reviewed by the Audit Committee on an annual basis. The appointment of the external auditor was approved at the AGM on 23 February 2022. The external auditor has unrestricted access to the chairman of the Audit Committee and the Lead Independent Director.

During the year under review, the Audit Committee and the Karo Mining Holdings board approved the appointment of BDO as external auditor to the Karo Group, comprising Karo Mining Holdings, Karo Zimbabwe Holdings and Karo Platinum. BDO has also been appointed as the external auditors of the Group's other Zimbabwean operations, including Salene Chrome Zimbabwe.

### Internal audit

During FY2021 Tharisa established an in-house internal audit function and the Group Head of Internal Audit is responsible for the internal audit function for the Tharisa Group. He is a member of the South Africa Institute of Chartered Accountants ('SAICA'), The Institute of Internal Auditors ('IIA'), The Information Systems Audit and Control Association ('ISACA') and The Association of Certified Fraud Examiners ('ACFE') and is subject to the code of ethics of these professional bodies.

The purpose of the Tharisa internal audit function is to provide independent, objective assurance and consulting services designed to add value and improve the Group's operations. The Internal Audit Charter sets out the internal audit function's objectives, authority and responsibilities.

The internal audit function evaluates the adequacy and effectiveness of controls in responding to risks within the Group's governance, operations and information systems, including information security and cyber security. It derives its authority from the Audit Committee, to which it reports every quarter.

The Group Head of Internal Audit and internal audit team have unrestricted access to all functions, records, property, assets, personnel, and other documentation and information that the Group Head of Internal Audit considers necessary to enable the internal audit team to carry out its responsibilities. It may obtain the necessary assistance of personnel in subsidiary companies and divisions of Tharisa where they perform audits, as well as other specialised services from within or outside the Company. Furthermore, the Group Head of Internal Audit has full and free access to the chairman and members of the Audit Committee, the Lead Independent Director, the Chairman of the Board and the external auditors.

The internal audit function plays a role in:

- developing and maintaining a culture of accountability, integrity and adherence to high ethical standards
- facilitating the integration of risk management into the day-to-day business activities and processes and
- promoting a culture of cost-consciousness and self-assessment.

Internal audit has a responsibility to advise on governance, risk management and control issues and is required to report inadequately addressed risks and ineffective control processes to management and/or the Audit Committee. Reporting is escalated to a level consistent with the internal audit assessment of the risk. Management is responsible and accountable for addressing weaknesses and inefficiencies and taking the necessary corrective action.

## CORPORATE GOVERNANCE REPORT

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The Group Head of Internal Audit and staff of the internal audit function have accountability to, amongst others:

- provide assurance to the Audit Committee as to the adequacy and effectiveness of the Group's governance, risk management and controls
- develop and implement an annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, including any special tasks or projects requested by management and the Audit Committee
- maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter
- establish a quality assurance programme by which the Group Head of Internal Audit assures the operation of internal audit activities
- issue periodic reports to the Audit Committee and management, as well as summarised results of audit activities
- assist in the investigation of significant suspected fraudulent activities within the organisation and notify management and the Audit Committee of the results and
- consider the scope of work of the external auditors and regulators, as appropriate, to provide optimal audit coverage to the Group at a reasonable overall cost.

Management cannot place any restrictions on the scope of the audits. However, it is recognised that management and the Audit Committee provide general direction as to the scope of work and the activities to be audited and may request internal audit to undertake special reviews or audits. Opportunities for improving management control, profitability, and the company's image may be identified during audits, which are communicated to the appropriate management level.

Recommendations on standards of control to apply to a specific activity are included in the written report of audit findings and opinions given to management for review and implementation. A written report is issued and distributed within a reasonable time after receiving the written management responses.

All significant control weaknesses are followed up on a monthly basis to ensure the remedial action has been implemented by management and the appropriate feedback is given to the Audit Committee on the status of such remedial action.

The internal auditor is responsible for conducting reviews with professional scepticism, recognising that the application of audit procedures may produce evidential matter indicating the possibility of errors or irregularities. Deterrence of fraud is however the responsibility of management.

Internal audit will assist in the investigation of fraud to determine if controls need to be implemented or strengthened and design audit tests to help disclose the possibilities for similar frauds in the future. It will recommend improvements to correct the weaknesses and incorporate appropriate tests in future audits to disclose the existence of similar weaknesses in other areas of the organisation.

Internal audit maintains an open relationship with external auditors and any other assurance providers. Consistent with the Internal Audit strategy, internal audit plans its activity to help ensure the adequacy of overall audit coverage and to minimise duplication of assurance effort. The external auditors have full and unrestricted access to all internal audit strategies, plans, working papers and reports.

Independence and objectivity are essential to the effectiveness of the internal audit function. Internal audit has no direct authority or responsibility for the activities it reviews or for developing or implementing procedures. In addition, internal audit staff generally do not assume a role other than in an advisory capacity in the design, installation or operation of control procedures.

Internal audit reports functionally to the chairman of the Audit Committee and administratively to the Chief Finance Officer for the efficient and effective operation of internal audit function. The Audit Committee decides on the Group Head of Internal Audit appointment and removal and is responsible for his performance appraisal.

Independence is protected by ensuring that the internal audit function is free from control or undue influence by any party in selecting and applying audit techniques, procedures, and programmes.

Internal Audit is free from control or undue influence in the determination of facts revealed by the examination or in the development of recommendations or opinions resulting from the examination. The internal audit function is free from undue influence in selecting areas, activities, personal relationships, and managerial policies to be examined.

The internal audit function has oversight of the independent anonymous safety and ethics hotline administered by Whistleblowers Proprietary Limited. It investigates all reports received via the Whistleblowers hotline and through other channels and makes recommendations to management.

The Audit Committee ensures that the Internal Audit function is subjected to an independent quality review as and when the Audit Committee determines it appropriate as a measure to ensure that the function remains effective.

## CORPORATE GOVERNANCE REPORT

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### Internal control systems

To meet the Company's responsibility to provide reliable financial information, the Company maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority that the assets are adequately protected against material losses, unauthorised acquisition, use or disposal and those transactions are properly authorised and recorded. The systems include a documented organisational structure and division of responsibility and established policies and procedures, which are communicated throughout the Group, and the careful selection, training, and development of people.

The Audit Committee monitors the operation of the internal control systems to determine whether there are deficiencies. Corrective actions are taken to address control deficiencies as they are identified. The Board, operating through the Audit Committee, oversees the financial reporting process and internal control systems.

There are inherent limitations to the effectiveness of any internal control system, including the possibility of human error and the circumvention or overriding of controls.

### Code of Business Ethics and Conduct

The Group's Code of Business Ethics and Conduct reaffirms the high standards of business conduct required of all employees, officers, and directors of Tharisa. It forms part of the Company's continuing effort to ensure that it complies with all applicable laws, as an effective programme to prevent and detect violations of law, and for the education and training of employees, officers, and directors. In most circumstances, the code sets standards that are higher than the law requires and adherence to the code aims to preserve the confidence and support of the public and Tharisa's shareholders.

Tharisa expects its employees, officers, and directors to:

- act with honesty, integrity, and fairness in all dealings, both internally and externally
- comply with all laws and regulations applicable to the Group
- comply with Group policies and procedures
- protect the health, safety, and wellbeing of co-workers, suppliers, and the communities in which the Group operates
- protect the environment by prudent use of resources such as water and energy and to limit waste disposal by recycling
- protect and not disclose Tharisa's confidential information
- avoid any potential conflicts of private interests with the interests of the Group, including, but not limited to, improper communications with competitors or suppliers regarding bids for contracts, having close relationships with contractors or suppliers, and involvement with any other businesses that have interests adverse to Tharisa, interests in Tharisa, or compete with Tharisa
- not give or accept gifts, gratuities, or hospitality from customers or suppliers of inappropriate value, that could incur obligations or that could influence judgement
- avoid any situations or relationships that could interfere with an individual's ability to make decisions in Tharisa's best interests
- to act courteously, dignified and respectfully when dealing with co-workers and third parties and to refrain from discriminatory, harassing, or bullying behaviour, whether expressed verbally, in gesture, or through behaviour.

Furthermore, it is Tharisa's policy not to discriminate against any employee on the basis of race, religion, national origin, language, gender, sexual orientation, HIV status, age, political affiliation, or physical or other disability. Tharisa desires to create a challenging and supportive environment where individual contributions and teamwork are highly valued. In order to establish such an environment, all individuals are expected to support this policy of non-discrimination and Tharisa's equal employment opportunity policies.

### Human rights, modern slavery, and human trafficking

Tharisa acts ethically and with integrity in all business dealings and has the necessary systems and controls in place to safeguard against any form of transgression of human rights. Tharisa will continue to raise awareness of human rights among its employees, suppliers, and the communities in which it operates.

Modern slavery encapsulates slavery, servitude, and forced or compulsory labour. Tharisa has a zero-tolerance approach to any form of modern slavery and is committed to ensuring that there is no slavery or human trafficking in its supply chain, or any part of its business.

### Anti-bribery and corruption policy

Tharisa is committed to doing business ethically. Tharisa does not tolerate corruption, fraud, and bribery and does not allow donations to any political parties through any of its operations. The Group's anti-corruption policy outlines potential risks and steps to mitigate the risk of bribery and corruption, together with a reporting guideline. All employees, suppliers, and other associated persons are made aware of these policies and procedures with regard to ethical behaviour, business conduct, and transparency.

## CORPORATE GOVERNANCE REPORT

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### **Independent, anonymous safety and ethics hotline**

The Group has a zero-tolerance approach to safety transgressions, theft, fraud, corruption, violation of the law, and unethical business practices by employees or suppliers.

A 24-hour independent anonymous safety and ethics hotline monitored by an independent external party is fully operational and facilitates the reporting and resolution of safety and ethical violations. This confidential and anonymous hotline provides an impartial facility for employees, service providers, customers, and other stakeholders to report any safety or ethics-related matter such as safety concerns, unsafe behaviour and practices, hazardous conditions, fraudulent activity, corruption, statutory malpractice, financial and accounting reporting irregularities, and other deviations from safe and ethical behaviour. The Audit Committee must ensure that arrangements are in place for the independent investigation of such matters and appropriate follow-up action. No action will be taken against anyone reporting legitimate concerns, even if there is no proven unlawful conduct.

Each report received via the safety and ethics hotline, or any other channel, is considered and assessed by the Group Head of Internal Audit in terms of the nature of the incident and the level of staff implicated. For the following instances, the Group Head of Internal Audit consults with the Audit Committee Chairperson and together they decide on the most appropriate follow-up action:

- reports that concern individuals that are at the highest level of management of the Group and/or individuals that are responsible for overseeing one or more departments, or
- incidents that indicate a serious or pervasive violation that puts Tharisa at risk (whether from a reputational or financial perspective).

Based on this assessment, the Group Head of Internal Audit, in conjunction with the CFO and/or COO and/or CEO, determines whether to investigate the matter with internal audit resources or request the senior management within the function/region to investigate where this is appropriate or required. In certain circumstances it could be appropriate to engage an outside forensic expert to investigate. All incidents are investigated and the outcomes of the investigations are reported to the Audit Committee every quarter. Based on the outcome of the investigation, appropriate action is taken, which may include, where deemed necessary, a disciplinary process in accordance with the Tharisa Human Resources Disciplinary Process.

Whistle Blowers Proprietary Limited operates and ensures the confidentiality of the hotline/tip-off process and that the anonymity of the individual using the hotline is protected while they are in possession of the information, as well as protecting the rights of the individuals referred to in the complaint.

### **Investor relations**

The CEO and CFO, supported by the Investor Relations function, interact with institutional investors and qualified private investors on the performance of the Group through presentations and scheduled meetings regularly. The Company also participates in selected South African and international conferences and conducts roadshows in South Africa and internationally.

A wide range of information and documents, including copies of presentations given to investors, annual reports and notices of shareholder meetings, are made available on the Company's website [www.tharisa.com](http://www.tharisa.com) on an ongoing basis.

Shareholders are encouraged to visit the investors' section of the website frequently to be kept informed of the corporate timetable, including dates for the AGMs, forms of proxy, and relevant shareholder information.

## CHIEF EXECUTIVE OFFICER AND THE CHIEF FINANCE OFFICER RESPONSIBILITY STATEMENT

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The directors, whose names are stated below, hereby confirm that:

- The consolidated annual financial statements and company annual financial statements set out on pages 53 to 121 and 123 to 151 of this document, fairly present in all material respects the financial position, financial performance and cash flows of Tharisa plc and subsidiaries and of Tharisa plc company in terms of IFRS;
- To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the consolidated annual financial statements and company annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to Tharisa plc and its consolidated subsidiaries have been provided to effectively prepare the consolidated financial statements and company financial statements of Tharisa plc;
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- Where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have "remediated the deficiencies / taken steps to remedy the deficiencies"; and
- We are not aware of any fraud involving directors.



Phoevos Pouroulis



Michael Jones

Cyprus  
1 December 2022

**STATEMENT BY THE MEMBERS OF THE BOARD OF DIRECTORS RESPONSIBLE FOR THE DRAFTING OF THE ANNUAL CONSOLIDATED FINANCIAL REPORT AND FINANCIAL STATEMENTS OF THARISA PLC ACCORDING TO THE UNITED KINGDOM DISCLOSURE GUIDANCE AND TRANSPARENCY RULES ('UK DTR').**

In accordance with DTR4.1 on Annual Financial Reporting, providing for the disclosure and transparency requirements for issuers whose transferable securities are admitted to trading on a UK Recognised Investment Exchange, we, the members of the Board of Directors, responsible for the preparation of the annual consolidated financial statements of Tharisa plc for the period ended 30 September 2022, hereby declare that to the best of our knowledge:

- (a) the financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- (b) the management report includes a fair review of the development and performance of the business and the position of the Company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Loucas Pouroulis

Executive Chairman



Phoevos Pouroulis

Chief Executive Officer



Michael Jones

Chief Finance Officer



Carol Bell

Lead independent non-executive director



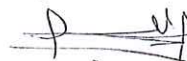
Antonios Djakouris

Independent non-executive director



Omar Kamal

Independent non-executive director



David Salter

Independent non-executive director



Roger Davey

Independent non-executive director



Zhong Liang Hong

Non-executive director



Shelley Lo Wai Man

Non-executive director



Cyprus, 1 December 2022

## 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
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| <p><b><u>Revenue recognition:</u></b></p> <p>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:</p> <p>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.</p> <ul style="list-style-type: none"> <li>▶ 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.</li> <li>▶ 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.</li> </ul> <p>These calculations are based on estimations and are susceptible to potential manipulation.</p> | <p>In this area, we performed the following procedures, among others:</p> <ul style="list-style-type: none"> <li>▶ 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;</li> <li>▶ 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).</li> <li>▶ 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;</li> <li>▶ For a risk-based sample of revenue transactions selected, we obtained third party confirmations, to check their completeness and accuracy;</li> <li>▶ 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;</li> <li>▶ 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;</li> <li>▶ 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;</li> <li>▶ 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;</li> </ul> |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <ul style="list-style-type: none"> <li>▶ We performed substantive analytical review procedures, including yearly and monthly trend analysis and reasonableness tests; and</li> <li>▶ We assessed whether the financial statements include disclosures in respect of revenue and the provisional pricing in accordance with the applicable IFRS.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

**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

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

for the year ended 30 September 2022

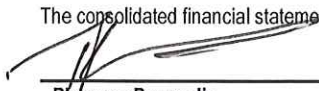
|                                                                                     | Notes | 2022<br>US\$'000 | 2021<br>US\$'000 |
|-------------------------------------------------------------------------------------|-------|------------------|------------------|
| Revenue                                                                             | 5     | 685 996          | 596 345          |
| Cost of sales                                                                       | 6     | (440 336)        | (388 926)        |
| Gross profit                                                                        |       | 245 660          | 207 419          |
| Other income                                                                        | 7     | 720              | 764              |
| Net foreign exchange gain                                                           |       | 2 049            | 15 477           |
| Other operating expenses                                                            | 9     | (63 880)         | (44 822)         |
| Results from operating activities                                                   |       | 184 549          | 178 838          |
| Finance income                                                                      | 10    | 1 376            | 1 391            |
| Finance costs                                                                       | 10    | (4 758)          | (4 893)          |
| Changes in fair value of financial assets at fair value through profit or loss      | 33    | (5 627)          | 10 540           |
| Changes in fair value of financial liabilities at fair value through profit or loss | 33    | 1 521            | (370)            |
| Gain on acquisition of subsidiary                                                   | 31    | 48 391           | -                |
| Share of loss of investment accounted for using the equity method                   | 16    | (5 229)          | (251)            |
| Profit before tax                                                                   |       | 220 223          | 185 255          |
| Tax                                                                                 | 12    | (53 067)         | (53 714)         |
| <b>Profit for the year</b>                                                          |       | <b>167 156</b>   | <b>131 541</b>   |
| <b>Other comprehensive income</b>                                                   |       |                  |                  |
| <i>Items that may be classified subsequently to profit or loss:</i>                 |       |                  |                  |
| Foreign currency translation differences for foreign operations, net of tax         |       | (69 749)         | 20 450           |
| Other comprehensive (loss)/income, net of tax                                       |       | (69 749)         | 20 450           |
| <b>Total comprehensive income for the year</b>                                      |       | <b>97 407</b>    | <b>151 991</b>   |
| Profit for the year attributable to:                                                |       |                  |                  |
| Owners of the Company                                                               |       | 153 881          | 100 469          |
| Non-controlling interest                                                            |       | 13 275           | 31 072           |
|                                                                                     |       | <b>167 156</b>   | <b>131 541</b>   |
| Total comprehensive income for the year attributable to:                            |       |                  |                  |
| Owners of the Company                                                               |       | 87 942           | 113 471          |
| Non-controlling interest                                                            |       | 9 465            | 38 520           |
|                                                                                     |       | <b>97 407</b>    | <b>151 991</b>   |
| Earnings per share                                                                  |       |                  |                  |
| Basic earnings per share (US cents)                                                 | 13    | 53.8             | 37.4             |
| Diluted earnings per share (US cents)                                               | 13    | 53.8             | 37.3             |

The notes on pages 58 to 121 are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at 30 September 2022

|                                                  | Notes | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------------------------------|-------|------------------|------------------|
| <b>Assets</b>                                    |       |                  |                  |
| <b>Non-current assets</b>                        |       |                  |                  |
| Property, plant and equipment                    | 14    | 569 580          | 380 461          |
| Intangible assets                                | 15    | 940              | 2 942            |
| Investment accounted for using the equity method | 16    | -                | 10 274           |
| Financial and other assets                       | 18    | 6 019            | 15 854           |
| Deferred tax assets                              | 19    | 1 174            | 1 177            |
| <b>Total non-current assets</b>                  |       | <b>577 713</b>   | <b>410 708</b>   |
| <b>Current assets</b>                            |       |                  |                  |
| Inventories                                      | 20    | 73 240           | 58 269           |
| Trade and other receivables                      | 21    | 149 669          | 136 554          |
| Contract assets                                  | 22    | 2 078            | 2 440            |
| Financial and other assets                       | 18    | 19               | 3 041            |
| Current taxation                                 |       | 7 302            | 8 949            |
| Cash and cash equivalents                        | 23    | 143 300          | 83 436           |
| <b>Total current assets</b>                      |       | <b>375 608</b>   | <b>292 689</b>   |
| <b>Total assets</b>                              |       | <b>953 321</b>   | <b>703 397</b>   |
| <b>Equity and liabilities</b>                    |       |                  |                  |
| Share capital and premium                        | 24    | 345 897          | 289 818          |
| Other reserve                                    | 24    | 47 245           | 47 245           |
| Foreign currency translation reserve             | 24    | (192 519)        | (91 848)         |
| Retained earnings                                | 24    | 358 403          | 199 217          |
| Equity attributable to owners of the Company     |       | <b>559 026</b>   | <b>444 432</b>   |
| Non-controlling interests                        | 24    | 61 355           | 6 842            |
| <b>Total equity</b>                              |       | <b>620 381</b>   | <b>451 274</b>   |
| <b>Non-current liabilities</b>                   |       |                  |                  |
| Provisions                                       | 25    | 12 376           | 19 931           |
| Borrowings                                       | 26    | 23 048           | 20 590           |
| Other financial liabilities                      | 27    | 16 779           | -                |
| Deferred tax liabilities                         | 19    | 112 341          | 87 565           |
| <b>Total non-current liabilities</b>             |       | <b>164 544</b>   | <b>128 086</b>   |
| <b>Current liabilities</b>                       |       |                  |                  |
| Borrowings                                       | 26    | 39 836           | 16 260           |
| Other financial liabilities                      | 27    | 526              | 485              |
| Current taxation                                 |       | 2 056            | 286              |
| Trade and other payables                         | 28    | 123 900          | 104 566          |
| Contract liabilities                             | 29    | 2 078            | 2 440            |
| <b>Total current liabilities</b>                 |       | <b>168 396</b>   | <b>124 037</b>   |
| <b>Total liabilities</b>                         |       | <b>332 940</b>   | <b>252 123</b>   |
| <b>Total equity and liabilities</b>              |       | <b>953 321</b>   | <b>703 397</b>   |

The consolidated financial statements were authorised for issue by the Board of Directors on 1 December 2022.

  
Phoevos Pouroulis  
Director

  
Michael Jones  
Director

The notes on pages 58 to 121 are an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2022

|                                                                      | Notes | Attributable to owners of the Company |                           |                           |                                                  |                               |                   | Non-controlling interest<br>US\$'000 | Total equity<br>US\$'000 |
|----------------------------------------------------------------------|-------|---------------------------------------|---------------------------|---------------------------|--------------------------------------------------|-------------------------------|-------------------|--------------------------------------|--------------------------|
|                                                                      |       | Share capital<br>US\$'000             | Share premium<br>US\$'000 | Other reserve<br>US\$'000 | Foreign currency translation reserve<br>US\$'000 | Retained earnings<br>US\$'000 | Total<br>US\$'000 |                                      |                          |
| <b>Balance at 1 October 2021</b>                                     |       | <b>271</b>                            | <b>289 547</b>            | <b>47 245</b>             | <b>(91 848)</b>                                  | <b>199 217</b>                | <b>444 432</b>    | <b>6 842</b>                         | <b>451 274</b>           |
| <b>Total comprehensive income for the year</b>                       |       |                                       |                           |                           |                                                  |                               |                   |                                      |                          |
| Profit for the year                                                  |       | -                                     | -                         | -                         | -                                                | 153 881                       | 153 881           | 13 275                               | 167 156                  |
| <i>Other comprehensive income:</i>                                   |       |                                       |                           |                           |                                                  |                               |                   |                                      |                          |
| Foreign currency translation differences                             | 24    | -                                     | -                         | -                         | (65 939)                                         | -                             | (65 939)          | (3 810)                              | (69 749)                 |
| <b>Total comprehensive income for the year</b>                       |       | <b>-</b>                              | <b>-</b>                  | <b>-</b>                  | <b>(65 939)</b>                                  | <b>153 881</b>                | <b>87 942</b>     | <b>9 465</b>                         | <b>97 407</b>            |
| <b>Transactions with owners of the Company</b>                       |       |                                       |                           |                           |                                                  |                               |                   |                                      |                          |
| <i>Contributions by and distributions to owners</i>                  |       |                                       |                           |                           |                                                  |                               |                   |                                      |                          |
| Dividends paid                                                       | 38    | -                                     | -                         | -                         | -                                                | (23 106)                      | (23 106)          | (164)                                | (23 270)                 |
| Issue of ordinary shares                                             | 24    | 29                                    | 56 050                    | -                         | -                                                | -                             | 56 079            | -                                    | 56 079                   |
| Acquisition of non-controlling interest – Tharisa Minerals (Pty) Ltd | 24    | -                                     | -                         | -                         | (34 732)                                         | 25 578                        | (9 154)           | (16 473)                             | (25 627)                 |
| Increase in shareholding of subsidiaries – Karo Mining Holdings plc  | 24    | -                                     | -                         | -                         | -                                                | 4 509                         | 4 509             | (4 509)                              | -                        |
| Acquired through business combination                                | 31    | -                                     | -                         | -                         | -                                                | -                             | -                 | 66 181                               | 66 181                   |
| Shares issued by subsidiary to non-controlling shareholders          | 31    | -                                     | -                         | -                         | -                                                | -                             | -                 | 13                                   | 13                       |
| Equity-settled share-based payments                                  | 24    | -                                     | -                         | -                         | -                                                | (1 676)                       | (1 676)           | -                                    | (1 676)                  |
| <b>Contributions by and distributions to owners of the Company</b>   |       | <b>29</b>                             | <b>56 050</b>             | <b>-</b>                  | <b>(34 732)</b>                                  | <b>5 305</b>                  | <b>26 652</b>     | <b>45 048</b>                        | <b>71 700</b>            |
| <b>Total transactions with owners of the Company</b>                 |       | <b>29</b>                             | <b>56 050</b>             | <b>-</b>                  | <b>(34 732)</b>                                  | <b>5 305</b>                  | <b>26 652</b>     | <b>45 048</b>                        | <b>71 700</b>            |
| <b>Balance at 30 September 2022</b>                                  |       | <b>300</b>                            | <b>345 597</b>            | <b>47 245</b>             | <b>(192 519)</b>                                 | <b>358 403</b>                | <b>559 026</b>    | <b>61 355</b>                        | <b>620 381</b>           |

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% and General Health System contribution at 1.7%-2.65% for deemed distributions after 1 March 2019 will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of the deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 58 to 121 are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 30 September 2022

|                                                             | Notes | Attributable to owners of the Company |                           |                           |                                                  |                               |                   | Non-controlling interest<br>US\$'000 | Total equity<br>US\$'000 |
|-------------------------------------------------------------|-------|---------------------------------------|---------------------------|---------------------------|--------------------------------------------------|-------------------------------|-------------------|--------------------------------------|--------------------------|
|                                                             |       | Share capital<br>US\$'000             | Share premium<br>US\$'000 | Other reserve<br>US\$'000 | Foreign currency translation reserve<br>US\$'000 | Retained earnings<br>US\$'000 | Total<br>US\$'000 |                                      |                          |
| Balance at 1 October 2020                                   |       | 269                                   | 286 660                   | 47 245                    | (104 850)                                        | 122 085                       | 351 409           | (30 580)                             | 320 829                  |
| Total comprehensive income for the year                     |       |                                       |                           |                           |                                                  |                               |                   |                                      |                          |
| Profit for the year                                         |       | -                                     | -                         | -                         | -                                                | 100 469                       | 100 469           | 31 072                               | 131 541                  |
| Other comprehensive income:                                 |       |                                       |                           |                           |                                                  |                               |                   |                                      |                          |
| Foreign currency translation differences                    | 24    | -                                     | -                         | -                         | 13 002                                           | -                             | 13 002            | 7 448                                | 20 450                   |
| Total comprehensive income for the year                     |       | -                                     | -                         | -                         | 13 002                                           | 100 469                       | 113 471           | 38 520                               | 151 991                  |
| Transactions with owners of the Company                     |       |                                       |                           |                           |                                                  |                               |                   |                                      |                          |
| Contributions by and distributions to owners                |       |                                       |                           |                           |                                                  |                               |                   |                                      |                          |
| Dividends paid                                              | 38    | -                                     | -                         | -                         | -                                                | (20 181)                      | (20 181)          | (1 098)                              | (21 279)                 |
| Issue of ordinary shares                                    | 24    | 2                                     | 2 887                     | -                         | -                                                | -                             | 2 889             | -                                    | 2 889                    |
| Equity-settled share-based payments                         | 24    | -                                     | -                         | -                         | -                                                | (3 156)                       | (3 156)           | -                                    | (3 156)                  |
| Contributions by and distributions to owners of the Company |       | 2                                     | 2 887                     | -                         | -                                                | (23 337)                      | (20 448)          | (1 098)                              | (21 546)                 |
| Total transactions with owners of the Company               |       | 2                                     | 2 887                     | -                         | -                                                | (23 337)                      | (20 448)          | (1 098)                              | (21 546)                 |
| Balance at 30 September 2021                                |       | 271                                   | 289 547                   | 47 245                    | (91 848)                                         | 199 217                       | 444 432           | 6 842                                | 451 274                  |

The notes on pages 58 to 121 are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended 30 September 2022

|                                                                                     | Notes | 2022<br>US\$'000 | 2021<br>US\$'000 |
|-------------------------------------------------------------------------------------|-------|------------------|------------------|
| <b>Cash flows from operating activities</b>                                         |       |                  |                  |
| Profit for the year                                                                 |       | 167 156          | 131 541          |
| Adjustments for:                                                                    |       |                  |                  |
| Depreciation of property, plant and equipment                                       | 14    | 38 796           | 36 024           |
| Loss on disposal of property, plant and equipment                                   | 14    | 1 482            | -                |
| Share of loss of investment accounted for using the equity method                   | 16    | 5 229            | 251              |
| Impairment of goodwill                                                              | 15    | 1 852            | -                |
| Net realisable value write down of inventory                                        | 20    | 3 562            | 789              |
| Impairment of property, plant and equipment                                         | 14    | 8 366            | -                |
| Write off of property, plant and equipment                                          | 14    | 1 328            | 4 950            |
| Expected credit loss allowance                                                      | 21    | 47               | 100              |
| Equity-settled share-based payments                                                 | 8     | 1 709            | 3 560            |
| Changes in fair value of financial assets at fair value through profit or loss      | 33    | 5 627            | (10 540)         |
| Changes in fair value of financial liabilities at fair value through profit or loss | 33    | (1 521)          | 370              |
| Gain on acquisition of subsidiary                                                   | 31    | (48 391)         | -                |
| Net foreign exchange gain                                                           |       | (2 049)          | (15 477)         |
| Interest income                                                                     | 10    | (1 376)          | (1 391)          |
| Interest expense                                                                    | 10    | 4 758            | 4 893            |
| Tax                                                                                 | 12    | 53 067           | 53 714           |
|                                                                                     |       | 239 642          | 208 784          |
| Changes in:                                                                         |       |                  |                  |
| Inventories                                                                         |       | (28 172)         | (13 442)         |
| Trade and other receivables and contract assets                                     |       | (30 126)         | (11 385)         |
| Trade and other payables and contract liabilities                                   |       | 41 128           | 39 674           |
| Provisions                                                                          |       | (7 599)          | 2 150            |
| Cash generated from operations                                                      |       | 214 873          | 225 781          |
| Income tax paid                                                                     | 30    | (41 197)         | (17 412)         |
| <b>Net cash flows from operating activities</b>                                     |       | 173 676          | 208 369          |
| <b>Cash flows from investing activities</b>                                         |       |                  |                  |
| Interest received                                                                   |       | 1 327            | 1 106            |
| Additions to property, plant and equipment                                          | 14    | (105 014)        | (106 006)        |
| Cash inflow/(outflow) from business combination                                     | 31    | 4 984            | (3 079)          |
| Proceeds from disposal of property, plant and equipment                             | 14    | 1 727            | 1                |
| Additions to investments accounted for using the equity method                      | 16    | (4 965)          | -                |
| Refunds from/(additions to) other assets                                            | 18    | 316              | (2 282)          |
| <b>Net cash flows used in investing activities</b>                                  |       | (101 625)        | (110 260)        |
| <b>Cash flows from financing activities</b>                                         |       |                  |                  |
| Net proceeds from/(repayment of) bank credit facilities                             | 26    | 22 026           | (15 553)         |
| Advances received                                                                   | 26    | 20 942           | 26 787           |
| Repayment of borrowings                                                             | 26    | (14 406)         | (48 208)         |
| Principal lease payments                                                            | 26    | (3 793)          | (4 597)          |
| Dividends paid                                                                      | 38    | (23 270)         | (21 279)         |
| Interest paid                                                                       |       | (4 017)          | (3 003)          |
| <b>Net cash flows used in financing activities</b>                                  |       | (2 518)          | (65 853)         |
| <b>Net increase in cash and cash equivalents</b>                                    |       | 69 533           | 32 256           |
| Cash and cash equivalents at the beginning of the year                              |       | 83 436           | 49 293           |
| Effect of exchange rate fluctuations on cash held                                   |       | (9 669)          | 1 887            |
| <b>Cash and cash equivalents at the end of the year</b>                             | 23    | 143 300          | 83 436           |

The notes on pages 58 to 121 are an integral part of these financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 1. CORPORATE INFORMATION

Tharisa plc ('the Company') was incorporated in Cyprus on 20 February 2008 under registration number HE223412. The Company changed its name from Tharisa Limited to Tharisa plc on 19 January 2012. On 10 April 2014, the Company listed its ordinary share capital on the main board of the Johannesburg Stock Exchange ('JSE') as the primary listing. On 8 June 2016 the Company listed its ordinary share capital as a standard listing on the main board of the London Stock Exchange ('LSE'). On 6 February 2019 the Company listed its ordinary share capital as a secondary listing on the A2X Exchange in South Africa.

The Company's registered office is at Sofoklis Pittokopitis Business Centre, Offices 108-110, 17 Neophytou Nicolaides and Kilkis Streets, 8011 Paphos, Cyprus.

The principal activity of the Group is the exploitation of metals and minerals, principally platinum group metals ('PGMs') and chrome, and associated sales and logistics operations.

On 9 February 2009, the Company acquired 74.0% of the share capital of Tharisa Minerals Proprietary Limited ('Tharisa Minerals'), a company established in South Africa. The principal activity of Tharisa Minerals is PGM and chrome mining and processing. On 16 February 2022, the Company acquired an additional 20.0% of the issued share capital of Tharisa Minerals from a non-controlling shareholder increasing its shareholding to 94.0%. On 20 May 2022, the Company acquired the remaining 6.0% of the issued share capital of Tharisa Minerals resulting in Tharisa Minerals becoming a wholly-owned subsidiary of the Company.

On 2 November 2010, the Company incorporated Tharisa Investments Limited, a company established in Cyprus. The principal activity of Tharisa Investments Limited is that of investment holding.

On 15 February 2012, Tharisa Investments Limited incorporated Tharisa Fujian Industrial Co., Ltd, a company established in China. The principal activity of Tharisa Fujian Industrial Co., Ltd is that of ferrochrome smelting. Tharisa Fujian Industrial Co., Ltd has not commenced operations up to the date of this report.

On 24 August 2011, Tharisa Investments Limited incorporated Tharisa Investments (Hong Kong) Limited, a company established in Hong Kong. Tharisa Investments (Hong Kong) Limited did not commence with operations and was deregistered on 9 September 2022.

On 4 February 2011, the Company incorporated Arxo Resources Limited, a company established in Cyprus. The principal activity of Arxo Resources Limited is the selling and distribution of chrome concentrates. On 7 December 2011, Arxo Resources Limited incorporated Arxo Metals Proprietary Limited, a company established in South Africa. The principal activity of Arxo Metals Proprietary Limited is metal processing. It currently produces foundry and chemical grade chrome concentrates, operates a chrome plant owned by a third party and is involved in various research and development test work, more specifically test work relating to the beneficiation of PGM concentrates.

On 1 March 2011, the Company acquired 100% of the share capital of Arxo Logistics Proprietary Limited, a company established in South Africa. The principal activity of Arxo Logistics Proprietary Limited is the provision of logistics services.

On 31 May 2011, the Company incorporated Tharisa Administration Services Limited ('Tharisa Administration'), a company established in Cyprus. Tharisa Administration provides management and administration services to the Group. On 1 April 2013, Tharisa Administration acquired Braeston Proprietary Limited, a company established in South Africa. The principal activity of Braeston Proprietary Limited is the provision of management services to the Group. On 19 July 2018, Braeston Proprietary Limited incorporated Ubhova Security Proprietary Limited, a company incorporated in South Africa. The principal activity of Ubhova Security Proprietary Limited is the provision of security services.

On 30 May 2013, the Company incorporated Dinami Limited, a company established in Guernsey. The principal activity of Dinami Limited is the provision of consultancy services in relation to the sale of the Group's foundry and chemical grade chrome concentrate products.

On 12 June 2018, the Company acquired a 26.8% shareholding in Karo Mining Holdings plc ('Karo Mining'), a company incorporated in Cyprus. The principal activity of Karo Mining Holdings plc is that of an investment holding company. On 30 March 2022, the Company acquired a controlling interest in Karo Mining by increasing its shareholding to 66.34%. Subsequent to acquiring the controlling interest in Karo Mining, the Company increased its shareholding in Karo Mining to 70.0% by subscribing for additional shares issued by Karo Mining during the period 1 April 2022 to 30 September 2022.

The main subsidiary of Karo Mining is Karo Zimbabwe Holdings (Private) Limited, a company incorporated in Zimbabwe. Karo Zimbabwe Holdings (Private) Limited is the holding company of Karo Platinum (Private) Limited, Karo Power Generation (Private) Limited, Karo Refining (Private) Limited and Karo Coal Mines (Private) Limited. All subsidiary companies of Karo Zimbabwe Holdings (Private) limited are incorporated in Zimbabwe.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 1. CORPORATE INFORMATION (continued)

On 29 June 2018, the Company incorporated Arxo Finance plc, a company incorporated in Cyprus. The principal activity of Arxo Finance plc is to provide funding for Group entities.

On 1 October 2019, the Company acquired 100% of the share capital of MetQ Proprietary Limited ('MetQ'), a company established in South Africa. The principal activity of MetQ is the manufacturing of mining equipment.

On 31 March 2021, the Company acquired 100.0% of the share capital of Salene Chrome Zimbabwe (Private) Limited ('Salene Chrome'), a company incorporated in Zimbabwe. Salene Chrome's principal activity is exploration and mining. Salene Chrome has been awarded special grants under the Zimbabwe Mines and Minerals Act on the Eastern and Western sides of the Great Dyke in Zimbabwe, which entitles it to mine the minerals thereon.

On 19 April 2021, the Company incorporated Arxo Prospecting (Cyprus) Limited, a company established in Cyprus. The principal activity of Arxo Prospecting Limited is the prospecting for minerals and metals. Limited operations were conducted during the financial year ended 30 September 2022.

On 20 April 2021, the Company incorporated Arxo Exploration (Cyprus) Limited, a company established in Cyprus. The principal activity of Arxo Exploration Limited is the exploration for various metals and minerals. Limited operations were conducted during the financial year ended 30 September 2022.

On 30 June 2021, the Company incorporated Arxo Technologies Limited, a company established in Cyprus. The principal activity of Arxo Technologies Limited is to perform research and development operations. Limited operations were conducted during the financial year ended 30 September 2022.

On 16 December 2021, the Company incorporated Skyler Storm (Private) Limited, a company established in Zimbabwe. The principal activity of Skyler Storm (Private) Limited is to perform mining and beneficiation of chrome concentrate operations. Limited operations were conducted during the financial year ended 30 September 2022.

On 18 April 2022, the Company incorporated Redox One Limited, a company established in Cyprus. The principal activity of Redox One Limited is to perform research and development operations, specifically in renewable energy solutions. Limited operations were conducted during the financial year ended 30 September 2022.

### 2.1. BASIS OF PREPARATION

#### Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs'), the Listings Requirements of the Johannesburg Stock Exchange, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee, the Financial Reporting Pronouncements of the Financial Reporting Standards Council and the requirements of the Cyprus Companies Law, Cap. 113. Statutory consolidated financial statements of the Company were additionally prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113. These have been approved and issued on the same date and there are no differences in the two sets of consolidated financial statements.

#### Basis of measurement

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

#### Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Where an accounting policy is specific to a note, the policy is described in the note which it relates to. These policies have consistently been applied to all years presented.

#### Functional and presentation currency

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

The following US\$: ZAR exchange rates were used in preparing the consolidated financial statements:

- Closing rate: ZAR18.07 (2021: ZAR15.05)
- Average rate: ZAR15.82 (2021: ZAR14.83)

#### Going concern

These consolidated financial statements have been prepared on a going concern basis.

Refer to note 33 for statements on the Group's objectives, policies and processes for managing its capital, details of its financial instruments and hedging activities; its exposures to market risk in relation to commodity prices and foreign exchange risks; interest rate risk; credit risk; and liquidity risk.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 2.2. STANDARDS AND INTERPRETATIONS ADOPTED IN THE CURRENT YEAR

The Group has adopted the following new and/or revised standards and interpretations which became effective for the year ended 30 September 2022 for which the nature and effect of the changes as a result of the adoption of these new accounting standards are described below:

#### ***Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 4, IFRS 7 and IFRS 16***

The Amendments focus on the effects on financial statements when an entity replaces the old interest rate benchmark with an alternative benchmark rate as a consequence of the global regulatory reform of key interbank offered rates ('IBORs'). For the transition from an IBOR benchmark rate with an alternative nearly risk-free interest rate ('RFR'), the amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform and that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

The US Libor that the Group is exposed to will cease to exist by June 2023. The Group is in discussions with debt counterparties as to new reference rates on the IBOR linked borrowings, including the consideration of the Secured Overnight Financing Rate ('SOFR') which is the recommended US\$ Libor alternative. The adoption and initial application of these amendments had no impact on the Group's results, but the Group will assess the impact on the balances and cash flows linked to the rate changes arising from the IBOR reform once negotiations with debt counterparties are more advanced and more information is available on the replacement interest rates.

Refer to note 26 for the IBOR linked borrowings that at the date of this report have not yet transitioned to alternative risk free rates in terms of the IBOR reform and its contractual maturities.

For the Caterpillar equipment loan facility and the bank credit facilities which transitioned from US\$ Libor to SOFR, the Group applied the practical expedient available within the amendments as the transition was as a direct consequence of the IBOR reform and was completed on an economically equivalent basis. The transition had no material impact on the results for the year ended 30 September 2022.

The adoption of all other standards, amendments or interpretations had no impact on the results for the year ended 30 September 2022.

### 2.3. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The new standards, interpretations and amendments to standards listed below are not effective and have not been early adopted, but will be adopted once these new standards, interpretations and amendments become effective. The Group notes the new standards, amendments and interpretations which have been issued but not yet effective and does not plan to early adopt any of the standards, amendments and interpretations. There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

#### ***Classification of Liabilities as Current or Non-current - Amendments to IAS 1***

The International Accounting Standards Board (IASB) issued Classification of Liabilities as Current or Non-current, which amends IAS 1 Presentation of Financial Statements. The amendments affect requirements in IAS 1 for the presentation of liabilities. Specifically, they clarify a criterion for classifying a liability as non-current. The amendment must be applied retrospectively and is effective for annual periods beginning on or after 1 January 2023. This amendment is not expected to have a material impact on the Group.

#### ***Annual Improvements to IFRS Standards 2018-2020***

As part of its process to make non-urgent but necessary amendments to IFRS Standards, the IASB has issued the Annual Improvements to IFRS Standards 2018-2020. The amendments applicable to the Group relate to IFRS 9 and clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

The amendment must be applied prospectively and is effective for annual periods beginning on or after 1 January 2022. This amendment is not expected to have a material impact on the Group.

#### ***Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37***

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments must be applied prospectively for annual periods beginning on or after 1 January 2022, to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on transition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 2.3. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

#### ***Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12***

In May 2021, the IASB issued amendments to IAS 12 Income Taxes which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a decommissioning asset and decommissioning liability (or lease asset or lease liability) give rise to taxable and deductible temporary differences that are not equal.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented and is effective for annual periods beginning on or after 1 January 2023.

This amendment is not expected to have a material impact on the Group.

#### ***Lease Liability in a Sale and Leaseback – Amendments to IFRS 16***

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed.

This amendment is not expected to have a material impact on the Group.

#### ***Reference to the Conceptual Framework – Amendments to IFRS 3***

Effective for annual periods beginning on or after 1 January 2022 and must be applied prospectively. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

These amendments are not expected to have a material impact on the Group.

#### ***Definition of Accounting Estimate – Amendments to IAS 8***

The IASB has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) to clarify how entities should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. This is due to the term "accounting estimate" not being defined and the previous definition of a "change in accounting estimate" being unclear.

The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendment must be applied prospectively and is effective for annual periods beginning on or after 1 January 2023. This amendment is not expected to have a material impact on the Group.

#### ***Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2***

To assist preparers of financial statements, the IASB had previously refined its definition of 'material' (effective 1 Jan 2020) and issued nonmandatory practical guidance on applying the concept of materiality. As the final step of the materiality improvements, the IASB issued amendments on the application of materiality to the disclosure of accounting policies. The key amendments include requirements for entities to disclose their material accounting policies rather than their significant accounting policies as well as certain clarifications regarding accounting policies related to material transactions or events.

The amendment must be applied prospectively and is effective for annual periods beginning on or after 1 January 2023. This amendment is not expected to have a material impact on the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 2.3. BASIS OF CONSOLIDATION

The consolidated financial statements include, on a line-by-line basis, the financial statements of all subsidiaries.

The following policies have been applied during the consolidation process:

#### *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists where the Group is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the control commenced until the date on which the control is ceased.

#### *Transactions eliminated on consolidation*

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### *Foreign operations*

As at the reporting date and on consolidation, the assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency of the Group (US\$) at the rate of exchange ruling at the reporting date and their statements of comprehensive income are translated at the weighted monthly average exchange rate for the period. The exchange differences arising in the translation on consolidation are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

Non-current monetary assets that are receivable from a foreign subsidiary and for which settlement is neither planned nor likely to occur in the foreseeable future, forms part of the net investment in a foreign operation and the resulting exchange differences are recognised in other comprehensive income. The repayment of such a balance is not considered to be a partial disposal and the cumulative exchange differences recognised in other comprehensive income is not reclassified to profit and loss, until the foreign entity is disposed of.

#### *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss. Foreign currency gains and losses are reported on a net basis.

#### *Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any relating gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

### 3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements and estimates made by management in the application of IFRS that have a significant effect on the consolidated financial statements and major sources of estimation uncertainty are disclosed in the note relevant to the specific judgement or estimate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 4. OPERATING SEGMENTS

#### **Accounting policy**

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. The Board of Directors is of the view that the Group had four operating segments during the reporting period, the PGM segment, the chrome segment, the agency and trading segment and the manufacturing segment. The following is a description of the Group's current principal activities separated by reportable segment, from which the Group recognises its revenue.

#### **PGM segment**

The PGM segment principally generates revenue from the sale of PGM concentrate, which consists of the sale of platinum, palladium, rhodium, gold, ruthenium, iridium, nickel and copper. The Group enters into off-take agreements with customers for the supply of PGM concentrate.

#### **Chrome segment**

The Group currently produces metallurgical chrome concentrate and specialty chrome concentrates. It generates revenue from the sale of these products. The chrome market is typically a 'spot' market. The Group enters into short-term sale contracts. The Group also enters into long-term volume off-take agreements for the supply of chrome concentrates.

#### **Agency and trading segment**

The Group operates a third party chrome plant and markets and sells the chrome concentrate produced at this plant. The Group determines whether it acts as principal or agent by assessing whether the Group controls the transaction and what its performance obligations are. Considerations to determine control include whether the Group provides the performance obligation itself, the Group is primarily responsible for fulfilling the promise to provide the specified chrome concentrates, the Group has inventory risk before the specified products are transferred to the customer and the Group determines the selling price. In the absence of any of the aforementioned factors, control of the transaction may be doubtful and the Group would recognise the margin achieved in revenue as an agent. The Group believes that these factors are present and consequently the Group acts as principal. Metallurgical and specialty chrome concentrates are produced at this plant. The Group enters into short-term contracts for the sale of these chrome concentrates.

#### **Manufacturing segment**

The Group manufactures and sells mining and mineral processing equipment which represents the manufacturing segment.

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

PGM segment

Chrome segment

Agency and trading segment

Manufacturing segment

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 4. OPERATING SEGMENTS (continued)

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

|                     | PGM<br>US\$'000 | Chrome<br>US\$'000 | Agency and<br>trading<br>US\$'000 | Manufacturing<br>US\$'000 | Total<br>US\$'000 |
|---------------------|-----------------|--------------------|-----------------------------------|---------------------------|-------------------|
| <b>2022</b>         |                 |                    |                                   |                           |                   |
| Revenue             | 346 781         | 295 178            | 40 526                            | 3 511                     | 685 996           |
| Cost of sales       |                 |                    |                                   |                           |                   |
| Manufacturing costs | (193 362)       | (90 799)           | (21 190)                          | (3 229)                   | (308 580)         |
| Selling costs       | (785)           | (69 490)           | (9 238)                           | -                         | (79 513)          |
| Freight services    | -               | (45 475)           | (6 768)                           | -                         | (52 243)          |
|                     | (194 147)       | (205 764)          | (37 196)                          | (3 229)                   | (440 336)         |
| Gross profit        | 152 634         | 89 414             | 3 330                             | 282                       | 245 660           |
| <b>2021</b>         |                 |                    |                                   |                           |                   |
| Revenue             | 353 388         | 203 875            | 36 494                            | 2 588                     | 596 345           |
| Cost of sales       |                 |                    |                                   |                           |                   |
| Manufacturing costs | (205 008)       | (63 608)           | (13 600)                          | (2 551)                   | (284 767)         |
| Selling costs       | (540)           | (54 297)           | (14 915)                          | -                         | (69 752)          |
| Freight services    | -               | (29 213)           | (5 194)                           | -                         | (34 407)          |
|                     | (205 548)       | (147 118)          | (33 709)                          | (2 551)                   | (388 926)         |
| Gross profit        | 147 840         | 56 757             | 2 785                             | 37                        | 207 419           |

The shared costs relating to the manufacturing of PGM and chrome concentrates are allocated to the relevant operating segments based on the relative sales value per product on an ex-works basis. During the year ended 30 September 2022, the relative sales value of chrome concentrates increased compared to the relative sales value of PGM concentrate compared to the comparative year and consequently the allocation basis of shared costs was revised to 70.0% for PGM concentrate and 30.0% for chrome concentrates. The allocation basis of shared costs was 80.0% (PGM concentrates) and 20.0% (chrome concentrate) for the year ended 30 September 2021.

Cost of sales includes a charge for the write off of property, plant and equipment totalling US\$1.3 million (2021: US\$5.0 million) which mainly relates to mining equipment. The write off has been allocated to the PGM and chrome segments in accordance with the allocation basis of shared costs as described in the preceding paragraph. Refer to the consolidated statement of profit or loss for a reconciliation between the gross profit and net profit after tax.

#### Geographical information

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 4. OPERATING SEGMENTS (continued)

#### (i) Revenue from external customers

|                      | PGM<br>US\$'000 | Chrome<br>US\$'000 | Agency and<br>trading<br>US\$'000 | Manufacturing<br>US\$'000 | Total<br>US\$'000 |
|----------------------|-----------------|--------------------|-----------------------------------|---------------------------|-------------------|
| <b>2022</b>          |                 |                    |                                   |                           |                   |
| South Africa         | 346 781         | 47 276             | 4 040                             | 2 703                     | 400 800           |
| China                | -               | 96 388             | 24 554                            | -                         | 120 942           |
| Singapore            | -               | 79 779             | 5 485                             | -                         | 85 264            |
| Hong Kong            | -               | 59 536             | 1 433                             | -                         | 60 969            |
| Australia            | -               | 3 358              | -                                 | -                         | 3 358             |
| Japan                | -               | 8 748              | 4 846                             | -                         | 13 594            |
| Other countries      | -               | 93                 | 168                               | 808                       | 1 069             |
|                      | <b>346 781</b>  | <b>295 178</b>     | <b>40 526</b>                     | <b>3 511</b>              | <b>685 996</b>    |
| <b>2021</b>          |                 |                    |                                   |                           |                   |
| South Africa         | 353 388         | 37 502             | 4 961                             | 2 567                     | 398 418           |
| China                | -               | 52 433             | 27 496                            | -                         | 79 929            |
| Singapore            | -               | 43 796             | -                                 | -                         | 43 796            |
| Hong Kong            | -               | 53 277             | 3 774                             | -                         | 57 051            |
| United Arab Emirates | -               | 7 923              | -                                 | -                         | 7 923             |
| Australia            | -               | 5 802              | -                                 | -                         | 5 802             |
| Japan                | -               | 3 142              | -                                 | -                         | 3 142             |
| Other countries      | -               | -                  | 263                               | 21                        | 284               |
|                      | <b>353 388</b>  | <b>203 875</b>     | <b>36 494</b>                     | <b>2 588</b>              | <b>596 345</b>    |

Revenue represents the sales value of goods supplied to customers, net of value-added tax. The following table summarises sales to customers with whom transactions have individually exceeded 5.0% (2021: 5.0%) of the Group's revenues.

|            | 2022<br>Segment               | US\$'000 | 2021<br>Segment               | US\$'000 |
|------------|-------------------------------|----------|-------------------------------|----------|
| Customer 1 | PGM                           | 262 073  | PGM                           | 296 020  |
| Customer 2 | PGM and Agency and trading    | 84 449   | PGM and Agency and trading    | 57 518   |
| Customer 3 | Chrome                        | 53 721   | Chrome and Agency and trading | 41 036   |
| Customer 4 | Chrome and Agency and trading | 49 160   | Chrome                        | 40 661   |
| Customer 5 | Chrome and Agency and trading | 37 487   | Chrome                        | 35 167   |

| (ii) Specified non-current assets | 2022<br>US\$'000 | 2021<br>US\$'000 |
|-----------------------------------|------------------|------------------|
| South Africa                      | 350 008          | 373 418          |
| Zimbabwe                          | 220 152          | 19 874           |
| Cyprus                            | 360              | 385              |
|                                   | <b>570 520</b>   | <b>393 677</b>   |

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

#### **Judgement and estimates**

Third-party logistics, third-party trading and third party chrome operations are evaluated individually but aggregated together as the agency and trading segment. The Group believes that the nature of these operations are similar and it will be impractical to report on these operations individually. Consequently, these operations have been aggregated together as the agency and trading segment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 5. REVENUE

#### **Accounting policy**

Sales revenue is recognised on individual sales when control transfers to the customer. Control transfers to the customer upon satisfaction of performance obligations within each contract. In most instances, control passes and sales revenue is recognised when the product is delivered to the vessel or vehicle on which it will be transported to the destination port or the customer's premises. There may be circumstances when judgment is required based on the five indicators of control below:

- The customer has the significant risks and rewards of ownership and has the ability to direct the use of, and obtain substantially all of the remaining benefits from the good or service.
- The customer has a present obligation to pay in accordance with the terms of the sales contract. For shipments under the Incoterms Cost, Insurance and Freight ('CIF') this is generally when the ship is loaded, at which time the obligation for payment is for both product and freight.
- The customer has accepted the asset. Sales revenue may be subject to adjustment if the product specification does not conform to the terms specified in the sales contract but this does not impact the passing of control.
- The customer has legal title to the asset. The Group usually retains legal title until payment is received for credit risk purposes only.
- The customer has physical possession of the asset. This indicator may be less important as the customer may obtain control of an asset prior to obtaining physical possession, which may be the case for goods in transit.

Revenue is presented net of Value Added Tax, rebates and discounts and after eliminating intergroup sales.

#### **PGM revenue**

Revenue from the sale of PGM concentrate is recognised based on the quantity of PGM concentrate delivered, prevailing market prices and exchange rates, when delivered to the customers in terms of the off-take agreements. Revenue recognised includes variable consideration as revenue is subject to quality and quantity adjustments, final pricing and currency adjustments after the beneficiation process is completed. Revenue recognised is adjusted for expected final adjustments based on finally determined quality, quantity and spot rates, which are estimated based on prevailing market information and recognised as a separate component within revenue. Adjustments to the sale price occur based on movements in the metal market prices and exchange rates up to the date of final pricing.

Any subsequent changes that arise due to differences between initial and final assay are still considered within the scope of IFRS 15 and are subject to the constraint on estimates of variable consideration. When considering the initial assay estimate, the Group has considered the requirements of IFRS 15 in relation to the constraint on estimates of variable consideration. It will only include amounts in the calculation of revenue where it is highly probable that a significant revenue reversal will not occur when the uncertainty relating to final quantity/assay/quality is subsequently determined.

Consequently, at the time the concentrate passes to the customer, the Group will recognise a receivable as from that time it considers it has an unconditional right to consideration. This receivable is accounted for in accordance with IFRS 9.

The provisional pricing features means the concentrate receivable fails to meet the requirements to be measured at amortised cost. Instead, the entire receivable is measured at fair value, with subsequent movements being recognised in profit or loss (refer to note 21).

#### **Chrome and agency and trading revenue**

Revenue arising from chrome concentrate sales under short-term sale contracts and off-take agreements is recognised when the chrome concentrate is delivered and a customer takes control of the chrome concentrate. Revenue is recognised based on the fixed sale price in terms of the contract, the quantity delivered and the quality as determined by an independent survey. Export sales may, as specified in the contract, be subject to a final survey upon arrival at destination port. Revenue recognised for export sales is adjusted for expected final quality and quantity adjustments, which are estimated based on historical data for similar transactions.

The majority of the Group's metallurgical chrome concentrate is exported. For these export sales, the point of revenue recognition is dependent on the contract sales terms, known as the International Commercial Terms ('Incoterms'). For the Incoterms Cost, Insurance and Freight ('CIF') the seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination. This means that the Group is responsible (acts as principal) for providing shipping services and, in some instances, insurance after the date at which control of goods passes to the customer at the loading port.

Consequently, the freight service on export commodity contracts with CIF Incoterms represents a separate performance obligation as defined under IFRS 15 and as such, a portion of the revenue earned under these contracts, representing the obligation to perform the freight service, is deferred and recognised when this obligation has been fulfilled, along with the associated costs (refer to notes 22 and 29).

Since separate performance conditions exist for export commodity contracts with CIF Incoterms, the Group allocates the transaction price to the separate performance conditions on a relative stand-alone selling price basis. Observable information with specific reference to sea freight costs is used for allocation of the transaction price.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 5. REVENUE (continued)

#### **Accounting policy (continued)**

#### **Chrome and agency and trading revenue (continued)**

The Group also provides inland logistics services to customers. These services include long-term contracts and ad hoc logistics services. Revenue is recognised at a point in time as the performance obligation has been fulfilled which is the delivery of the specified goods. Any earned consideration, which is conditional, will be recognised as a contract asset rather than a trade and other receivable.

Revenue is also generated from consulting services rendered. These services include geological, marketing and administration services. Revenue is recognised over time, using an input method to measure progress towards complete customer satisfaction.

Payment terms and conditions vary by contract type and delivery method, although for Free Carrier ('FCA') sales terms generally include a requirement of payment upon completion of delivery of the products. For export chrome concentrate transactions, payment terms vary from 30 to 90 days, however, the Group obtains a letter of credit from a reputable bank in most instances before shipment occurs.

In the instance where the timing of revenue recognition differs from the timing of invoicing, the Group has determined that due to the short-term nature, the contracts with customers generally do not include a significant financing component. The primary purpose of the Group's invoicing terms is to provide customers with simplified and predictable ways of purchasing products, not to receive financing from customers or to provide financing to customers. Similarly, due to the short-term nature of unearned revenue received, being less than 12 months. No financing component exists in line with the practical expedient.

#### *Commissions recognised from costs to obtain a contract with a customer*

The Group recognises the incremental costs, arising from the concluding of sale contracts, as expenses in cost of sales in the statement of profit or loss when incurred. Such commission fees relate to the chrome segment and are short-term in nature.

#### **Manufacturing revenue**

Revenue from the sale of mining equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment at the customer's location. The Group considers whether there are other undertakings in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of mining equipment, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer. Currently there aren't any other undertakings. Revenue is presented net of Value Added Tax, rebates and discounts.

|                                              | PGM<br>US\$'000 | Chrome<br>US\$'000 | Agency and<br>trading<br>US\$'000 | Manufacturing<br>US\$'000 | Total<br>US\$'000 |
|----------------------------------------------|-----------------|--------------------|-----------------------------------|---------------------------|-------------------|
| <b>2022</b>                                  |                 |                    |                                   |                           |                   |
| <b>Revenue recognised at a point in time</b> |                 |                    |                                   |                           |                   |
| Variable revenue based on initial results    | 360 082         | 204 178            | 29 856                            | -                         | 594 116           |
| Quality and quantity adjustments             | (27 573)        | (1 751)            | (24)                              | -                         | (29 348)          |
| Revenue based on fixed selling prices        | -               | 47 276             | 3 926                             | 3 511                     | 54 713            |
| <b>Revenue recognised over time</b>          |                 |                    |                                   |                           |                   |
| Freight services                             | -               | 45 475             | 6 768                             | -                         | 52 243            |
| <b>Revenue from contracts with customers</b> | <b>332 509</b>  | <b>295 178</b>     | <b>40 526</b>                     | <b>3 511</b>              | <b>671 724</b>    |
| Fair value adjustments (refer to note 33)    | 14 272          | -                  | -                                 | -                         | 14 272            |
| <b>Total revenue</b>                         | <b>346 781</b>  | <b>295 178</b>     | <b>40 526</b>                     | <b>3 511</b>              | <b>685 996</b>    |
| <b>2021</b>                                  |                 |                    |                                   |                           |                   |
| <b>Revenue recognised at a point in time</b> |                 |                    |                                   |                           |                   |
| Variable revenue based on initial results    | 375 036         | 138 169            | 26 539                            | -                         | 539 744           |
| Quality and quantity adjustments             | (15 350)        | (1 009)            | (316)                             | -                         | (16 675)          |
| Revenue based on fixed selling prices        | -               | 37 502             | 5 077                             | 2 588                     | 45 167            |
| <b>Revenue recognised over time</b>          |                 |                    |                                   |                           |                   |
| Freight services                             | -               | 29 213             | 5 194                             | -                         | 34 407            |
| <b>Revenue from contracts with customers</b> | <b>359 686</b>  | <b>203 875</b>     | <b>36 494</b>                     | <b>2 588</b>              | <b>602 643</b>    |
| Fair value adjustments (refer to note 33)    | (6 298)         | -                  | -                                 | -                         | (6 298)           |
| <b>Total revenue</b>                         | <b>353 388</b>  | <b>203 875</b>     | <b>36 494</b>                     | <b>2 588</b>              | <b>596 345</b>    |

During the year ended 30 September 2022, revenue from freight services of US\$2.4 million (2021: US\$2.1 million) was recognised which was classified as a contract liability at 30 September 2021 (2021: 30 September 2020).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 5. REVENUE (continued)

|                                                                      | 2022<br>US\$'000 | 2021<br>US\$'000 |
|----------------------------------------------------------------------|------------------|------------------|
| <b>Variable revenue recognised:</b>                                  |                  |                  |
| PGM revenue recognised in preceding year based on initial results    | (26 261)         | (50 023)         |
| PGM revenue based on final results                                   | 27 664           | 64 369           |
| PGM revenue adjustment recognised in current year                    | 1 403            | 14 346           |
| Chrome revenue recognised in preceding year based on initial results | (42 020)         | (32 394)         |
| Chrome revenue based on final results                                | 42 488           | 32 238           |
| Chrome revenue adjustment recognised in current year                 | 468              | (156)            |

The year ended 30 September 2022 includes PGM revenue of US\$42.0 million (2021: US\$26.3 million) and chrome revenue of US\$47.5 million (2021: US\$42.0 million) that was based on provisional results as final prices and surveys were not yet available at 30 September 2022.

#### **Judgements and estimates**

A significant portion of the Group's chrome revenue is derived from commodity sales for which the point of recognition is dependent on the contract sales terms known as the International Commercial Terms ('Incoterms'). Under Incoterms cost, insurance and freight ('CIF'), the seller is required to contract, and pay, for the costs and freight necessary to bring the goods to a named port of destination.

Consequently, the Group believes that the freight service on export commodity contracts with CIF Incoterms represents a separate performance obligation as defined under IFRS 15 and as such, a portion of the revenue earned under these contracts, representing the obligation to perform the freight service, is deferred and recognised when this obligation has been fulfilled, along with the associated costs.

Since separate performance conditions exist for export commodity contracts with CIF Incoterms, the Group allocates the transaction price to the separate performance conditions on a relative stand-alone selling price basis. Observable information with specific reference to sea freight costs is used for allocation of the transaction price.

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.

### 6. COST OF SALES

#### **Accounting policy: provident funds**

The Group's salaried employees in South Africa are members of defined contribution retirement benefit plans. The contributions to the plans range from a minimum of 3.0% to a maximum of 15.0% of staff's pensionable salary. Contributions to the plans vest immediately. Contributions are accrued in the year in which the associated services are rendered by employees. The Group's employees in Cyprus do not participate in retirement benefit plans.

#### **Accounting policy: short term benefits**

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months from the reporting date are calculated at undiscounted amounts based on remuneration rates that the Group expects to pay as at the reporting date including related costs, such as workers compensation insurance and payroll tax. Non-accumulating monetary benefits such as medical aid contributions are expensed as the benefits are taken by the employees.

#### **Accounting policy: termination benefits**

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 6. COST OF SALES (continued)

| 2022                                                        | Mining<br>US\$'000 | Processing<br>US\$'000  | Manufacturing<br>US\$'000  | Total<br>US\$'000 |
|-------------------------------------------------------------|--------------------|-------------------------|----------------------------|-------------------|
| Drill and blast                                             | 26 842             | -                       | -                          | 26 842            |
| Load and haul                                               | 25 379             | -                       | -                          | 25 379            |
| Diesel                                                      | 36 707             | -                       | -                          | 36 707            |
| Maintenance                                                 | 29 964             | -                       | -                          | 29 964            |
| Salaries and wages                                          | 29 172             | 16 376                  | 1 277                      | 46 825            |
| Provident fund contributions                                | 3 738              | 2 109                   | 118                        | 5 965             |
| Mining contractor                                           | 2 210              | -                       | -                          | 2 210             |
| Depreciation                                                | 21 303             | 15 186                  | 104                        | 36 593            |
| Cost of commodities                                         | 20 270             | -                       | -                          | 20 270            |
| Write off of property, plant and equipment                  | 1 313              | -                       | -                          | 1 313             |
| Utilities                                                   | -                  | 16 408                  | 50                         | 16 458            |
| Materials and consumables                                   | -                  | 19 927                  | 2 073                      | 22 000            |
| Overheads                                                   | -                  | 6 528                   | 235                        | 6 763             |
| Contractor and equipment hire                               | -                  | 14 840                  | -                          | 14 840            |
|                                                             | 196 898            | 91 374                  | 3 857                      | 292 129           |
| State royalties                                             |                    |                         |                            | 31 082            |
| Change in inventories – finished products and ore stockpile |                    |                         |                            | (14 631)          |
| Selling costs                                               |                    |                         |                            | 79 513            |
| Freight services                                            |                    |                         |                            | 52 243            |
| Cost of sales                                               |                    |                         |                            | 440 336           |
| 2021                                                        | Mining<br>US\$'000 | Processing*<br>US\$'000 | Manufacturing*<br>US\$'000 | Total<br>US\$'000 |
| Drill and blast                                             | 29 573             | -                       | -                          | 29 573            |
| Load and haul                                               | 26 197             | -                       | -                          | 26 197            |
| Diesel                                                      | 25 614             | -                       | -                          | 25 614            |
| Maintenance                                                 | 28 160             | -                       | -                          | 28 160            |
| Salaries and wages                                          | 26 980             | 13 879                  | 1 243                      | 42 102            |
| Provident fund contributions                                | 3 727              | 1 861                   | 163                        | 5 751             |
| Depreciation                                                | 18 932             | 15 993                  | 92                         | 35 017            |
| Cost of commodities                                         | 23 156             | -                       | -                          | 23 156            |
| Write off of property, plant and equipment                  | 4 950              | -                       | -                          | 4 950             |
| Utilities                                                   | -                  | 15 056                  | 73                         | 15 129            |
| Materials and consumables                                   | -                  | 17 853                  | 3 531                      | 21 384            |
| Overheads                                                   | -                  | 2 956                   | 460                        | 3 416             |
| Contractor and equipment hire                               | -                  | 12 115                  | -                          | 12 115            |
|                                                             | 187 289            | 79 713                  | 5 562                      | 272 564           |
| State royalties                                             |                    |                         |                            | 23 788            |
| Change in inventories – finished products and ore stockpile |                    |                         |                            | (11 585)          |
| Selling costs                                               |                    |                         |                            | 69 752            |
| Freight services                                            |                    |                         |                            | 34 407            |
| Cost of sales                                               |                    |                         |                            | 388 926           |

\* The manufacturing cost of sales were previously disclosed as part of processing cost of sales. For improved disclosure and to be consistent with disclosure for the year ended 30 September 2022, the manufacturing cost of sales were disaggregated. The disaggregation of the disclosure had no impact on the net profit after tax and earnings per share for the year ended 30 September 2021.

### 7. OTHER INCOME

#### **Accounting policy: sundry sales**

Proceeds from the sale of scrap metals are recognised as sundry sales when the right to receive payment has been established.

#### **Accounting policy: rental income**

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 7. OTHER INCOME (continued)

|                           | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---------------------------|------------------|------------------|
| Sundry sales              | 629              | 653              |
| Consulting fees received  | 74               | 110              |
| Rental income – as lessor | 17               | 1                |
|                           | 720              | 764              |

### 8. SHARE-BASED PAYMENTS

#### **Accounting policy**

Equity settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share-based transactions are set out in the supporting notes.

The fair value determined at the grant date of the equity settled share-based payment is expensed on a straight line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in the equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The amount recognised as an expense is adjusted to reflect the revision of the original estimate.

Equity settled share-based payment transactions with parties other than the employees are measured at fair value of the goods and services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Where the Company has the right to elect settlement either equity settled or cash settled, the share-based payment transactions will be treated as equity settled share-based payments.

Conditional awards ('LTIP') is the grant of shares in the Company where the risks and rewards of share ownership will vest on specific vesting dates with the employee subject to certain conditions. LTIPs vest in three equal tranches for the 2020 Award and at the third anniversary of the grant for the 2021 Award. The award, on vesting, may at the election of the Company, be either cash-settled or share-settled as provided for in the rules of the Plan.

Appreciation rights ('SARS') is the grant of an award by the Company where the employee is, subject to certain conditions, entitled to receive the increase in the share value above the award price. The awards vest in two equal annual tranches with the ability to exercise the award at any time up to five years from the date of the grant. The appreciation in value may, at the election of the Company, be either cash settled or share settled as provided for in the rules of the Plan. No SARS were issued during the years ended 30 September 2022 and 30 September 2021 and all qualifying SARS awards were vested as at 30 September 2022.

#### **2019 Award – third tranche**

The sixth award was made on 30 June 2019, comprising LTIPs and SARS. The third (final) tranche vested at 30 June 2022 for LTIPs while the second (final) tranche for SARS vested at 30 June 2021.

At 30 September 2022, the Group had the following share-based payment arrangements:

#### **2020 Award – third tranche**

The seventh award was made on 30 June 2020, comprising LTIPs only. The vesting of these awards is subject to the following performance conditions:

Subject to there being no fatality during the vesting periods and continued employment in good standing for the LTIP's:

- 40% of the vesting will be subject to achieving at least the market guidance for PGM production as publicly disclosed and referenced to the commencement of the respective financial reporting period (it being noted that the vesting period and financial year are not coterminous);
- 40% of the vesting will be subject to achieving at least the market guidance for chrome concentrate production as publicly disclosed and referenced to the commencement of the respective financial reporting period (it being noted that the vesting period and financial year are not coterminous), adjusted to exclude the production from the Vulcan Plant;
- 20% of the vesting will be subject to achieving at least 90% of the Vulcan Plant's nameplate production capacity of 480 kt of in-spec chrome concentrate production.

#### **2021 Award**

The eighth award was made on 8 December 2021 with the measurement period being aligned to the Group's financial year-end of 30 September. This award will vest on the third anniversary of the grant, being 8 December 2024 and is subject to continued employment as at 8 December 2024. The three-year vesting period is divided into three annual measurement periods at 30 September, the result of each being aggregated at the end of the vesting period to determine the final vesting percentage. The vesting of these awards is subject to continued employment in good standing and the following performance conditions:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 8. SHARE-BASED PAYMENTS (continued)

#### 2021 Award (continued)

- 33.33% of the vesting will be subject to achieving at least the market guidance for PGM production as publicly disclosed and referenced to the commencement of the respective financial reporting period;
- 33.33% of the vesting will be subject to achieving at least the market guidance for chrome concentrate production as publicly disclosed and referenced to the commencement of the respective financial reporting period;
- 33.34% of the vesting will be subject to achieving certain strategic measures. All three interim measurement periods will be based on an equal allocation to:
  - Return on invested capital exceeding the weighted average cost of capital of the Group;
  - Performance against the ESG Plan;
  - Tracking on achievement of Vision 2025.

The award will be reduced in each annual measurement period by one-third for each fatality that occurred during that measurement period. For avoidance of doubt, if any performance condition is not met in any annual measurement period and consequently is forfeited (either wholly or partially) as a result of failure to achieve the performance condition, but the performance condition is achieved in subsequent measurement periods the award will vest for that annual measurement period as provided. The awards are subject to the rules governing the Plan and the final discretion of the Tharisa plc Remuneration Committee will prevail should there be any discrepancy.

#### LTIP

| Valuation of share award at grant date: | First measurement period/tranche | Second measurement period/tranche | Third measurement period/tranche |
|-----------------------------------------|----------------------------------|-----------------------------------|----------------------------------|
| Seventh issue - 2020                    | ZAR11.65                         | ZAR10.67                          | ZAR9.66                          |
| Eighth issue - 2021                     | ZAR23.83                         | ZAR23.83                          | ZAR23.83                         |

A reconciliation of the movement in the Group's LTIP in the period under review is as follows:

|                           | Opening   | Allocated | Vested      | Forfeited | Total     |
|---------------------------|-----------|-----------|-------------|-----------|-----------|
| LTIP 2022 Ordinary shares | 4 272 742 | 5 431 124 | (1 861 133) | (853 258) | 6 989 475 |
| LTIP 2021 Ordinary shares | 8 166 229 | -         | (3 516 095) | (377 392) | 4 272 742 |

An expense of US\$1.7 million (2021: US\$3.1 million) was recognised in profit or loss.

The fair value at grant date of the LTIP awards was determined by present valuing the share price on grant date less the expected dividends. No LTIP awards were issued during the year ended 30 September 2021.

The following inputs were used for LTIP awards issued during the year ended 30 September 2022:

|                                                                          | 2022   |
|--------------------------------------------------------------------------|--------|
| Spot price                                                               | R27.00 |
| Dividend yield                                                           | 4.16%  |
| The risk-free interest rate (swap yield curve)                           | 5.76%  |
| Forfeiture assumption – based on participants' employee turnover history | 10.63% |

#### SARS

No SARS were issued during the years ended 30 September 2022 and 30 September 2021. In terms of previous awards, employees may exercise the SARS within five years from the grant date. No expense was recognised in profit or loss for SARS exercised during the year ended 30 September 2022 (2021: US\$0.4 million).

Number of SARS vested, not yet exercised:

| Vesting date                                       | Expiry date  | Number of rights |           |
|----------------------------------------------------|--------------|------------------|-----------|
|                                                    |              | 2022             | 2021      |
| 30 June 2018                                       | 30 June 2022 | -                | 2 121 393 |
| 30 June 2019                                       | 30 June 2023 | 617 852          | 769 859   |
| 30 June 2020                                       | 30 June 2024 | 1 305 071        | 1 806 612 |
| Number of share options exercised during the year: |              | 2 397 593        | 2 985 289 |
| Weighted average share price at date of exercise:  |              | ZAR27.76         | ZAR25.07  |

#### Judgements and estimates

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by present valuing the share price on grant date less the expected dividends and by using a Binomial Tree model, using the aforementioned assumptions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 9. OTHER OPERATING EXPENSES

|                                                     | 2022<br>US\$'000 | 2021<br>US\$'000 |
|-----------------------------------------------------|------------------|------------------|
| Directors and staff costs                           |                  |                  |
| Non-Executive Directors (refer to note 11)          | 642              | 631              |
| Employees: salaries                                 | 19 215           | 17 504           |
| bonuses                                             | 2 889            | 1 831            |
| provident fund, medical aid and other contributions | 2 226            | 1 823            |
|                                                     | 24 972           | 21 789           |
| Audit – external audit services                     | 808              | 579              |
| Bank charges and related fees                       | 774              | 809              |
| Consulting and business development cost            | 1 798            | 2 082            |
| Corporate and social investment                     | 247              | 246              |
| Depreciation                                        | 2 203            | 1 007            |
| Equity-settled share-based payment expense          | 1 709            | 3 560            |
| Internal audit                                      | 20               | 91               |
| Expected credit loss allowance                      | 47               | 100              |
| Consumables and repairs and maintenance             | 2 138            | -                |
| Impairment of goodwill (note 15)                    | 1 852            | -                |
| Impairment of property, plant and equipment         | 8 366            | -                |
| Write offs of property, plant and equipment         | 15               | -                |
| Loss on disposal of property, plant and equipment   | 1 482            | -                |
| Listing fees and investor relations                 | 735              | 346              |
| Health and safety                                   | 2 572            | 1 818            |
| Insurance                                           | 3 318            | 2 619            |
| Legal and professional                              | 1 653            | 1 763            |
| Office administration, rent and utilities           | 1 747            | 1 557            |
| Research and development                            | 692              | 605              |
| Security                                            | 1 036            | 919              |
| Telecommunications and IT related                   | 4 471            | 3 929            |
| Training                                            | 499              | 403              |
| Travelling and accommodation                        | 333              | 94               |
| Sundry                                              | 393              | 506              |
|                                                     | 63 880           | 44 822           |
|                                                     | 2022             | 2021             |
| Number of employees                                 | 2 202            | 1 996            |

### 10. FINANCE INCOME AND FINANCE COSTS

**Accounting policy: Finance income**

Finance income comprises interest income on funds invested. Interest income is recognised in profit or loss as it accrues using the effective interest method.

**Accounting policy: Finance costs**

Finance costs comprise interest expense on borrowings and unwinding of the discount on provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

|                                                                        | 2022<br>US\$'000 | 2021<br>US\$'000 |
|------------------------------------------------------------------------|------------------|------------------|
| <b>Finance income</b>                                                  |                  |                  |
| Interest received                                                      | 1 376            | 1 391            |
| <b>Finance costs</b>                                                   |                  |                  |
| Interest expense                                                       | (3 018)          | (3 351)          |
| Unwinding of present value of rehabilitation provision (refer note 25) | (1 740)          | (1 542)          |
|                                                                        | (4 758)          | (4 893)          |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 11. DIRECTORS REMUNERATION

The remuneration of the Directors is set out in the following tables:

|                           | Directors' fees<br>US\$'000 | Salary<br>US\$'000 | Bonus<br>US\$'000 | Expense allowance<br>US\$'000 | Share-based payments<br>US\$'000 | Provident fund and risk benefits<br>US\$'000 | Total<br>US\$'000 |
|---------------------------|-----------------------------|--------------------|-------------------|-------------------------------|----------------------------------|----------------------------------------------|-------------------|
| <b>2022</b>               |                             |                    |                   |                               |                                  |                                              |                   |
| LC Pouroulis <sup>1</sup> | -                           | 762                | 133               | -                             | 307                              | -                                            | 1 202             |
| P Pouroulis <sup>1</sup>  | -                           | 527                | 100               | 8                             | 337                              | 43                                           | 1 015             |
| MG Jones <sup>1</sup>     | -                           | 423                | 86                | -                             | 184                              | 33                                           | 726               |
| JD Salter                 | 169                         | -                  | -                 | -                             | -                                | -                                            | 169               |
| A Djakouris               | 103                         | -                  | -                 | -                             | -                                | -                                            | 103               |
| OM Kamal                  | 60                          | -                  | -                 | -                             | -                                | -                                            | 60                |
| C Bell                    | 122                         | -                  | -                 | -                             | -                                | -                                            | 122               |
| R Davey                   | 104                         | -                  | -                 | -                             | -                                | -                                            | 104               |
| ZL Hong                   | 42                          | -                  | -                 | -                             | -                                | -                                            | 42                |
| SWM Lo                    | 42                          | -                  | -                 | -                             | -                                | -                                            | 42                |
| <b>Total</b>              | <b>642</b>                  | <b>1 712</b>       | <b>319</b>        | <b>8</b>                      | <b>828</b>                       | <b>76</b>                                    | <b>3 585</b>      |
| <b>2021</b>               |                             |                    |                   |                               |                                  |                                              |                   |
| LC Pouroulis <sup>1</sup> | -                           | 734                | 149               | -                             | 1 314                            | -                                            | 2 197             |
| P Pouroulis <sup>1</sup>  | -                           | 483                | 110               | 8                             | 1 264                            | 47                                           | 1 912             |
| MG Jones <sup>1</sup>     | -                           | 405                | 97                | -                             | 737                              | 35                                           | 1 274             |
| JD Salter                 | 180                         | -                  | -                 | -                             | -                                | -                                            | 180               |
| A Djakouris               | 129                         | -                  | -                 | -                             | -                                | -                                            | 129               |
| OM Kamal                  | 61                          | -                  | -                 | -                             | -                                | -                                            | 61                |
| C Bell                    | 97                          | -                  | -                 | -                             | -                                | -                                            | 97                |
| R Davey                   | 79                          | -                  | -                 | -                             | -                                | -                                            | 79                |
| ZL Hong                   | 43                          | -                  | -                 | -                             | -                                | -                                            | 43                |
| VWY Chu*                  | 15                          | -                  | -                 | -                             | -                                | -                                            | 15                |
| SWM Lo**                  | 27                          | -                  | -                 | -                             | -                                | -                                            | 27                |
| <b>Total</b>              | <b>631</b>                  | <b>1 622</b>       | <b>356</b>        | <b>8</b>                      | <b>3 315</b>                     | <b>82</b>                                    | <b>6 014</b>      |

\* Retired by rotation on 10 February 2021

\*\* Appointed 10 February 2021

<sup>1</sup> These salaries were paid by the Company and subsidiaries by which the directors are employed (Braeston Proprietary Limited and Dinami Limited).

#### Directors' share awards

Details of each plan are disclosed in note 8. Non-Executive Directors are not entitled to participate in the Group's share award plan. The number of LTIP and SARS awarded to the Executive Directors are set out in the following tables:

| LTIP 2022 Ordinary shares        | Opening balance  | Allocated        | Vested             | Forfeited        | Total            |
|----------------------------------|------------------|------------------|--------------------|------------------|------------------|
| LC Pouroulis                     | 494 126          | 667 902          | (226 590)          | (74 728)         | 860 710          |
| P Pouroulis                      | 543 632          | 686 150          | (249 418)          | (82 326)         | 898 038          |
| MG Jones                         | 295 924          | 397 556          | (135 808)          | (44 848)         | 512 824          |
|                                  | <b>1 333 682</b> | <b>1 751 608</b> | <b>(611 816)</b>   | <b>(201 902)</b> | <b>2 271 572</b> |
| <b>LTIP 2021 Ordinary shares</b> |                  |                  |                    |                  |                  |
| LC Pouroulis                     | 883 490          | -                | (389 364)          | -                | 494 126          |
| P Pouroulis                      | 955 240          | -                | (411 608)          | -                | 543 632          |
| MG Jones                         | 541 072          | -                | (245 148)          | -                | 295 924          |
|                                  | <b>2 379 802</b> | <b>-</b>         | <b>(1 046 120)</b> | <b>-</b>         | <b>1 333 682</b> |
| <b>SARS 2021 Ordinary shares</b> |                  |                  |                    |                  |                  |
| LC Pouroulis                     | 162 765          | -                | (162 765)          | -                | -                |
| P Pouroulis                      | 179 784          | -                | (179 784)          | -                | -                |
| MG Jones                         | 98 082           | -                | (98 082)           | -                | -                |
|                                  | <b>440 631</b>   | <b>-</b>         | <b>(440 631)</b>   | <b>-</b>         | <b>-</b>         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 12. TAX

#### **Accounting policy**

Income tax comprises current and deferred taxes. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Apart from certain limited exceptions, all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but which they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is established.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

|                                                                           | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---------------------------------------------------------------------------|------------------|------------------|
| Corporate income tax for the year                                         |                  |                  |
| Cyprus                                                                    | 4 121            | 1 774            |
| South Africa                                                              | 36 474           | 5 895            |
|                                                                           | 40 595           | 7 669            |
| Special contribution for defence in Cyprus*                               | 1                | -                |
| Deferred tax: originating and reversal of temporary differences (note 19) | 9 899            | 44 814           |
| Dividend withholding tax                                                  | 2 572            | 1 231            |
| Tax charge                                                                | 53 067           | 53 714           |

\* Amount is less than US\$1 000.

The entities within the Group are taxed in the countries in which they are incorporated and operate at the relevant tax rates as follows:

| Country      | 2022  | 2021  |
|--------------|-------|-------|
| Cyprus       | 12.5% | 12.5% |
| South Africa | 28.0% | 28.0% |
| Zimbabwe*    | -     | -     |
| Guernsey     | 0.0%  | 0.0%  |
| China        | 25.0% | 25.0% |

\* Tax exempt for the first five years, thereafter 15% income tax rate (special economic zone companies).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 12. TAX (continued)

| Reconciliation between tax charge and accounting profit at applicable tax rates:                                              | 2022<br>US\$'000 | 2021<br>US\$'000 | 2022<br>US\$'000 | 2021<br>US\$'000 |
|-------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| Profit before tax                                                                                                             | 220 223          | 185 255          | 220 223          | 185 255          |
| Notional tax on profit before tax, calculated at the Cypriot/South African income tax rate of 12.5%/28.0% (2021: 12.5%/28.0%) | 27 528           | 23 157           | 61 662           | 51 871           |
| Tax effects of:                                                                                                               |                  |                  |                  |                  |
| Different tax rates from the standard Cypriot/South African income tax rate                                                   | 27 722           | 26 989           | (3 716)          | (6 097)          |
| Impact of change in South African tax rate – deferred tax                                                                     | (1 486)          | -                | (3 333)          | -                |
| Tax exempt income                                                                                                             |                  |                  |                  |                  |
| Gain on business combination                                                                                                  | (6 049)          | -                | (13 550)         | -                |
| Fair value adjustments                                                                                                        | -                | (722)            | -                | (1 616)          |
| Interest received                                                                                                             | (50)             | (6)              | (113)            | (14)             |
| Currency gains                                                                                                                | (55)             | (37)             | (127)            | (82)             |
| Other                                                                                                                         | -                | (5)              | -                | (11)             |
| Non-deductible expenses                                                                                                       |                  |                  |                  |                  |
| Share of loss of equity-accounted investments                                                                                 | 654              | 31               | 1 464            | 70               |
| Fair value adjustments                                                                                                        | 734              | -                | 1 644            | -                |
| Investment related expenses                                                                                                   | 1 014            | 558              | 2 271            | 1 249            |
| Interest paid                                                                                                                 | 30               | -                | 70               | -                |
| Currency losses                                                                                                               | 27               | 192              | 98               | 430              |
| Capital expenses                                                                                                              | 147              | 240              | 322              | 538              |
| Impairment of goodwill (note 15)                                                                                              | 232              | -                | 519              | -                |
| Impairment of property, plant and equipment (note 14)                                                                         | 539              | -                | 1 208            | -                |
| Special contribution for defence in Cyprus                                                                                    | 1                | 2                | 2                | 5                |
| Dividend withholding tax - accrued preference dividends                                                                       | 444              | 2 068            | 995              | 4 577            |
| Dividend withholding tax - current year dividends                                                                             | 184              | 1 232            | 411              | 2 760            |
| Deferred tax - unremitted distributable reserves of foreign subsidiaries                                                      | 1 252            | -                | 2 804            | -                |
| Prior year under provision of current income tax                                                                              | 102              | -                | 229              | -                |
| Deferred tax not raised: assessed losses                                                                                      | 89               | -                | 199              | -                |
| Recognition of deemed interest income for tax purposes                                                                        | 8                | 15               | 8                | 34               |
| <b>Tax charge</b>                                                                                                             | <b>53 067</b>    | <b>53 714</b>    | <b>53 067</b>    | <b>53 714</b>    |

Under certain conditions interest income may be subject to defence contribution at the rate of 30.0% in Cyprus. Such interest income is treated as non-taxable in the computation of corporation taxable income. In certain instances, dividends received from abroad may be subject to defence contribution at the rate of 17.0%.

In terms of the Double Taxation Agreement between Cyprus and South Africa, dividend withholding tax at a rate of 5.0% (2021: 5.0%) is charged on dividends declared. The Group's consolidated effective tax rate for the year ended 30 September 2022 was 24.1% (2021: 29.0%).

At 30 September 2022, the Group's unredeemed capital balance available for offset against future mining taxable income in South Africa was fully utilised (2021: fully utilised).

Effective for the 2023 financial year, the South African corporate tax rate will decrease from 28.0% to 27.0%. For the year ended 30 September 2022, the Group's South African deferred tax assets and liabilities have been adjusted by applying the newly enacted 27.0% South African corporate tax rate.

Other than Cyprus and South Africa, no provision for tax in other jurisdictions was made as these entities either sustained losses for taxation purposes or did not earn any assessable profits. At 30 September 2022, the Group had unutilised tax losses of US\$0.7 million (2021: US\$nil) available for offset against future taxable income. No deferred tax asset has been raised as it is doubtful whether future taxable profits will exist for offset against these tax losses. The tax losses don't expire provided that the entity remains operational.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 12. TAX (continued)

#### Judgement and estimates: taxes

Judgement is required in determining the liability for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws.

#### Judgement and estimates: most meaningful tax rate

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

### 13. EARNINGS PER SHARE

#### Accounting policy

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise instruments convertible into ordinary shares and share options granted to employees. The Group also presents headline earnings per share according to the JSE requirements, by adjusting the earnings as determined in IAS 33, excluding separate identifiable re-measurements, net of related tax (current and deferred) and related non-controlling interests other than re-measurements specifically included in headline earnings (included re-measurements).

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

|                                                                                         | 2022    | 2021    |
|-----------------------------------------------------------------------------------------|---------|---------|
| <b>Basic and diluted earnings per share</b>                                             |         |         |
| Profit for the year attributable to ordinary shareholders (US\$'000)                    | 153 881 | 100 469 |
| Weighted average number of issued ordinary shares for basic earnings per share ('000)   | 285 776 | 268 859 |
| Dilutive impact of SARS ('000)                                                          | 125     | 599     |
| Weighted average number of issued ordinary shares for diluted earnings per share ('000) | 285 901 | 269 458 |
| <b>Earnings per share</b>                                                               |         |         |
| Basic (US\$ cents)                                                                      | 53.8    | 37.4    |
| Diluted (US\$ cents)                                                                    | 53.8    | 37.3    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 13. EARNINGS PER SHARE (continued)

| EARNINGS PER SHARE (continued)                                                                   |                   |                 |                                             | 2022            | 2021            |
|--------------------------------------------------------------------------------------------------|-------------------|-----------------|---------------------------------------------|-----------------|-----------------|
| Headline and diluted headline earnings per share                                                 |                   |                 |                                             |                 |                 |
| Headline earnings for the year attributable to ordinary shareholders (US\$'000)                  |                   |                 |                                             | 117 393         | 103 107         |
| Weighted average number of issued ordinary shares for basic headline earnings per share ('000)   |                   |                 |                                             | 285 776         | 268 859         |
| Dilutive impact of SARS ('000)                                                                   |                   |                 |                                             | 125             | 599             |
| Weighted average number of issued ordinary shares for diluted headline earnings per share ('000) |                   |                 |                                             | 285 901         | 269 458         |
| Headline earnings per share                                                                      |                   |                 |                                             |                 |                 |
| Basic (US\$ cents)                                                                               |                   |                 |                                             | 41.1            | 38.3            |
| Diluted (US\$ cents)                                                                             |                   |                 |                                             | 41.1            | 38.3            |
| Reconciliation of profit to headline earnings                                                    |                   |                 |                                             |                 |                 |
|                                                                                                  | 2022              |                 |                                             |                 | 2021            |
|                                                                                                  | Gross<br>US\$'000 | Tax<br>US\$'000 | Non-<br>controlling<br>interest<br>US\$'000 | Net<br>US\$'000 | Net<br>US\$'000 |
| Profit attributable to ordinary shareholders                                                     |                   |                 |                                             | 153 881         | 100 469         |
| Adjustments:                                                                                     |                   |                 |                                             |                 |                 |
| Gain on acquisition: fair value re-measurement of existing 28.38% shareholding                   | (33 503)          | -               | -                                           | (33 503)        | -               |
| Gain on acquisition: purchase of shares at a discount                                            | (14 888)          | -               | -                                           | (14 888)        | -               |
| Write off of property, plant and equipment                                                       | 1 328             | (372)           | (304)                                       | 652             | 2 638           |
| Impairment of property, plant and equipment                                                      | 8 366             | (34)            | -                                           | 8 332           |                 |
| Impairment of goodwill                                                                           | 1 852             | -               | -                                           | 1 852           |                 |
| Loss on disposal of property, plant and equipment                                                | 1 482             | (415)           | -                                           | 1 067           | -               |
| Headline earnings                                                                                |                   |                 |                                             | 117 393         | 103 107         |

### 14. PROPERTY, PLANT AND EQUIPMENT

#### Accounting policy

##### Mining assets and infrastructure

Mining assets and infrastructure typically include those costs incurred for the development of the mine, including the design of the mine plan, constructing and commissioning the facilities and preparation of the mine and necessary infrastructure for production. The mine development phase generally begins after completion of a feasibility study and ends upon the commencement of commercial production. Mining assets are measured at cost less accumulated depreciation and less any accumulated impairment losses. Expenditure, including evaluation costs, incurred to establish or expand productive capacity, to support and maintain that productive capacity prior to the commencement of commercial levels of production, are capitalised to assets under construction and transferred to mining assets and infrastructure when the mining venture reaches commercial production. Maintenance costs incurred to maintain current production are expensed.

The remaining useful life of mine and infrastructure based on the remaining open pit life of mine and excluding future potential underground development, is currently estimated to be 19 years.

##### Deferred stripping costs

All stripping costs incurred (costs incurred in removing overburden to expose the reef) during the production phase of a mine are treated as variable production costs and as a result are included in the cost of inventory during the period in which the stripping costs are incurred. However, any costs of overburden stripping in excess of the expected open-pit life average stripping ratio are deferred. Any costs deferred are capitalised to property, plant and equipment provided all the following conditions are met:

- it is probable that the future economic benefit associated with the stripping activity will be realised;
- the component of the ore body for which access has been improved can be identified; and
- the costs relating to the stripping activity associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of profit or loss as they are incurred.

This deferred stripping asset is depreciated using the units of production method over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

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

#### *Accounting policy (continued)*

Assets are initially measured at cost and are subsequently measured at cost less accumulated depreciation and less any accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of normal production overheads. Directly attributable expenses relating to major capital projects and site preparation are capitalised until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs. Administrative and other general overhead costs are expensed as incurred. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs directly attributable to the construction or acquisition of qualifying assets are capitalised directly to the cost of the qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, these borrowing costs shall be determined as the actual borrowing costs incurred on that borrowing.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised when the costs can be reliably measured and if it is probable that the future economic benefits embodied within the component will flow to the Group. The carrying amount of the replaced component, if any, are derecognised.

Maintenance and day to day servicing and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are recognised in profit or loss.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognised in profit or loss.

#### *Depreciation*

Depreciation of mining assets and infrastructure is calculated using the units-of-production method based on estimated economically recoverable proved and probable mineral reserves. Proved and probable reserves reflect estimated quantities of economically recoverable resources which can be recovered in the future from known mineral deposits. Depreciation is first charged on mining assets and infrastructure from the date on which they are available for use.

Mining fleet is depreciated using the units-of-production method based on estimated achievable machine hours.

For other property, plant and equipment, depreciation is recognised in profit or loss on a straight-line basis at rates that will reduce the carrying amounts to estimated residual values over the estimated useful lives of the assets. Leasehold improvements on premises occupied under leases are expensed over the shorter of the lease term and the useful lives.

Depreciation, unless otherwise stated, is calculated as follows:

- buildings at 10.0% pa
- motor vehicles at 20.0% pa
- computer equipment and software at 33.3% pa
- office equipment between 10.0% and 33.3% pa
- furniture at 20.0% pa

No depreciation is provided on freehold land and mine development assets under construction.

Depreciation methods, residual values and useful lives are reviewed at least annually, and adjusted prospectively if appropriate, at each reporting date.

#### *Exploration and evaluation expenditure*

All exploration and evaluation expenditure, prior to obtaining the legal rights to explore a specific area, is recognised in profit or loss. After the legal rights to explore are obtained, exploration and evaluation expenditure, comprising the costs of acquiring prospecting rights and directly attributable exploration expenditure, is capitalised as a separate class of property, plant and equipment, on a project-by-project basis, pending determination of the technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting a mineral resource is generally considered to be determinable through a feasibility study and when proven reserves are determinable to exist. Upon determination of proven reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified to another appropriate class of property, plant and equipment. Subsequently, all costs directly incurred to prepare an identified mineral asset for production are capitalised to mine development assets. Amortisation of these assets commences once these assets are available for use. These assets will be measured at cost less accumulated amortisation and impairment losses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

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

#### **Accounting policy**

##### *Minerals reserve*

The estimation of reserves impacts the amortisation of property, plant and equipment, the recoverable amount of property, plant and equipment and the timing of rehabilitation expenditure.

Factors impacting the determination of proved and probable reserves:

- commodity prices;
- the grade of mineral reserves;
- operational issues at the mine; and
- the reliability of the measurement of the fair value or cost of the asset.

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its related CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs (group of units) and then, to reduce the carrying amount of the other assets in the CGU (group of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of the other assets of the CGU.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed through profit or loss if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### *Accounting policy: leases*

The Group recognises a right-of-use asset at the commencement date of the contract for all leases conveying the right to control the use of identified assets for a specified period. The commencement date is the date on which a lessor makes an underlying asset available for use by the lessee.

The right-of-use assets are initially measured at cost, which comprises the amount of initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located, less any lease incentives.

Subsequent to initial measurement, the right-of-use assets are depreciated from the commencement date using the straight-line method over the shorter of the estimated useful lives of the right-of-use assets or the end of lease term. These are as follows:

##### **Right-of-use asset**

Buildings and premises  
Mining fleet

##### **Depreciation term in years**

Straight-line over the respective lease terms, between 3 and 5 years  
Based on estimated production hours

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

##### *Short-term leases and leases of low-value assets:*

The Group has elected not to recognise right-of-use assets for short-term leases that do not contain a purchase option and have a lease term of 12 months or less and leases of low-value assets such as computer equipment.

##### *As a lessor*

In the event of lease contracts based on which the Group is acting as a lessor, each of its leases is classified as either an operating or finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Indicators of a finance lease include whether the lease is for the major part of the economic life of the asset, whether the lease transfers ownership of the asset to the lessee by the end of the lease term and whether at inception date of the lease, the present value of the minimum lease payments amount to substantially all of the fair value of the leased asset.

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor, are classified as operating leases.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

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

|                                                | Freehold land<br>and buildings<br>US\$'000 | Mineral rights<br>US\$'000 | Mining assets<br>and<br>infrastructure<br>US\$'000 | Mining fleet<br>US\$'000 | Right-of-use<br>asset: mining<br>fleet<br>US\$'000 | Motor<br>vehicles<br>US\$'000 | Computer<br>equipment<br>and software<br>US\$'000 | Office<br>equipment and<br>furniture,<br>community<br>and site office<br>improvements<br>US\$'000 | Right-of-use<br>asset:<br>buildings<br>US\$'000 | Total<br>US\$'000 |
|------------------------------------------------|--------------------------------------------|----------------------------|----------------------------------------------------|--------------------------|----------------------------------------------------|-------------------------------|---------------------------------------------------|---------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------|
| <b>30 September 2022</b>                       |                                            |                            |                                                    |                          |                                                    |                               |                                                   |                                                                                                   |                                                 |                   |
| <b>Cost</b>                                    |                                            |                            |                                                    |                          |                                                    |                               |                                                   |                                                                                                   |                                                 |                   |
| Balance at 30 September 2021                   | 19 293                                     | -                          | 396 901                                            | 99 585                   | 16 790                                             | 2 331                         | 4 249                                             | 1 014                                                                                             | 1 968                                           | 542 131           |
| Additions                                      | 7 559                                      | -                          | 59 243                                             | 34 794                   | -                                                  | 1 005                         | 1 929                                             | 484                                                                                               | -                                               | 105 014           |
| Lease agreements entered into                  | -                                          | -                          | -                                                  | -                        | 163                                                | -                             | -                                                 | -                                                                                                 | 59                                              | 222               |
| Business combination (note 31)                 | -                                          | 201 750                    | 1 570                                              | -                        | -                                                  | 152                           | 18                                                | 20                                                                                                | -                                               | 203 510           |
| Disposals                                      | -                                          | -                          | (790)                                              | (5 486)                  | -                                                  | (18)                          | (4)                                               | (2)                                                                                               | -                                               | (6 300)           |
| Re-measurement                                 | -                                          | -                          | -                                                  | -                        | 4                                                  | -                             | -                                                 | -                                                                                                 | 4                                               | 8                 |
| Write offs                                     | (3)                                        | -                          | (87)                                               | (5 219)                  | -                                                  | -                             | (196)                                             | (8)                                                                                               | -                                               | (5 513)           |
| Transfers                                      | 494                                        | -                          | 399                                                | 8 277                    | (8 765)                                            | 18                            | (429)                                             | 6                                                                                                 | -                                               | -                 |
| Exchange differences on translation            | (4 143)                                    | -                          | (69 907)                                           | (20 680)                 | (1 736)                                            | (499)                         | (1 370)                                           | (182)                                                                                             | (298)                                           | (98 815)          |
| <b>Balance at 30 September 2022</b>            | <b>23 200</b>                              | <b>201 750</b>             | <b>387 329</b>                                     | <b>111 271</b>           | <b>6 456</b>                                       | <b>2 989</b>                  | <b>4 197</b>                                      | <b>1 332</b>                                                                                      | <b>1 733</b>                                    | <b>740 257</b>    |
| <b>Accumulated depreciation and impairment</b> |                                            |                            |                                                    |                          |                                                    |                               |                                                   |                                                                                                   |                                                 |                   |
| Balance at 30 September 2021                   | 1 353                                      | -                          | 105 512                                            | 39 744                   | 8 977                                              | 730                           | 3 780                                             | 509                                                                                               | 1 065                                           | 161 670           |
| Depreciation charge for the year               | 257                                        | -                          | 16 566                                             | 18 325                   | 1 663                                              | 400                           | 1 087                                             | 167                                                                                               | 331                                             | 38 796            |
| Business combination (note 31)                 | -                                          | -                          | 17                                                 | -                        | -                                                  | 65                            | 10                                                | 9                                                                                                 | -                                               | 101               |
| Disposals                                      | -                                          | -                          | (106)                                              | (2 967)                  | -                                                  | (13)                          | (3)                                               | (2)                                                                                               | -                                               | (3 091)           |
| Write offs                                     | (3)                                        | -                          | (37)                                               | (3 943)                  | -                                                  | -                             | (193)                                             | (9)                                                                                               | -                                               | (4 185)           |
| Impairment                                     | -                                          | -                          | 8 356                                              | -                        | -                                                  | 6                             | -                                                 | 4                                                                                                 | -                                               | 8 366             |
| Transfers                                      | -                                          | -                          | -                                                  | 5 394                    | (5 394)                                            | -                             | 16                                                | (16)                                                                                              | -                                               | -                 |
| Exchange differences on translation            | (254)                                      | -                          | (19 818)                                           | (8 738)                  | (1 036)                                            | (166)                         | (703)                                             | (80)                                                                                              | (185)                                           | (30 980)          |
| <b>Balance at 30 September 2022</b>            | <b>1 353</b>                               | <b>-</b>                   | <b>110 490</b>                                     | <b>47 815</b>            | <b>4 210</b>                                       | <b>1 022</b>                  | <b>3 994</b>                                      | <b>582</b>                                                                                        | <b>1 211</b>                                    | <b>170 677</b>    |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 30 September 2022

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

|                                     | Freehold land<br>and buildings<br>US\$'000 | Mining assets<br>and<br>infrastructure<br>US\$'000 | Mining fleet<br>US\$'000 | Right-of-use<br>asset: mining<br>fleet<br>US\$'000 | Motor vehicles<br>US\$'000 | Computer<br>equipment and<br>software<br>US\$'000 | Office<br>equipment and<br>furniture,<br>community<br>and site office<br>improvements<br>US\$'000 | Right-of-use<br>asset:<br>buildings<br>US\$'000 | Total<br>US\$'000 |
|-------------------------------------|--------------------------------------------|----------------------------------------------------|--------------------------|----------------------------------------------------|----------------------------|---------------------------------------------------|---------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------|
| 30 September 2021                   |                                            |                                                    |                          |                                                    |                            |                                                   |                                                                                                   |                                                 |                   |
| <b>Cost</b>                         |                                            |                                                    |                          |                                                    |                            |                                                   |                                                                                                   |                                                 |                   |
| Balance at 30 September 2020        | 14 280                                     | 289 263                                            | 70 885                   | 14 799                                             | 1 325                      | 3 868                                             | 567                                                                                               | 1 891                                           | 396 878           |
| Additions                           | 3 747                                      | 73 004                                             | 26 574                   | -                                                  | 862                        | 1 427                                             | 392                                                                                               | -                                               | 106 006           |
| Lease agreements entered into       | -                                          | -                                                  | -                        | 1 985                                              | -                          | -                                                 | -                                                                                                 | 172                                             | 2 157             |
| Business combination (note 31)      | -                                          | 4 687                                              | -                        | -                                                  | -                          | -                                                 | 17                                                                                                | -                                               | 4 704             |
| Disposals                           | -                                          | -                                                  | -                        | -                                                  | -                          | (4)                                               | (1)                                                                                               | -                                               | (5)               |
| Re-measurement                      | -                                          | -                                                  | -                        | (175)                                              | -                          | -                                                 | -                                                                                                 | 196                                             | 21                |
| Write offs                          | (30)                                       | (917)                                              | (5 559)                  | (624)                                              | -                          | (1 390)                                           | (11)                                                                                              | (492)                                           | (9 023)           |
| Transfers                           | (216)                                      | 159                                                | 237                      | (810)                                              | 12                         | (3)                                               | 7                                                                                                 | -                                               | (614)             |
| Exchange differences on translation | 1 512                                      | 30 705                                             | 7 448                    | 1 615                                              | 132                        | 351                                               | 43                                                                                                | 201                                             | 42 007            |
| Balance at 30 September 2021        | 19 293                                     | 396 901                                            | 99 585                   | 16 790                                             | 2 331                      | 4 249                                             | 1 014                                                                                             | 1 968                                           | 542 131           |
| <b>Accumulated depreciation</b>     |                                            |                                                    |                          |                                                    |                            |                                                   |                                                                                                   |                                                 |                   |
| Balance at 30 September 2020        | 982                                        | 80 916                                             | 24 245                   | 6 305                                              | 489                        | 3 528                                             | 366                                                                                               | 1 087                                           | 117 918           |
| Depreciation charge for the year    | 267                                        | 16 244                                             | 14 803                   | 3 028                                              | 190                        | 972                                               | 128                                                                                               | 392                                             | 36 024            |
| Business combination (note 31)      | -                                          | 11                                                 | -                        | -                                                  | -                          | -                                                 | 1                                                                                                 | -                                               | 12                |
| Disposals                           | -                                          | -                                                  | -                        | -                                                  | -                          | (4)                                               | -                                                                                                 | -                                               | (4)               |
| Write offs                          | -                                          | (241)                                              | (1 693)                  | (518)                                              | -                          | (1 081)                                           | (11)                                                                                              | (529)                                           | (4 073)           |
| Transfers                           | -                                          | (42)                                               | (73)                     | (499)                                              | -                          | -                                                 | -                                                                                                 | -                                               | (614)             |
| Exchange differences on translation | 104                                        | 8 624                                              | 2 462                    | 661                                                | 51                         | 365                                               | 25                                                                                                | 115                                             | 12 407            |
| Balance at 30 September 2021        | 1 353                                      | 105 512                                            | 39 744                   | 8 977                                              | 730                        | 3 780                                             | 509                                                                                               | 1 065                                           | 161 670           |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

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

|                                                                        | 2022<br>US\$'000 | 2021<br>US\$'000 |
|------------------------------------------------------------------------|------------------|------------------|
| <b>Net book value</b>                                                  |                  |                  |
| Freehold land and buildings                                            | 21 847           | 17 940           |
| Mineral right                                                          | 201 750          | -                |
| Mining assets and infrastructure                                       | 276 839          | 291 389          |
| Mining fleet                                                           | 63 456           | 59 841           |
| Right-of-use mining fleet                                              | 2 246            | 7 813            |
| Motor vehicles                                                         | 1 967            | 1 601            |
| Computer equipment and software                                        | 203              | 469              |
| Office equipment and furniture, community and site office improvements | 750              | 505              |
| Right-of-use buildings and premises                                    | 522              | 903              |
|                                                                        | <b>569 580</b>   | <b>380 461</b>   |

Included in additions to mining assets and infrastructure are additions to the deferred stripping asset of US\$15.1 million (2021: US\$25.8 million).

The estimated economically recoverable proved and probable mineral reserve of Tharisa Minerals Proprietary Limited was reassessed at 18 November 2021 which gave rise to a change in accounting estimate. Following an annual review of its Minerals Resource and Mineral Reserve statement, the open pit life of mine was extended by seven years. The remaining reserve that management had previously assessed was 97.5 Mt (at 1 October 2020). At 18 November 2021, the remaining reserve was assessed to be 113.6 Mt.

As a result, the expected useful life of the plant, included in mining assets and infrastructure, increased. The impact of the change on the actual depreciation expense, included in cost of sales, is a reduced depreciation charge of US\$2.1 million. The change in estimate was recognised prospectively.

Included in mining assets and infrastructure are projects under construction of US\$28.7 million (2021: US\$61.0 million and included in computer equipment and software were projects under construction of US\$0.5 million).

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

Property, plant and equipment, with the exception of motor vehicles, is insured at approximate cost of replacement. Motor vehicles are insured at market value. Land is not insured. No borrowing costs were capitalised during the year ended 30 September 2022 (2021: no capitalisation of borrowing costs).

#### Capital commitments

At 30 September 2022, the Group's capital commitments for contracts to purchase property, plant and equipment amounted to US\$32.0 million (2021: US\$31.9 million).

#### Securities

At 30 September 2022, the majority of the Group's mining fleet was pledged as security against the asset backed facilities (refer to note 26).

#### Write offs

During the year ended 30 September 2022, the Group scrapped individual assets with net book values totalling US\$1.3 million (2021: US\$5.0 million). The write offs during both the financial years relate to certain computer software programmes no longer in use and yellow fleet equipment identified as no longer fit for use and premature component failures.

The mining component pre-mature failures are identified through the measurement of the hours depreciated for each component in relationship to the expected useful live. A write off is recognised for each component that did not reach its expected useful life. Further to this, mining fleet is also written off as identified from fleet that is confirmed as obsolete by management.

#### Impairment of assets

During the year ended 30 September 2022, it became evident that the operational performance of MetQ Proprietary Limited ('MetQ') is not as expected and the Group believes that an impairment indicator is present. MetQ was tested for impairment on a MetQ CGU level by using its value in use. The recoverable amounts of the CGU with a net book value of US\$2.0 million were calculated and amount to US\$1.4 million at 30 September 2022. Consequently, a provision for impairment of US\$0.6 million was recognised in other operating costs. An impairment charge of US\$0.4 million was firstly allocated to the goodwill within the CGU (refer to note 15) and the remaining amount of the impairment charge has been allocated to property, plant and equipment within the mining assets and infrastructure (US\$113 thousand), motor vehicles (US\$6 thousand) and office equipment and furniture (US\$6 thousand) asset categories. The cash flows were discounted using a real discount rate of 12.6%. The MetQ CGU forms part of the manufacturing segment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

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

#### Impairment of assets (continued)

Effective 1 July 2022, the Zimbabwean government enacted an export ban on chrome concentrates to support the local beneficiation industry. Local downstream selling prices of chrome concentrates are unfavourable to Salene Chrome Zimbabwe (Private) Limited ('Salene Chrome') and consequently operations were ceased while allowing the Group to evaluate and develop downstream opportunities. The Group believes that the change in operational circumstances during the year ended 30 September 2022 represents an impairment indicator. The Group performed a value in use calculation on a Salene Chrome CGU level by using a discounted cash flow forecast covering a period of 72 months, which equals the mine plan, a chrome concentrate selling price of US\$132 and a weighted average cost of capital of 10.5%. The Group believes that the CGU with a carrying amount of US\$12.4 million has a recoverable amount of US\$2.8 million and consequently has made a provision for impairment of US\$9.6 million. The impairment charge has been recognised in other operating costs. The impairment charge was first allocated to the goodwill within the CGU (refer to note 15) and the remainder of the impairment charge of US\$8.2 million has been allocated to property, plant and equipment within the mining asset and infrastructure asset category. The Salene Chrome CGU forms part of the chrome segment.

#### Judgements and estimates: mineral reserves estimates

Economically recoverable ore reserves represent the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The determination of ore reserves includes estimates and assumptions about a range of geological, technical and economic factors, including: quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Changes in ore reserves impact the assessment of recoverability of exploration and evaluation assets, property, plant and equipment, the carrying amount of assets depreciated on a units-of-production basis, provision for site rehabilitation and the recognition of deferred tax assets, including tax losses. The mineral reserve is re-assessed annually. The Group estimates and reports mineral reserves in accordance with the principles and guidelines contained in the South African Code for Reporting of Mineral Reserves of 2007, revised in 2016 (SAMREC 2016).

#### Judgements and estimates: assessment of CGU

The Group's main subsidiary, Tharisa Minerals Proprietary Limited ('Tharisa Minerals') is a vertically integrated operation. The Group believes that there is no active market for the run of mine ore ('ROM') mined at Tharisa Minerals due to the high volume being processed and as the ROM is of a relative low grade compared to other deposits in the same region. Tharisa Minerals' integrated processing plants are specifically designed to treat the volume and low grade ROM. Tharisa Minerals produces PGMs and chrome concentrates on a co-product basis and the operation is managed as a joint product mine. The Group therefore believes that the processing plants together with the mining assets are dependent on each other in order to generate cash inflows.

The Group therefore believes that the mining fleet and mining assets cannot generate cash inflows that are largely independent of the cash inflows from the processing plants and other assets or group of assets and as a result are not separate cash generating units. Consequently the Group believes that the mining assets and the processing plants together represents the smallest identifiable Group of assets that generates cash inflows largely independent from other assets and represents a single CGU.

#### Judgements and estimates: impairment of assets

Indicators for impairment on non-financial assets are assessed at each reporting period. Should an indication exist, individual assessments of property, plant and equipment are performed based on the technical, economic and business circumstances.

#### Judgements and estimates: depreciation

Mining assets and infrastructure are depreciated using the units-of-production method. Management has elected to use the tonnes mined in relation to tonnes proved and probable mineral reserve as an appropriate units-of-production depreciation method. Changes in the proved and probable mineral reserve will impact the useful lives of the assets depreciated based on this method. The average remaining useful life of the open pit mine is estimated at 19 years.

Refer to the Accounting Policies for the depreciation of the remaining assets.

#### Judgements and estimates: deferred stripping

IFRIC 20 requires that production stripping costs in a surface mine be capitalised to non-current assets if, and only if, all of the following criteria are met:

- it is probable that the future economic benefit associated with the stripping activity will flow to the entity;
- the entity can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured.

The Group uses a long-term life of opencast mine stripping ratio which consists of actual historical numbers and forecast numbers. The forecast numbers are updated annually according to the Reserve and Resource Statement. In the event that the actual stripping ratio exceeds the life of mine stripping ratio, the actual weighted average stripping cost associated with the stripping ratio that is in excess of the life of mine stripping ratio is deferred and capitalised to property, plant and equipment. Excess deferred stripping costs are only capitalised if it can be reliably measured and if the open pit is improved and/or the ore body is exposed for future benefit.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 15. INTANGIBLE ASSETS

#### Accounting policy

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

#### Impairment of goodwill

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

For goodwill and intangible assets that have indefinite lives or are not yet available for use, the recoverable amount is estimated annually as to whether or not there is any indication of impairment.

For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss in respect of goodwill is not reversed.

|                                                    | Goodwill   | 2022<br>Intellectual<br>property | Total      | Goodwill     | 2021<br>Intellectual<br>property | Total        |
|----------------------------------------------------|------------|----------------------------------|------------|--------------|----------------------------------|--------------|
|                                                    | US\$'000   | US\$'000                         | US\$'000   | US\$'000     | US\$'000                         | US\$'000     |
| <b>Goodwill: reconciliation of carrying amount</b> |            |                                  |            |              |                                  |              |
| <b>Cost</b>                                        |            |                                  |            |              |                                  |              |
| Balance at 1 October                               | 2 883      | 311                              | 3 194      | 1 344        | 311                              | 1 655        |
| Arisen during the year (note 31)                   | -          | -                                | -          | 1 392        | -                                | 1 392        |
| Effect of movement in exchange rates               | (249)      | -                                | (249)      | 147          | -                                | 147          |
| Balance at 30 September                            | 2 634      | 311                              | 2 945      | 2 883        | 311                              | 3 194        |
| <b>Accumulated impairment losses</b>               |            |                                  |            |              |                                  |              |
| Balance at 1 October                               | 252        | -                                | 252        | 228          | -                                | 228          |
| Impairment                                         | 1 852      | -                                | 1 852      | -            | -                                | -            |
| Effect of movement in exchange rates               | (99)       | -                                | (99)       | 24           | -                                | 24           |
| Balance at 30 September                            | 2 005      | -                                | 2 005      | 252          | -                                | 252          |
| <b>Carrying amount</b>                             | <b>629</b> | <b>311</b>                       | <b>940</b> | <b>2 631</b> | <b>311</b>                       | <b>2 942</b> |

The goodwill arose on the acquisitions of Braeston Proprietary Limited, Arxo Logistics Proprietary Limited, MetQ Proprietary Limited and Salene Chrome Zimbabwe (Private) Limited.

The goodwill relating to Braeston Proprietary Limited (US\$0.1 million) was attributed to the synergies of operations at the Group's head office and established client and supplier relationships. The goodwill was allocated to the PGM and chrome operating segments.

The goodwill relating to Arxo Logistics Proprietary Limited (US\$0.5 million) was attributed to supplier relationships specific to the transport and sea freight industry and skills and knowledge of the workforce. The goodwill was allocated to the chrome operating segment.

The goodwill relating to MetQ Proprietary Limited ('MetQ') (US\$0.5 million) was attributed to technical expertise and the talent and skills of the workforce, industry knowledge relating to the manufacture of the mining equipment and relationships with customers. The goodwill was allocated to the chrome operating segment. The Group believes that an impairment indicator is present at 30 September 2022 on a CGU level and the impairment loss allocated to the goodwill on the CGU amounted to US\$0.5 million recognised in other operating costs (refer to note 14).

The goodwill relating to Salene Chrome Zimbabwe (Private) Limited (US\$1.4 million) was attributed to existing bilateral relationships with the Government of Zimbabwe, supplier relationships and knowledge of the workforce. The goodwill was allocated to the chrome operating segment. The Group believes that an impairment indicator exists at 30 September 2022 (refer to note 14 on a Salene Chrome CGU level and the impairment loss allocated to the goodwill of the CGU amounted to US\$1.4 million recognised in other operating costs).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 15. INTANGIBLE ASSETS (continued)

The goodwill is not tax deductible. The recoverable amount of the remaining goodwill was calculated based on the value in use of the operating segment to which the goodwill was allocated and was higher than the carrying values, therefore, a reasonably possible adverse change in the assumptions used would not likely result in an adjustment to the carrying values.

#### **Judgements and estimates: allocation of goodwill**

The Group believes that the mining assets and the processing plants together represents the smallest identifiable Group of assets that generates cash inflows largely independent from other assets and represents a single CGU, refer to note 14. IAS 36 does not prohibit entities having a CGU larger than its operating segments. However, in such circumstances where a CGU is larger than its operating segments, goodwill should be allocated and tested on an operating segment level. The Group has consequently allocated and tested the goodwill on an operating segments level.

The recoverable amounts of the operating segments were determined based on discounted cash flows approved by management covering a nineteen-year period, which represents the estimated opencast life of mine at 30 September 2022. The cash flows were discounted using a real discount rate of 12.6% (2021: 10.9%) for South African operations, an exchange rate of ZAR16.01:US\$1; (2021: ZAR15.205 US\$1) spot PGM basket price of US\$2 224/oz (2021: US\$3 230/oz), spot chrome concentrate prices of US\$200/tonne (2021: US\$160/tonne) and a CIF China logistics cost of US\$98/tonne (2021:US\$85/t). The discount rate used was a pre-tax real rate and reflects specific risks relating to the relevant operating segment. Cash flows are based on the life-of-mine plan that takes into account proved and probable ore reserves and appropriate capital expenditure estimates.

#### **Intellectual property**

The Group acquired certain intellectual property associated with the development and commercialisation of an electrical energy storage device suitable for large scale static applications and ultimately suitable for large scale usage of chrome concentrates. The Group believes that potential cash inflows resulting from the application of the intellectual property to the Group's existing operational processes and products will exceed the carrying value and hence no impairment was recognised. At 30 September 2022 and 30 September 2021, the Group remained to assess that the intellectual property has an indefinite useful life.

### 16. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

#### **Accounting policy: Joint arrangements**

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

#### **Accounting policy: Joint ventures**

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. Joint ventures are accounted for at cost and are adjusted for impairments where appropriate. The Group considers whether the carrying amount of the investment in joint venture should be impaired by comparing the recoverable amount to the carrying amount. Any impairment losses are recognised in the statement of profit or loss.

The investment accounted for using the equity method represented the investment of 28.38% (2021: 26.8%) of the issued share capital of Karo Mining Holdings plc ('Karo Mining'), a company incorporated in Cyprus. Karo Mining's principal place of business is in Cyprus. The functional and presentation currency of Karo Mining and its subsidiaries is the US\$.

As there were certain contractual arrangements requiring decisions about the relevant activities to be unanimous consent, the Group determined that a joint arrangement existed and consequently classified its investment in Karo Mining as a joint venture at 30 September 2021. The Group accounts for joint ventures using the equity method in the consolidated financial statements.

Effective 7 February 2022, the Company acquired an additional 1.58% of the issued share capital of Karo Mining increasing its shareholding to 28.38% for a cash subscription of 22 new ordinary shares for US\$5.0 million.

Effective 30 March 2022, the Company acquired a controlling interest in Karo Mining by increasing its shareholding to 66.34% of the issued share capital of Karo Mining. The additional 37.96% of the issued share capital of Karo Mining was acquired from the Leto Settlement, a related party (refer to note 34) for a purchase consideration of US\$29.4 million. The purchase consideration was settled through the issue of 13 693 000 new ordinary shares of the Company to the Leto Settlement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 16. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (continued)

The call option that existed at 30 September 2021 allowing the Company, at its election, to directly subscribe for shares in Karo Platinum (Private) Limited ('Karo Platinum') (up to 40.0% of the issued share capital of Karo Platinum) by way of a farm-in agreement was restructured on 30 March 2022 and replaced by the acquisition of the additional 37.96% in Karo Mining at a discount to the fair value (refer to note 18 and 31).

|                                                                                                               | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Investment in Karo Mining</b>                                                                              |                  |                  |
| Opening balance                                                                                               | 10 274           | 10 303           |
| Interest capitalised                                                                                          | 112              | 222              |
| Share of total comprehensive loss                                                                             | (5 229)          | (251)            |
| Additional investment (1.58%)                                                                                 | 4 965            | -                |
| Reclassification of loan receivable to other financial assets                                                 | (8 466)          | -                |
| Carrying value of pre-existing shareholding prior to the acquisition of controlling interest on 30 March 2022 | 1 656            | 10 274           |
| Acquisition of subsidiary (note 31)                                                                           | (1 656)          | -                |
| Carrying value                                                                                                | -                | 10 274           |
| Shares acquired                                                                                               | -                | 4 500            |
| Loan advance                                                                                                  | -                | 8 353            |
| Total share of comprehensive loss from joint venture                                                          | -                | (2 579)          |
| Total investment                                                                                              | -                | 10 274           |

The Company provided funding of US\$8.5 million (including accrued interest) (2021: US\$8.4 million) to Karo Mining as a repayable debt facility. The loan, subsequently transferred and held through a wholly-owned subsidiary Arxo Finance plc, was previously classified as part of the investment in Karo Mining. At 30 March 2022 (acquisition date, refer to note 31), the Group reclassified the loan to other financial assets and transferred the loan from Arxo Finance plc to the Company. Subsequent to the acquisition, the loan was eliminated on consolidation. Effective 19 May 2022, Karo Mining converted the loan to ordinary shares and issued an additional 38 new ordinary shares to the Company as consideration. The additional shares issued represented 1.21% of the issued share capital of Karo Mining which increased the Company's shareholding to 67.55%.

|                                                                              | 2022<br>US\$'000 | 2021<br>US\$'000 |
|------------------------------------------------------------------------------|------------------|------------------|
| <b>Summarised consolidated financial information of Karo Mining</b>          |                  |                  |
| <b>Summarised statement of financial position*</b>                           |                  |                  |
| Non-current assets                                                           | 1 659            | 207              |
| Current assets (excluding cash and cash equivalents)                         | 339              | 360              |
| Cash and cash equivalents                                                    | 4 984            | 54               |
| Loan payable                                                                 | (8 466)          | (8 353)          |
| Other financial liabilities                                                  | (17 879)         | -                |
| Trade and other payables and income tax payable                              | (3 741)          | (1 892)          |
| Net deficit (100%)                                                           | (23 104)         | (9 624)          |
| <b>Summarised statement of comprehensive income*</b>                         |                  |                  |
| Operating expenses                                                           | (444)            | (696)            |
| Option granted to NCI to call upon shares in Karo Platinum (Private) Limited | (17 879)         | -                |
| Finance costs                                                                | (112)            | (223)            |
| Tax                                                                          | (10)             | (19)             |
| Total comprehensive loss                                                     | (18 445)         | (938)            |
| <b>Summarised statement of changes in equity*</b>                            |                  |                  |
| Opening balance                                                              | (9 624)          | (8 686)          |
| Shares issued during the period                                              | 4 965            | -                |
| Net loss for the period/year                                                 | (18 445)         | (938)            |
| Balance at the end of the period/year                                        | (23 104)         | (9 624)          |

\* Balances are reflected at 30 March 2022 immediately prior to the acquisition of a controlling shareholding in Karo Mining.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 17. GROUP COMPOSITION

Details of the subsidiaries including direct and indirect holdings are disclosed in note 1. The Group holds 100% of the voting rights in all subsidiaries apart from Karo Mining Holdings plc (70.0% holding).

The following table summarises the information relating to the Company's subsidiaries with material non-controlling interest, Tharisa Minerals Proprietary Limited and Karo Mining Holdings plc and subsidiaries. Tharisa Minerals Proprietary Limited is 100.0% (2021: 74.0%) owned (refer to note 24) while Karo Mining Holdings plc is 70.0% owned. Karo Mining Holdings plc owns 85.0% of the voting rights of Karo Platinum (Private) Limited. The non-controlling interests of Karo Mining Holdings plc and subsidiaries and Tharisa Minerals Proprietary Limited before any inter-group eliminations were:

|                                                                   | Karo Mining<br>Holdings plc<br>2022<br>US\$'000 | Tharisa Minerals Proprietary<br>Limited<br>2021<br>US\$'000 | 2021<br>US\$'000 |
|-------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------------------|------------------|
| Non-current assets                                                | 12 795                                          | 337 242                                                     | 358 556          |
| Current assets                                                    | 13 782                                          | 242 046                                                     | 208 938          |
| Non-current liabilities                                           | (16 779)                                        | (382 713)                                                   | (393 304)        |
| Current liabilities                                               | (4 900)                                         | (112 923)                                                   | (139 115)        |
| Net assets                                                        | 4 898                                           | 83 652                                                      | 35 075           |
| Carrying amount of non-controlling interest                       | 1 389                                           | -                                                           | 9 120            |
| Revenue                                                           | -                                               | 490 383                                                     | 453 459          |
| Net (loss)/profit after tax and total comprehensive (loss)/income | (13 286)                                        | 64 912                                                      | 149 068          |
| Non-controlling interest in (loss)/profit after tax               | (338)                                           | 13 613                                                      | 38 758           |
| Cash flows from operating activities                              | 32                                              | 143 743                                                     | 180 172          |
| Cash flows from investing activities                              | (12 629)                                        | (93 865)                                                    | (94 486)         |
| Cash flows from financing activities                              | 25 097                                          | (70 393)                                                    | (70 986)         |
| Net change in cash and cash equivalents                           | 12 500                                          | (20 515)                                                    | 14 700           |

Tharisa Minerals Proprietary Limited, declared and paid an ordinary dividend of US\$2.7 million (2021: US\$4.2 million) during the year ended 30 September 2022 and prior to the acquisition of the non-controlling interest. The dividend paid to non-controlling shareholders amounted to US\$0.2 million (2021: US\$1.1 million).

#### *Judgements and estimates: assessment of intergroup loans as net investments in foreign operations*

Settlement of certain intergroup loans to South African entities denominated in US\$ is neither planned nor likely to occur in the foreseeable future and the loans are therefore considered to be in substance part of the Group's net investment in the foreign operations. The exchange differences arising on these loans are recognised in the Group's other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

### 18. FINANCIAL AND OTHER ASSETS

#### **Accounting policy**

##### *Measurement: Financial assets at amortised cost*

Financial assets at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost less any allowance for impairment.

##### *Measurement: Financial assets at fair value through profit or loss*

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets carried at fair value through profit or loss are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets held at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise.

##### *Derecognition: Financial assets*

The Group derecognises financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognised in the statement of profit or loss.

##### *Hedge accounting*

The Group does not apply hedge accounting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 18. FINANCIAL AND OTHER ASSETS (continued)

#### **Accounting policy: Impairment**

##### *Financial asset at amortised cost*

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest' ('SPPI') on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Impairment requirements are based on expected credit losses (expected credit loss model). Expected credit losses ('ECLs') are an estimate of credit losses over the life of a financial instrument and are recognised as a loss allowance or provision. The amount of ECLs to be recognised depends on the extent of credit deterioration since initial recognition.

The Group applies the expected credit loss model to all debt instruments classified as measured at amortised cost, or at fair value through other comprehensive income, including lease receivables and contract assets.

The Group considers both approaches: the general approach and the simplified approach. For trade receivables (not subject to provisional pricing) due in less than 12 months, the group applies the simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Group considers its historical credit loss experience, adjusted for forward looking factors that could indicate impairments taking into account the specific debtors and the economic environment.

The general approach requires the assessment of financial assets to be split into 3 stages:

Stage 1: no significant deterioration in credit quality. This identifies financial assets as having a low credit risk, and the asset is considered to be performing as anticipated. At this stage, a 12 month expected credit loss assessment is required.

Stage 2: significant deterioration in credit quality of the financial asset but no indication of a credit loss event. This stage identifies assets as under-performing. Lifetime expected credit losses are required to be assessed.

Stage 3: clear and objective evidence of impairment is present. This stage identifies assets as non-performing financial instruments. Lifetime expected credit losses are required to be assessed.

Once a default has occurred, it is considered a deterioration of credit risk and therefore an increase in the credit risk.

The Group considers a wide variety of indicators when assessing the increase in credit risk as well as the probability of the default happening for impairment purposes. Some indicators considered include: Significant changes in the expected performance and behaviour of the debtor; past due information; significant changes in external market indicators including market information related to the debtor, existing or forecast adverse changes in business, financial or economic conditions; an actual or expected significant adverse change in the regulatory, economic, or technological environment; actual or expected significant internal credit rating downgrade or decrease; actual or expected significant change in the operating results of the debtor.

The expected credit loss value is determined as the estimated cash shortfall that would be incurred, multiplied by the probability of the default occurring

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 18. FINANCIAL AND OTHER ASSETS (continued)

|                                                                             |                             | 2022         | 2021          |
|-----------------------------------------------------------------------------|-----------------------------|--------------|---------------|
|                                                                             | <i>Fair value hierarchy</i> | US\$'000     | US\$'000      |
| <b>Non-current assets</b>                                                   |                             |              |               |
| <i>Financial assets</i>                                                     |                             |              |               |
| Investments in money markets, current accounts, cash funds and income funds | Level 2                     | 6 019        | 7 702         |
| Right to acquire shares in Karo Platinum (Private) Limited                  | Level 3                     | -            | 5 870         |
| <i>Other assets</i>                                                         |                             |              |               |
| Prepaid investment in Karo Platinum (Private) Limited                       | Amortised cost              | -            | 2 282         |
|                                                                             |                             | <b>6 019</b> | <b>15 854</b> |
| <b>Current assets</b>                                                       |                             |              |               |
| <i>Financial assets</i>                                                     |                             |              |               |
| PGM discount facility hedging derivative                                    | Level 2                     | -            | 3 023         |
| Investments in equity instruments                                           | Level 1                     | 19           | 18            |
|                                                                             |                             | <b>19</b>    | <b>3 041</b>  |

The carrying amounts of other non-current and current assets carried at amortised cost approximate its fair value.

#### Investments in money markets, current accounts, cash funds and income funds

Investment in money market and current accounts totalling US\$5.3 million (2021: US\$6.3 million) is managed by Centriq Insurance Company Limited ('Centriq'). The investment serves as security for the guarantee issued by Centriq to the Department of Mineral Resources and Energy for the rehabilitation provision. The guarantee issued by Centriq has a fixed cover period from 1 December 2020 to 30 November 2023.

Investment in cash funds and income funds of US\$0.7 million (2021: US\$1.4 million) managed by Stanlib Collective Investments. The investment is ceded to Lombard Insurance Group ('Lombard') against a US\$0.7 million (ZAR12.0 million) (2021: US\$0.8 million (ZAR12.0 million)) guarantee issued by Lombard on behalf of Arxo Logistics Proprietary Limited to Transnet Freight Rail, a division of Transnet SOC Limited.

These investments are separately administered and the Group's right of access to these funds is restricted.

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

#### Right to acquire shares in Karo Platinum (Private) Limited ('Karo Platinum') and prepaid investment in Karo Platinum

The Company was granted an option to acquire up to 40% of the issued share capital of Karo Platinum, a company incorporated in Zimbabwe, at a discount to the market value. The asset represented the fair value gain (50% discount to the market value as the project was at a measured resource and reserve stage) of the discount to the purchase price.

As part of the evaluation of the right to acquire shares in Karo Platinum, the Company incurred exploration and evaluation costs which were capitalised as a prepaid investment in Karo Platinum.

Effective 30 March 2022, the option to acquire shares in Karo Platinum was restructured and replaced by an agreement whereby the Company acquired a controlling interest in Karo Mining Holdings plc ('Karo Mining') at a discount to the fair value (refer to notes 16 and 31) which gave rise to a bargain purchase. Karo Mining (a company incorporated in Cyprus), owns 100% of the issued share capital of Karo Zimbabwe Holdings (Private) Limited which prior to the acquisition held 100% of the issued share capital of Karo Platinum. Refer to note 31 for Karo Mining's list of subsidiaries at 30 September 2022. During the year ended 30 September 2022, the right to acquire shares in Karo Platinum was derecognised through profit or loss and the prepaid investment in Karo Platinum was capitalised to the cost of the investment in Karo Mining subsidiary in the Company's separate financial statements.

#### PGM discount facility hedging derivative

Refer to note 27.

#### Investments in equity instruments – fair value through profit or loss

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 19. DEFERRED TAX

|                                                                                      | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------------------------------------------------------------------|------------------|------------------|
| Deferred tax assets                                                                  | 1 174            | 1 177            |
| Deferred tax liabilities                                                             | (112 341)        | (87 565)         |
| Net deferred tax liability                                                           | (111 167)        | (86 388)         |
| <b>Deferred tax assets</b>                                                           |                  |                  |
| Property, plant and equipment                                                        | (68)             | (4)              |
| Tax losses not utilised                                                              | 335              | -                |
| Provisions and accrued leave                                                         | 366              | 246              |
| Share-based payments                                                                 | 459              | 684              |
| Other                                                                                | 82               | 251              |
|                                                                                      | 1 174            | 1 177            |
| <b>Deferred tax liabilities</b>                                                      |                  |                  |
| Property, plant and equipment                                                        | (115 537)        | (93 767)         |
| Tax losses not utilised                                                              | -                | 128              |
| Provisions and accrued leave                                                         | 5 401            | 6 907            |
| Share-based payments                                                                 | 181              | 365              |
| Dividend withholding tax                                                             | (124)            | (2 068)          |
| Dividend withholding tax - unremitted distributable reserves of foreign subsidiaries | (2 805)          | -                |
| Exchange losses                                                                      | 59               | 681              |
| Other                                                                                | 484              | 189              |
|                                                                                      | (112 341)        | (87 565)         |
| <b>Reconciliation of deferred tax liability</b>                                      |                  |                  |
| Balance at the beginning of the year                                                 | (86 388)         | (37 962)         |
| Business combination (note 31)                                                       | (30 263)         | -                |
| Temporary differences recognised in profit or loss in relation to:                   |                  |                  |
| Change in RSA tax rate                                                               | 3 333            | -                |
| Capital allowances on property, plant and equipment                                  | (11 352)         | (39 749)         |
| Provisions and accrued leave                                                         | (431)            | 1 116            |
| Tax losses utilised/available for future set off against profits                     | 645              | 195              |
| Currency losses                                                                      | (558)            | (3 988)          |
| Share-based payments                                                                 | (358)            | (259)            |
| Dividend withholding tax                                                             | 1 945            | (2 068)          |
| Dividend withholding tax - unremitted distributable reserves of foreign subsidiaries | (2 805)          | -                |
| Other                                                                                | (318)            | (331)            |
|                                                                                      | (9 899)          | (45 084)         |
| Exchange differences                                                                 | 15 383           | (3 342)          |
| Balance at the end of the year                                                       | (111 167)        | (86 388)         |
| <b>Amounts recognised in:</b>                                                        |                  |                  |
| Profit and loss (refer to note 12)                                                   | (9 899)          | (44 814)         |

Deferred tax assets and deferred tax liabilities are not offset unless the Group has a legally enforceable right to offset such assets and liabilities.

All of the above amounts have used the currently enacted income taxation rates of the respective tax jurisdictions the Group operates in. South African taxation losses normally expire within 12 months of the respective entities not trading. The deductible temporary timing differences do not expire under current taxation legislation. Deferred tax assets have only been recognised in terms of these items when it is probable that taxable profit will be available in the immediate future against which the respective entities can utilise the benefits therefrom.

The estimates used to assess the recoverability of recognised deferred tax assets include a forecast of the future taxable income and future cash flow projections based on a three-year period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 20. INVENTORIES

#### **Accounting policy**

Inventories comprising PGM and chrome concentrates, ore stockpiled, in-process metal contained in ore and consumable items are measured at the lower of cost and net realisable value. The cost is determined using the weighted average method and includes direct mining expenditure and an appropriate portion of overhead expenditure. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs to sell. Obsolete, redundant and slow-moving inventories are identified and written down to net realisable value.

|                                 | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---------------------------------|------------------|------------------|
| Finished products               | 31 778           | 15 972           |
| Ore stockpile                   | 19 939           | 17 553           |
| Consumables                     | 25 085           | 25 533           |
|                                 | 76 802           | 59 058           |
| Net realisable value write down | (3 562)          | (789)            |
| Total carrying amount           | 73 240           | 58 269           |

Inventories are stated at the lower of cost or net realisable value. Low-grade chrome concentrates to the value of US\$1.6 million (2021: US\$1.2 million) are carried at the realisable value after a net realisable value write down of US\$0.7 million (2021: US\$0.1 million). The net realisable write down was allocated to the chrome segment.

Certain PGM finished products were provided for in full to the value of US\$2.0 million (2021: US\$0.7 million). The provision was allocated to the PGM segment.

In addition, certain consumables and spares were provided for during the year ended 30 September 2022 as their operational use became doubtful. The provision to the value of US\$0.9 million (2021: no provision) is allocated 70.0% and 30.0% to the PGM and chrome operating segments respectively.

#### **Judgement and estimates: net realisable value and measurement of inventories**

Net realisable value tests are performed at least quarterly based on the estimated future sales price of the products based on prevailing metal prices, less estimated costs to complete production and bring the product to sale. The nature of the net realisable value test inherently limits the ability to precisely monitor recoverability levels and may result in additional write-downs of inventories in future periods.

The prevailing PGM basket price and chrome concentrate prices as at 30 September 2022 were used as estimated selling prices less forecast selling costs to determine the net realisable value of the Group's inventories. At 30 September 2022, except for certain PGM finished products and low-grade chrome concentrates, the calculated net realisable values exceeded the cost of inventories.

Below the prices and exchange rate used to determine the net realisable value of inventories:

|                                  |            | 2022   | 2021   |
|----------------------------------|------------|--------|--------|
| Platinum                         | US\$/oz    | 878    | 976    |
| Palladium                        | US\$/oz    | 2 113  | 2 121  |
| Rhodium                          | US\$/oz    | 13 709 | 13 380 |
| Gold                             | US\$/oz    | 1 684  | 1 779  |
| Ruthenium                        | US\$/oz    | 440    | 567    |
| Iridium                          | US\$/oz    | 3 638  | 4 105  |
| Metallurgical chrome concentrate | US\$/tonne | 209    | 160    |
| US\$: ZAR exchange rate          |            | 17.57  | 14.55  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 21. TRADE AND OTHER RECEIVABLES

#### **Accounting policy**

Trade and other receivables, excluding the PGM discounting receivable, prepayments, deposits and value added tax, are non-derivative financial assets categorised as financial assets measured at amortised cost.

These non-derivative financial assets are initially recognised at fair value and subsequently carried at amortised cost less allowance for impairment. Estimates made for impairment are based on a review of all outstanding amounts at year end in line with the impairment policy described in note 18. Irrecoverable amounts are written off during the period in which they are identified.

The Group entered into offtake agreements in terms of which the concentrate of the Platinum Group Metals (PGMs) is treated by the offtake parties. The PGM discounting receivable is measured at fair value through profit or loss from the date of recognition up to date of settlement, as it fails the IFRS 9 amortised cost requirement of cash flows representing solely payment of principal and interest. Payment is due on the last day of the fourth month following delivery.

The fair value changes due to non-market variability (that is, changes based on quantity and quality of the contained metal) are considered to be variable consideration within the scope of IFRS 15 as the Group's right to consideration is contingent upon the physical attributes of the contained metal. Therefore, the variable consideration is considered to be constrained. At each subsequent reporting date the receivable is restated to reflect the fair value movements (market variability) in the pricing mechanism which are recognised in revenue. Foreign exchange movements subsequent to the recognition of a sale are recognised as a foreign exchange gain or loss in profit or loss.

|                                                        | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------------------------------------|------------------|------------------|
| Trade receivables                                      | 54 925           | 33 596           |
| PGM discounting receivable                             | 76 750           | 77 286           |
| Total trade receivables                                | 131 675          | 110 882          |
| Other receivables – related parties (refer to note 34) | 57               | 1 951            |
| Deposits, prepayments and other receivables            | 4 342            | 8 901            |
| Accrued income                                         | 4 660            | 2 902            |
| Value added tax receivable (VAT)                       | 8 935            | 11 918           |
|                                                        | 149 669          | 136 554          |

The Group has entered into a limited recourse disclosed receivables discounting agreement in respect of part of the PGM discounting receivable, specifically in terms of which 98.0% of the sales value of platinum, palladium and gold (included in PGM) and 45% of the sales value of rhodium are discounted at US Libor plus 290 basis points (2021: US Libor plus 302 points). The facility is for US\$33.0 million (2021: US\$33.0 million). The receivable from these elements is sold at the determination of the Group to a consortium of banks on a limited recourse basis. The Group is entitled to the receivables from the undiscounted elements and assumes the counterpart credit risk in respect of the receivable of these elements.

The receivable in respect of the discounting, together with the fluctuation in the associated PGM commodity price, is ceded to the banks (refer to the PGM discount facility hedging derivative: note 27). As the discounting is with limited recourse, the banks assume the counterpart credit risk, fair value pricing movements of quoted PGM market prices, as well as the realisation of the related PGM commodity price and therefore the amount of the disposed discounted PGM receivable is not reflected as an amount payable on the statement of financial position of the Group.

The Group's continuing involvement within the derecognised PGM discounting receivable represents the Group's retained exposure to the fair value movements of quoted PGM market prices above or below the original proceeds of the disposed discounted PGM receivable and is included and disclosed as part of the PGM discounting receivable balance.

Due to the limited recourse disclosed receivables discounting agreement with the consortium of banks, the Group is required to enter into a derivative to hedge the related PGM commodity price exposure upon the disposal and discounting of the PGM discounting receivable. The Group's retained exposure to upward or downward fair value movements within quoted PGM market prices is neutralised by the equal and opposite fair value movement within the hedging derivative. The fair value movements from the hedging derivative is presented on the Group's statement of financial position as the PGM discount facility hedging derivative within note 27.

|                                                                                          | 2022<br>US\$'000 | 2021<br>US\$'000 |
|------------------------------------------------------------------------------------------|------------------|------------------|
| Proceeds from discounting and disposing of the PGM discount facility hedging derivative  | (5 267)          | (22 648)         |
| The impact on the Group's income statement as a result of its continuous involvement is: |                  |                  |
| PGM discounting receivable (note 5)                                                      | 174              | (4 615)          |
| PGM discount facility hedging derivative (note 27)                                       | (174)            | 4 615            |
| Net effect in statement of profit or loss                                                | -                | -                |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 21. TRADE AND OTHER RECEIVABLES (continued)

The following table summarises the effect on the Group's statement of financial position and maximum exposure to risk as a result of its continuous involvement:

|                                                    | 30 September 2022                                  |                                               |                                   | 30 September 2021                                  |                                               |                                   |
|----------------------------------------------------|----------------------------------------------------|-----------------------------------------------|-----------------------------------|----------------------------------------------------|-----------------------------------------------|-----------------------------------|
|                                                    | Carrying amount of continuing involvement US\$'000 | Fair value of continuing involvement US\$'000 | Maximum exposure to loss US\$'000 | Carrying amount of continuing involvement US\$'000 | Fair value of continuing involvement US\$'000 | Maximum exposure to loss US\$'000 |
| PGM discounting receivable                         | 337                                                | 337                                           | 337                               | (3 023)                                            | (3 023)                                       | (3 023)                           |
| PGM discount facility hedging derivative (note 27) | (337)                                              | (337)                                         | (337)                             | 3 023                                              | 3 023                                         | 3 023                             |
| Net effect                                         | -                                                  | -                                             | -                                 | -                                                  | -                                             | -                                 |

Trade and other receivables of the Group are expected to be recoverable within one year from each reporting date. Trade receivables are unsecured, non-interest bearing and payment terms vary from 0 to 120 days (2021: 0 to 120 days). An expected credit loss allowance of US\$0.1 million was recognised in profit and loss during the year ended 30 September 2022 (2021: US\$0.1 million). The expected credit loss allowance relates to the manufacturing segment, is customer specific and is based on the respective customer's observable current financial position. Refer to note 33 for the fair value and financial risk disclosure.

The fair value of trade and other receivables measured at amortised cost approximate the carrying amount due to the short-term maturity. The fair value of the PGM discounting receivable is determined on ruling quoted market prices and exchange rates (refer to note 33).

The table below summarises the maturity of trade receivables:

|                                                                                                  | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------------------------------------------------------------------------------|------------------|------------------|
| Current                                                                                          | 130 916          | 109 986          |
| Less than 90 days past due but not impaired                                                      | 390              | 53               |
| Greater than 90 days past due but not impaired                                                   | 369              | 843              |
|                                                                                                  | 131 675          | 110 882          |
| The credit exposure of trade receivables by country is as follows:                               |                  |                  |
| South Africa                                                                                     | 108 378          | 93 139           |
| China                                                                                            | 6 163            | 5 923            |
| Hong Kong                                                                                        | 12 264           | 297              |
| Singapore                                                                                        | 4 310            | 9 827            |
| Australia                                                                                        | -                | 1 696            |
| United Arab Emirates                                                                             | 560              | -                |
|                                                                                                  | 131 675          | 110 882          |
| The foreign currency balances, translated to US\$ included in trade receivables were as follows: |                  |                  |
| ZAR'000                                                                                          | 4 125            | 7 383            |
| US\$'000                                                                                         | 127 550          | 103 499          |

At 30 September 2022, the Group had certain unresolved tax matters. Included in the VAT receivable, is an amount of US\$4.6 million (ZAR82.3 million) (2021: US\$5.5 million (ZAR82.3 million)) which relates to diesel rebates receivable from the South African Revenue Service ('SARS') in respect of the mining operations. SARS rejected diesel claims relating to the periods from September 2011 to April 2017 (US\$3.0 million) and May 2017 to February 2018 (US\$1.6 million).

#### Judgements and estimates: expected credit losses ('ECL')

The Group applies a simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime expected loss provision. The expected credit loss on trade receivables is estimated using a provision matrix by reference to past default experience and credit rating if available, adjusted as appropriate for current observable data.

The customer base of the Group consists of a limited number of premium customers of high credit quality and no historical defaults, with relationships that have been established over many years. The sale of products typically is of a high quantity and consequently high value. The Group's policy and preference is to sell products in large quantities to only established premium customers. The Group believes that this policy reduces the overall group credit risk.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 21. TRADE AND OTHER RECEIVABLES (continued)

#### **Judgements and estimates: expected credit losses (continued)**

PGM concentrate is sold in terms of off-take agreements to a limited number of clients. The following entity-specific observable data was considered for each of the PGM customers:

- An assessment of the accessibility and transparency of the business relationship with the customer, with specific reference to how differences (if any) in assayed results had been resolved and whether any requests to amend contractual terms had been received;
- The payment history and history of credit limits granted;
- A general assessment of the bi-annual financial statements with specific reference to cash flow information, servicing of outstanding debt and outstanding commitments;
- A general review of the quarterly production and operational information; and
- An assessment of the reputation of the customer across the mining industry.

Due to the contractual payment terms for the sale of the PGM concentrates, the Group has a disclosed limited recourse receivables discounting facility in place where the platinum, palladium, gold and the rhodium receivables, are sold to banks on a limited recourse basis with the banks assuming the counterparty credit risk.

The majority of chrome concentrates are exported from South Africa. For export chrome concentrate transactions, payment terms vary from 30 days to 90 days, however, the Group obtains letters of credit from reputable financial institutions before shipment occurs. The Group only accepts letters of credit from financial institutions that are approved by the Group's financiers. Before entering into an export chrome concentrate sale agreement, the Group ensures that the customer/potential customer is able to provide a letter of credit from such an acceptable financial institution.

The Group also sells chrome concentrates locally. The following entity-specific observable data was considered for local customers:

- An assessment of the accessibility and transparency of the business relationship with the customer, with specific reference to the manner how differences (if any) in results and quantities delivered were resolved and whether any requests to amend contractual terms had been received;
- The payment history and record of the credit limit granted;
- A comparison between the Group's balance owing in terms of the unsecured loan financing and the credit provided to the customer; and
- An assessment of the reputation of the customer across the mining industry.

The following entity-specific forward looking information was considered in estimating the ECL allowance:

- PGM pricing forecast and global supply and demand;
- Chrome supply and demand through the value chain i.e. to stainless steel production and general state of growth in the global economy;
- Chinese chrome port stocks;
- Banks credit ratings and inflation;
- Trade facilities available to the Group; and
- For chrome concentrate sales the rail and port infrastructure.

For customers of the manufacturing operating segment, a combination of the aforementioned considerations are taken into account to estimate the ECL allowance.

Based on aforementioned information, available credit quality information of clients and client's past default experience, the Group recognised an expected credit loss allowance of US\$0.1 million at 30 September 2022 (2021: US\$0.1 million).

### 22. CONTRACT ASSETS

#### **Accounting policy**

Contract assets are non-derivative financial assets categorised as other financial assets recognised and measured at the amount of consideration the Group is contractually entitled to in exchange for the transfer of goods and services. Timing of revenue recognition may differ from the timing of invoicing to customers. The Group records a contract asset in the statement of financial position, when goods or services have been transferred to a customer before the customer pays the consideration or before payment is due.

|                  | 2022<br>US\$'000 | 2021<br>US\$'000 |
|------------------|------------------|------------------|
| Freight services | 2 078            | 2 440            |

The balance represents prepaid freight costs and will be recognised in cost of sales upon completion of the performance obligations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 23. CASH AND CASH EQUIVALENTS

#### **Accounting policy**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value, having been within three months of maturity at acquisition.

|                                                                | 2022<br>US\$'000 | 2021<br>US\$'000 |
|----------------------------------------------------------------|------------------|------------------|
| Bank balances                                                  | 106 873          | 72 945           |
| Short-term bank deposits and money market investments          | 36 427           | 10 491           |
|                                                                | 143 300          | 83 436           |
| The credit exposure by country is as follows:                  |                  |                  |
| South Africa                                                   | 58 192           | 55 669           |
| Hong Kong                                                      | 38 261           | 18 831           |
| Mauritius                                                      | 20 301           | 1 017            |
| United Kingdom                                                 | 586              | 2 338            |
| Zimbabwe                                                       | 2 745            | 1 385            |
| Cyprus                                                         | 23 059           | 3 872            |
| Other countries                                                | 156              | 324              |
|                                                                | 143 300          | 83 436           |
| The credit exposure by bank and credit ratings are as follows: |                  |                  |
| Nedbank BB-                                                    | 37 108           | 42 597           |
| HSBC A+                                                        | 38 275           | 18 841           |
| Bank of China A                                                | 3 700            | 6 350            |
| Bank of Cyprus B-                                              | 23 059           | 3 872            |
| Citibank A                                                     | 3 324            | 4 409            |
| Stanlib Corporate Money Market AA+                             | 17 249           | 5 748            |
| Absa BB-                                                       | 20 436           | 1 272            |
| Other A to BB-                                                 | 149              | 347              |
|                                                                | 143 300          | 83 436           |

The amounts reflected approximate fair value.

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

At 30 September 2022, an amount of US\$2.1 million (2021: US\$1.0 million) was provided as security for a bank guarantee issued in favour of a trade creditor of a subsidiary of the Group and US\$0.3 million (2021: US\$0.3 million) was provided as security against certain credit facilities of the Group.

### 24. SHARE CAPITAL AND RESERVES

#### **Accounting policy: share capital**

The share capital is stated at nominal value. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

When share options are exercised, the Company issues new shares or issues shares from the treasury shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

#### **Accounting policy: non-controlling interest**

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of the acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control, are accounted for as equity transactions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 24. SHARE CAPITAL AND RESERVES (continued)

| Share capital                                                              | 30 September 2022  |                | 30 September 2021  |                |
|----------------------------------------------------------------------------|--------------------|----------------|--------------------|----------------|
|                                                                            | Number of Shares   | US\$'000       | Number of Shares   | US\$'000       |
| <b>Authorised – ordinary shares of US\$0.001 each</b>                      |                    |                |                    |                |
| As at 30 September                                                         | 10 000 000 000     | 10 000         | 10 000 000 000     | 10 000         |
| <b>Authorised – convertible redeemable preference shares of US\$1 each</b> |                    |                |                    |                |
| As at 30 September                                                         | 1 051              | 1              | 1 051              | 1              |
| <b>Issued</b>                                                              |                    |                |                    |                |
| <b>Ordinary shares</b>                                                     |                    |                |                    |                |
| Balance at the beginning of the year                                       | 275 000 000        | 275            | 275 000 000        | 275            |
| Issued during the year                                                     | 27 596 743         | 28             | -                  | -              |
| Balance at the end of the year                                             | 302 596 743        | 303            | 275 000 000        | 275            |
| <b>Treasury shares</b>                                                     |                    |                |                    |                |
| Balance at the beginning of the year                                       | 3 715 621          | 4              | 6 523 686          | 6              |
| Transferred as part of management share award plans                        | (865 243)          | (1)            | (2 808 065)        | (2)            |
| Balance at the end of the year                                             | 2 850 378          | 3              | 3 715 621          | 4              |
| <b>Issued and fully paid</b>                                               | <b>299 746 365</b> | <b>300</b>     | <b>271 284 379</b> | <b>271</b>     |
| <b>Share premium</b>                                                       |                    |                |                    |                |
| Balance at the beginning of the year                                       | 271 284 379        | 289 547        | 268 476 314        | 286 660        |
| Shares issued                                                              | 28 461 986         | 56 050         | 2 808 065          | 2 887          |
| Balance at the end of the year                                             | 299 746 365        | 345 597        | 271 284 379        | 289 547        |
| <b>Total share capital and premium</b>                                     |                    | <b>345 897</b> |                    | <b>289 818</b> |

#### Share capital

During the year ended 30 September 2022, the Company issued 13 693 000 ordinary shares to The Leto Settlement, a related party, as consideration for the controlling interest in Karo Mining Holdings plc (refer to note 31). In addition, the Company issued 10 695 187 and 3 208 556 ordinary shares to Thari Resources Proprietary Limited and The Tharisa Community Trust respectively, both related parties, as consideration for the acquisition of the non-controlling interest in Tharisa Minerals Proprietary Limited.

During the year ended 30 September 2022, 865 243 (2021: 2 808 065) ordinary shares were transferred from treasury shares to satisfy the vesting/exercise of Conditional Awards and Appreciation Rights by the participants of the Tharisa Share Award Plan.

At 30 September 2022, 2 850 378 (2021: 3 715 621) ordinary shares were held in treasury.

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

#### Share premium

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

During the years ended 30 September 2022 and 30 September 2021, the increases in the share premium account related to the issue and allotment of ordinary shares granted.

#### Other reserve

Other reserve represents the excess of the issue price of the Company's ordinary shares over the sum of their nominal value and share premium arising from such issuance, as registered with the Registrar of Companies in Cyprus.

#### Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations with a functional currency other than US\$ and foreign currency differences relating to translation of intergroup loans and funding arrangements which are considered to be part of the Company's net investment in a foreign operation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 24. SHARE CAPITAL AND RESERVES (continued)

#### Retained earnings

The retained earnings includes the accumulated retained profits and losses of the Group and the share-based payment reserve. Retained earnings are distributable for dividend purposes.

#### Capital management

The Group's target is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business in a way that optimises the cost of capital and matches the current strategic business plan. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital. Capital is defined as equity attributable to owners of the Company. Management is aware of the risks associated to capital management. Capital needs are monitored on a regular basis and whenever needed management takes steps in an attempt to effectively manage any corresponding risks.

#### Non-controlling interests

Non-controlling interests at 30 September 2022 comprise amounts attributable to the Government of Zimbabwe for its 15% share in Karo Platinum (Private) Limited as well as amounts attributable to the Leto Settlement for its 30% share in Karo Mining Holdings plc.

Non-controlling interests at 30 September 2021 comprised amounts attributable to Black Economic Empowerment shareholders in South Africa for their respective shareholding in the ordinary shares of Tharisa Minerals Proprietary Limited together with associated foreign exchange translations.

The non-controlling interest share of total comprehensive income for the year amounts to US\$9.5 million (2021: US\$38.5 million).

#### Acquisition of non-controlling interest of Tharisa Minerals (Proprietary) Limited

Effective 16 February 2022, the Company acquired 20.0% of the issued share capital of Tharisa Minerals (Proprietary) Limited ('Tharisa Minerals') for a purchase consideration of US\$19.9 million (ZAR300.0 million) from Thari Resources Proprietary Limited, a related party (refer to note 34). The purchase consideration was settled through the issue of 10 695 187 new ordinary shares in the Company. Post the acquisition, the Company owned 94.0% of the issued ordinary shares of Tharisa Minerals.

On 20 May 2022, the Company purchased the remaining 6.0% of the issued ordinary shareholding of Tharisa Minerals from the Tharisa Community Trust for a purchase consideration of US\$5.7 million (ZAR90.0 million) with the purchase consideration being settled through the issue of 3 208 556 new ordinary shares in the Company.

|                                                           | 2022<br>US\$'000 |
|-----------------------------------------------------------|------------------|
| Shares issued as consideration                            | 25 627           |
| Reduction in non-controlling interest                     | (16 473)         |
| Reduction to equity attributable to ordinary shareholders | 9 154            |

#### Increase in shareholding in Karo Mining Holdings plc ('Karo Mining')

The Company acquired the controlling interest in Karo Mining at 30 March 2022 (refer to note 31) increasing its shareholding to 66.34%. Subsequent to the acquisition, the Company subscribed for additional new shares issued by Karo Mining, increasing its shareholding to 70.0% at 30 September 2022 (refer to note 31).

|                                                               | 2022<br>US\$'000 |
|---------------------------------------------------------------|------------------|
| Consideration for additional new shares issued by Karo Mining | -                |
| Reduction in non-controlling interest                         | (4 509)          |
| Increase to equity attributable to ordinary shareholders      | 4 509            |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 25. PROVISIONS

#### *Accounting policy*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Long-term environmental obligations are based on the Group's environmental management plans, in compliance with the current environmental and regulatory requirements.

Where it is not possible that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### *Rehabilitation costs*

The net present value of estimated future costs for mine closure and rehabilitation is recognised and provided for in the consolidated financial statements and capitalised within mining assets on initial recognition. Rehabilitation will generally occur on closure or after closure of a mine. Initial recognition of the provision is at the time that the disturbance occurs and thereafter as and when additional disturbances take place.

The estimates are reviewed bi-annually to take into account the effects of inflation and changes in estimates and are discounted using rates that reflect the time value of money. Bi-annual increases in the provision due to the passage of time are recognised in profit or loss as an unwinding of the value of the provision expense. The present value of additional disturbances and changes in the estimate of the rehabilitation liability is recognised in mining assets as a direct cost against an increase in the rehabilitation provision. The rehabilitation asset is depreciated as per the Group's accounting policy on depreciation. Rehabilitation projects undertaken, included in the estimates, are charged to the provision as incurred.

Costs for restoration and rehabilitation which are created on an ongoing basis during production of inventories are provided for at their net present values and included as part of inventory costs. Environmental liabilities, other than rehabilitation costs, which relate to liabilities arising from specific events, are recognised in the consolidated statement of financial position when they are known, probable and may be reasonably estimated.

Gains or losses from the expected disposal of assets are not taken into account when determining the provision.

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

| Provision for rehabilitation                                  | 2022                    |                                  |                                | 2021                    |                                  |                                |
|---------------------------------------------------------------|-------------------------|----------------------------------|--------------------------------|-------------------------|----------------------------------|--------------------------------|
|                                                               | Restoration<br>US\$'000 | Decommis-<br>sioning<br>US\$'000 | Total<br>provision<br>US\$'000 | Restoration<br>US\$'000 | Decommis-<br>sioning<br>US\$'000 | Total<br>provision<br>US\$'000 |
| Opening balance                                               | 13 737                  | 6 194                            | 19 931                         | 6 181                   | 8 503                            | 14 684                         |
| Recognised in profit and loss                                 | (6 071)                 | -                                | (6 071)                        | 6 333                   | -                                | 6 333                          |
| Capitalised/(reversal) to mining<br>assets and infrastructure | -                       | (622)                            | (622)                          | -                       | (4 182)                          | (4 182)                        |
| Unwinding of discount (note 10)                               | 1 197                   | 543                              | 1 740                          | 649                     | 893                              | 1 542                          |
| Exchange differences                                          | (1 673)                 | (929)                            | (2 602)                        | 574                     | 980                              | 1 554                          |
| Closing balance                                               | 7 190                   | 5 186                            | 12 376                         | 13 737                  | 6 194                            | 19 931                         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 25. PROVISIONS (continued)

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

|                               | Opening<br>balance<br>US\$'000 | Mining<br>operations<br>US\$'000 | Changes in<br>variables/<br>estimates<br>US\$'000 | Exchange<br>differences<br>US\$'000 | Closing<br>Balance<br>US\$'000 |
|-------------------------------|--------------------------------|----------------------------------|---------------------------------------------------|-------------------------------------|--------------------------------|
| <b>30 September 2022</b>      |                                |                                  |                                                   |                                     |                                |
| Provision for restoration     | 13 737                         | 918                              | (5 792)                                           | (1 673)                             | 7 190                          |
| Provision for decommissioning | 6 194                          | 1 132                            | (1 211)                                           | (929)                               | 5 186                          |
|                               | <b>19 931</b>                  | <b>2 050</b>                     | <b>(7 003)</b>                                    | <b>(2 602)</b>                      | <b>12 376</b>                  |
| <b>30 September 2021</b>      |                                |                                  |                                                   |                                     |                                |
| Provision for restoration     | 6 181                          | 3 049                            | 3 933                                             | 574                                 | 13 737                         |
| Provision for decommissioning | 8 503                          | 1 119                            | (4 408)                                           | 980                                 | 6 194                          |
|                               | <b>14 684</b>                  | <b>4 168</b>                     | <b>(475)</b>                                      | <b>1 554</b>                        | <b>19 931</b>                  |

The current estimated rehabilitation cost to be incurred taking escalation factors into account is US\$41.3 million (ZAR745.9 million) (2021: US\$60.5 million (ZAR911.1 million)). The estimate was calculated by an independent external expert. The change is due to the changes in future inflation and discount rates, the considerations of the closure objectives as set out in the Environmental Management Plan and what is most likely to occur as these impacts are being reconsidered, and then also the expected timing of performing this work which is driven to a large extent by the most likely life of mine. Refer to note 35.

The current estimated rehabilitation cost is projected to a future value based on a weighted average long-term inflation rate of 6.81% (2021: 6.87%). The net present value of the rehabilitation estimated future value is discounted based on a weighted average SWAP curve. The calculated interest rate was 9.61% (2021: 9.64%). An insurance company has provided a guarantee to the Department of Mineral Resources and Energy to satisfy the legal requirements with respect to environmental rehabilitation and the Group has pledged as collateral its investments in interest-bearing instruments to the insurance company to support this guarantee.

#### **Judgement and estimates: rehabilitation provision**

The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred in future periods can differ materially from these estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates can affect the carrying amount of the provision. The estimated long-term environmental provision, comprising rehabilitation and mine closure is based on the Group's environmental policy taking into account the current technological, environmental and regulatory requirements. The provision for future rehabilitation was determined using calculations, which required the use of estimates.

### 26. BORROWINGS

#### **Accounting policy: borrowings**

Borrowings are non-derivative financial liabilities categorised as other financial liabilities. Borrowings are recognised initially at fair value, net of transaction costs incurred, where applicable and subsequently measured at amortised cost 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.

#### **Accounting policy: leases**

The Group recognises a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a specified period. The commencement date is the date on which a lessor makes an underlying asset available for use by the lessee.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability include the following:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- Lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- Payments of penalties for early terminating the lease, unless the Group is reasonably certain not to terminate early.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 26. BORROWINGS (continued)

#### **Accounting policy: leases (continued)**

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, an extension or a termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### **Short-term leases and leases of low-value assets:**

The Group has elected not to recognise lease liabilities for short-term leases that do not contain a purchase option and have a lease term of 12 months or less and leases of low-value assets such as computer equipment.

|                         | 2022<br>US\$'000 | 2021<br>US\$'000 |
|-------------------------|------------------|------------------|
| <b>Non-current</b>      |                  |                  |
| Asset backed facilities | 21 262           | 17 258           |
| Lease liabilities       | 1 786            | 2 273            |
| Property loans          | -                | 617              |
| Loan from related party | -                | 442              |
|                         | <b>23 048</b>    | <b>20 590</b>    |
| <b>Current</b>          |                  |                  |
| Asset backed facilities | 13 681           | 11 227           |
| Lease liabilities       | 1 793            | 3 112            |
| Property loans          | 553              | 47               |
| Loan from related party | -                | 100              |
| Bank credit facilities  | 23 809           | 1 774            |
|                         | <b>39 836</b>    | <b>16 260</b>    |

The fair value of borrowings approximates its carrying amounts as the interest rates charged are variable and considered to be market related. At 30 September 2022, the Group has unutilised borrowing facilities available of US\$31.2 million (2021: US\$28.8 million).

#### **Asset backed facilities**

Asset backed facilities comprise of the equipment loan facility, the loan from Atratin, the commercial asset finance and the Wesbank revolving facility. These facilities were disclosed on a disaggregated basis for the year ended 30 September 2021. Since the purpose of these facilities are similar in nature, all utilised for acquiring equipment which serves as security against these facilities, these facilities have been disclosed on an aggregated basis for the year ended 30 September 2022. The aggregation of the disclosure had no impact on the balance sheet as at 30 September 2021 nor any impact on the net profit after tax and earnings per share for the year ended 30 September 2021.

|                                | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------------|------------------|------------------|
| <b>Non-current</b>             |                  |                  |
| Equipment loan facility        | 12 725           | 14 307           |
| Atratin loan                   | 2 143            | 2 951            |
| Commercial asset finance       | 5 407            | -                |
| Revolving facility             | 987              | -                |
| <b>Asset backed facilities</b> | <b>21 262</b>    | <b>17 258</b>    |
| <b>Current liabilities</b>     |                  |                  |
| Equipment loan facility        | 10 974           | 10 527           |
| Atratin loan                   | 812              | 700              |
| Commercial asset finance       | 1 478            | -                |
| Revolving facility             | 417              | -                |
| <b>Asset backed facilities</b> | <b>13 681</b>    | <b>11 227</b>    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 26. BORROWINGS (continued)

#### Equipment loan facility

The equipment loan facility represents funding for certain Caterpillar mining equipment, both replacement parts and new mining equipment, from Caterpillar Financial Services Corporation. On 2 June 2022, the interest rate was changed from the one-month US Libor to the one-month Secured Overnight Finance Rate ('SOFR'). The total facility amounts to US\$35 million (2021: US\$30 million), bears interest rates between the one-month SOFR plus 325 basis points and the one-month SOFR plus 350 basis points (2021: one-month US Libor plus 325 basis points and one-month US Libor plus 350 basis points) and is repayable over 48 months. The acquired equipment serves as security for the loan facility.

The equipment loan facility contains the following Group financial covenants:

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

At 30 September 2022 and 30 September 2021, the Group complied with all financial covenants.

#### Atrafin loan

The loan from Atrafin LLC is for a total amount of US\$3.7 million (2021: US\$3.7 million), bears interest at the six-month US Libor plus 200 basis points and is repayable in ten equal bi-annual instalments ending May 2026. The balance outstanding at 30 September 2022 amounted to US\$3.0 million (2021: US\$3.7 million).

#### Commercial Asset Finance

Tharisa Minerals Proprietary Limited entered into a commercial asset finance facility with Absa Bank Limited to the value of US\$8.3 million (ZAR150.0 million) during the year ended 30 September 2021. The balance outstanding at 30 September 2022 amounted to US\$6.9 million (2021: US\$nil). The facility bears interest at the South African Prime rate less 115 basis points and is repayable monthly in arrears over 48 months. The equipment acquired by utilising this facility serves as security. As part of the commercial asset finance facility, Absa Bank Limited provided Tharisa Minerals Proprietary Limited with a bank overdraft facility to the value of US\$8.3 million (ZAR150.0 million). At 30 September 2022, the overdraft facility was available in full.

#### Revolving facility

Tharisa Minerals Proprietary Limited entered into a revolving facility with Wesbank Corporate Finance for a facility of US\$6.9 million (ZAR125 million) during the year ended 30 September 2022. The facility bears interest at the RSA prime rate less between 65 and 115 basis points and is repayable monthly in arrears between 36 and 48 months commencing in November 2022. The facility is for financing mining equipment and specifically includes drill rigs and excavators. Such equipment serves as security for the facility.

#### Lease liabilities

The Group entered into a number of lease arrangements for the renting of office buildings, premises, computer equipment, vehicles and mining fleet. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that do not contain a purchase option and that have a lease term of 12 months or less and leases of low-value assets such as computer equipment. Lease expenses of US\$0.2 million (2021: US\$0.3 million) and US\$0.1 million (2021: US\$0.1 million) were included in cost of sales and other operating expenses respectively for the year ended 30 September 2022.

The duration of leases relating to buildings and premises is for a period of five years, payments are due at the beginning of the month escalating annually on average by 8.0%. At 30 September 2022, the remaining term of these leases vary between one and five and a half years (2021: two and four and a half years). These leases are secured by cash deposits varying from one to three times the monthly lease payments.

The duration of leases relating to the mining fleet and manufacturing equipment are for periods between twelve and forty eight months (2021: twenty four and sixty months) and bear interest at interest rates between the South African prime interest rate and the South African prime interest rate plus 375 basis points (2021: South African prime interest rate plus 375 basis points). The leases are secured by the mining fleet leased.

|                                      | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------------------|------------------|------------------|
| <b>Lease payments due:</b>           |                  |                  |
| Within one year                      | 2 030            | 3 406            |
| Two to five years                    | 1 883            | 2 505            |
|                                      | 3 913            | 5 911            |
| Less future finance charges          | (334)            | (526)            |
| Present value of lease payments due  | 3 579            | 5 385            |
| Present value of lease payments due: |                  |                  |
| Within one year                      | 1 793            | 3 112            |
| Two to five years                    | 1 786            | 2 273            |
|                                      | 3 579            | 5 385            |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 26. BORROWINGS (continued)

#### Property loans

As part of the acquisition of MetQ Proprietary Limited during the year ended 30 September 2020, the Group acquired industrial premises and buildings. MetQ Proprietary Limited acquired these buildings and premises immediately before the business combination and secured funding in the form of loans owing to the previous owners. These loans are repayable upon securing external financing. The acquired properties serve as security for the loans.

#### Bank credit facilities

The bank credit facilities relate to pre-shipment finance and discounting of the letters of credit by the Group's banks following performance of the letter of credit conditions by the Group, which results in funds being received in advance of the normal payment date. Interest on these facilities at the reporting date varied between the one-month SOFR plus 165 basis points and the one-month SOFR plus 305 basis points and the one-month US Libor plus 1.6%, (2021: one-month US Libor plus 1.6% pa and three-month US Libor plus 3.05% pa). Inventory serves as security for credit facilities.

#### Loan from related party

The loan from related party arose as part of the business combination of Salene Chrome Zimbabwe (Private) Limited. The loan was settled in full during the year ended 30 September 2022.

|                                                    | Asset<br>backed<br>facilities<br>US\$'000 | Lease<br>liabilities<br>US\$'000 | Bank credit<br>facilities<br>US\$'000 | Property<br>loans<br>US\$'000 | Loan from<br>related party<br>US\$'000 | Total<br>borrowings<br>US\$'000 |
|----------------------------------------------------|-------------------------------------------|----------------------------------|---------------------------------------|-------------------------------|----------------------------------------|---------------------------------|
| <b>Balance 30 September 2021</b>                   | <b>28 485</b>                             | <b>5 385</b>                     | <b>1 774</b>                          | <b>664</b>                    | <b>542</b>                             | <b>36 850</b>                   |
| <b>Changes from financing cash flows</b>           |                                           |                                  |                                       |                               |                                        |                                 |
| Advances: bank credit facilities                   | -                                         | -                                | 209 904                               | -                             | -                                      | 209 904                         |
| Repayment: bank credit facilities                  | -                                         | -                                | (187 878)                             | -                             | -                                      | (187 878)                       |
| Net proceeds/(repayment of) bank credit facilities | -                                         | -                                | 22 026                                | -                             | -                                      | 22 026                          |
| Advances received                                  | 20 942                                    | -                                | -                                     | -                             | -                                      | 20 942                          |
| Repayment of borrowings                            | (13 906)                                  | -                                | -                                     | -                             | (500)                                  | (14 406)                        |
| Principal lease payments                           | -                                         | (3 793)                          | -                                     | -                             | -                                      | (3 793)                         |
| Repayment of interest                              | (1 403)                                   | (406)                            | (306)                                 | -                             | (55)                                   | (2 170)                         |
| <b>Changes from financing cash flows</b>           | <b>5 633</b>                              | <b>(4 199)</b>                   | <b>21 720</b>                         | <b>-</b>                      | <b>(555)</b>                           | <b>22 599</b>                   |
| <b>Foreign currency translation differences</b>    | <b>(6 358)</b>                            | <b>(766)</b>                     | <b>-</b>                              | <b>(111)</b>                  | <b>-</b>                               | <b>(7 235)</b>                  |
| <b>Liability-related changes</b>                   |                                           |                                  |                                       |                               |                                        |                                 |
| Lease agreements entered into                      | -                                         | 2 712                            | -                                     | -                             | -                                      | 2 712                           |
| Re-measurement of lease liabilities                | -                                         | 8                                | -                                     | -                             | -                                      | 8                               |
| Interest expense                                   | 1 515                                     | 448                              | 315                                   | -                             | 13                                     | 2 291                           |
| Revaluation of foreign denominated loan            | 5 668                                     | (9)                              | -                                     | -                             | -                                      | 5 659                           |
| <b>Total liability-related changes</b>             | <b>7 183</b>                              | <b>3 159</b>                     | <b>315</b>                            | <b>-</b>                      | <b>13</b>                              | <b>10 670</b>                   |
| <b>Balance at 30 September 2022</b>                | <b>34 943</b>                             | <b>3 579</b>                     | <b>23 809</b>                         | <b>553</b>                    | <b>-</b>                               | <b>62 884</b>                   |
| Non-current borrowings                             | 21 262                                    | 1 786                            | -                                     | -                             | -                                      | 23 048                          |
| Current borrowings                                 | 13 681                                    | 1 793                            | 23 809                                | 553                           | -                                      | 39 836                          |
| <b>Total borrowings</b>                            | <b>34 943</b>                             | <b>3 579</b>                     | <b>23 809</b>                         | <b>553</b>                    | <b>-</b>                               | <b>62 884</b>                   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 26. BORROWINGS (continued)

|                                          | Facilities<br>US\$'000 | Asset backed<br>facilities<br>US\$'000 | Lease<br>liabilities<br>US\$'000 | Bank credit<br>facilities<br>US\$'000 | Other loan<br>US\$'000 | Property<br>loans<br>US\$'000 | Loan from<br>related party<br>US\$'000 | Total<br>borrowings<br>US\$'000 |
|------------------------------------------|------------------------|----------------------------------------|----------------------------------|---------------------------------------|------------------------|-------------------------------|----------------------------------------|---------------------------------|
| Balance 30 September 2020                | 23 849                 | 20 468                                 | 6 682                            | 17 345                                | 1 670                  | 599                           | -                                      | 70 613                          |
| Changes from financing cash flows        |                        |                                        |                                  |                                       |                        |                               |                                        |                                 |
| Advances: bank credit facilities         | -                      | -                                      | -                                | 115 174                               | -                      | -                             | -                                      | 115 174                         |
| Repayment: bank credit facilities        | -                      | -                                      | -                                | (130 727)                             | -                      | -                             | -                                      | (130 727)                       |
| Net repayment of bank credit facilities  | -                      | -                                      | -                                | (15 553)                              | -                      | -                             | -                                      | (15 553)                        |
| Advances received                        | 10 068                 | 16 719                                 | -                                | -                                     | -                      | -                             | -                                      | 26 787                          |
| Repayment of borrowings                  | (37 095)               | (9 232)                                | -                                | -                                     | (1 881)                | -                             | -                                      | (48 208)                        |
| Principal lease payments                 | -                      | -                                      | (4 597)                          | -                                     | -                      | -                             | -                                      | (4 597)                         |
| Repayment of interest                    | (447)                  | (775)                                  | (560)                            | (151)                                 | (70)                   | (28)                          | -                                      | (2 031)                         |
| Changes from financing cash flows        | (27 474)               | 6 712                                  | (5 157)                          | (15 704)                              | (1 951)                | (28)                          | -                                      | (43 602)                        |
| Foreign currency translation differences | 3 008                  | 2 157                                  | 761                              | -                                     | 211                    | 65                            | -                                      | 6 202                           |
| Liability-related changes                |                        |                                        |                                  |                                       |                        |                               |                                        |                                 |
| Lease agreements entered into            | -                      | -                                      | 2 354                            | -                                     | -                      | -                             | -                                      | 2 354                           |
| Re-measurement of lease liabilities      | -                      | -                                      | 214                              | -                                     | -                      | -                             | -                                      | 214                             |
| Business combination                     | -                      | -                                      | -                                | -                                     | -                      | -                             | 529                                    | 529                             |
| Interest expense                         | 617                    | 902                                    | 567                              | 133                                   | 70                     | 28                            | 13                                     | 2 330                           |
| Revaluation of foreign denominated loan  | -                      | (1 754)                                | (36)                             | -                                     | -                      | -                             | -                                      | (1 790)                         |
| Total liability-related changes          | 617                    | (852)                                  | 3 099                            | 133                                   | 70                     | 28                            | 542                                    | 3 637                           |
| Balance at 30 September 2021             | -                      | 28 485                                 | 5 385                            | 1 774                                 | -                      | 664                           | 542                                    | 36 850                          |
| Non-current borrowings                   | -                      | 17 258                                 | 2 273                            | -                                     | -                      | 617                           | 442                                    | 20 590                          |
| Current borrowings                       | -                      | 11 227                                 | 3 112                            | 1 774                                 | -                      | 47                            | 100                                    | 16 260                          |
| Total borrowings                         | -                      | 28 485                                 | 5 385                            | 1 774                                 | -                      | 664                           | 542                                    | 36 850                          |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 27. OTHER FINANCIAL LIABILITIES

#### Accounting policy

##### Measurement: Financial liabilities at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realised and unrealised gains and losses arising from changes in the fair value of the financial liabilities held at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise. Where management has designated to recognise a financial liability at fair value through profit or loss, any changes associated with the Group's own credit risk will be recognised in other comprehensive income.

##### Derecognition: Financial liabilities

The Group derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

| Non-current liabilities                                                      | Fair value hierarchy | 2022<br>US\$'000 | 2021<br>US\$'000 |
|------------------------------------------------------------------------------|----------------------|------------------|------------------|
| Option granted to NCI to call upon shares in Karo Platinum (Private) Limited | Level 3              | 16 779           | -                |
| <b>Current liabilities</b>                                                   |                      |                  |                  |
| PGM discount facility hedging derivative                                     | Level 2              | 337              | -                |
| Forward exchange contracts                                                   | Level 2              | 189              | 485              |
|                                                                              |                      | 526              | 485              |

#### Option granted to NCI to call upon shares in Karo Platinum (Private) Limited (refer to note 31)

As part of the Amendment to the Project Framework Agreement, the Republic of Zimbabwe has an option to increase its shareholding in Karo Platinum (Private) Limited ('Karo Platinum') by 11.0% exercisable after 24 months of the signing of the Amendment dated 30 March 2022, but before 36 months, payable in cash at the net present value of Karo Platinum at 30 March 2022. The increase in the shareholding may, at the election of Karo Mining Holdings, be affected either through a sale of shares in Karo Platinum by Karo Zimbabwe Holdings (Private) Limited or by means of a share subscription by the Republic of Zimbabwe. This shareholding will not be on a free funded carry basis.

#### PGM discount facility hedging derivative

The PGM discount facility hedging derivative relates to derivatives taken out to hedge the related PGM commodity price exposure upon the disposal and discounting of the PGM discounting receivable as explained in note 21. The balance is held at fair value through profit or loss. The Group does not apply hedge accounting.

#### Forward exchange contracts – fair value through profit or loss

The Group entered into a number of forward exchange contracts to hedge certain aspects of the foreign exchange risk associated with the conversion of the US\$ to the ZAR. At 30 September 2022 the net exposure of these contracts was US\$8.5 million (2021: US\$11.2 million) with various expiries no later than 27 October 2022 (2021: no later than 22 February 2022). The forward exchange contracts were mark-to-market by using applicable closing exchange rates at 30 September 2022 (2021: 30 September 2021).

### 28. TRADE AND OTHER PAYABLES

#### Accounting policy

Trade and other payables, excluding payroll creditors and leave pay accruals are non-derivative financial liabilities categorised as other financial liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. Liabilities arising in respect of salaries, annual leave and other benefits due to be settled within 12 months of the reporting date are measured at rates which are expected to be paid when the liability is settled.

|                                            | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------------------------|------------------|------------------|
| Trade payables                             | 42 753           | 44 467           |
| Accrued expenses                           | 24 982           | 22 767           |
| Leave pay accrual                          | 4 932            | 5 328            |
| Value added tax payable                    | 89               | 261              |
| Provision for mining royalty               | 50 444           | 30 953           |
| Other payables – related parties (note 34) | 113              | 509              |
| Other payables                             | 587              | 281              |
|                                            | 123 900          | 104 566          |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 28. TRADE AND OTHER PAYABLES (continued)

|                                                                                 | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---------------------------------------------------------------------------------|------------------|------------------|
| Trade payables in foreign currency balances translated to US\$ were as follows: |                  |                  |
| US\$                                                                            | 5 554            | 94               |
| ZAR                                                                             | 37 046           | 44 366           |
| EUR                                                                             | 142              | 3                |
| GBP                                                                             | 11               | 4                |
|                                                                                 | 42 753           | 44 467           |

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

### 29. CONTRACT LIABILITIES

#### Accounting policy

Contract liabilities are non-derivative financial liabilities categorised as other financial liabilities. Contract liabilities are recognised when a customer has paid the consideration or the payment is due from the customer before the entity has transferred all of the promised goods or services in a contract. Timing of revenue recognition may differ from the timing of invoicing to customers. A contract liability is measured based on the unearned revenue received (income received in advance) within a contract and is presented as a current liability in the statement of financial position due to its short-term nature.

|                  | 2022<br>US\$'000 | 2021<br>US\$'000 |
|------------------|------------------|------------------|
| Freight services | 2 078            | 2 440            |

Timing of revenue recognition may differ from the timing of invoicing to customers. The balance represents deferred revenue for which performance conditions still have to be satisfied.

### 30. TAX PAID

|                                            | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------------------------|------------------|------------------|
| Opening balance                            |                  |                  |
| Current taxation receivable                | 8 949            | 497              |
| Current taxation payable                   | (286)            | (176)            |
| Corporate income tax for the year          | (40 595)         | (7 669)          |
| Special contribution for defence in Cyprus | (1)              | -                |
| Dividend withholding tax                   | (2 572)          | (1 231)          |
| Tax refunds received                       | (34)             | (51)             |
| Interest received                          | (1)              | (2)              |
| Business combination (note 31)             | (6)              | -                |
| Closing balance                            |                  |                  |
| Current taxation receivable                | (7 302)          | (8 949)          |
| Current taxation payable                   | 2 056            | 286              |
| Exchange differences on translation        | (1 405)          | (117)            |
| Tax paid                                   | (41 197)         | (17 412)         |

### 31. BUSINESS COMBINATION

#### Accounting policy

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at the fair value at the date of acquisition. If an obligation to pay the contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in fair value of the contingent consideration are recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 31. BUSINESS COMBINATION (continued)

#### Acquisition of Karo Mining Holdings plc

Effective 30 March 2022, the Group acquired an additional 37.96% of the issued share capital of Karo Mining Holdings plc ('Karo Mining'), a company incorporated in Cyprus. The investment in Karo Mining previously was recognised as an investment accounted for using the equity method (note 16). Following the acquisition of the controlling interest in Karo Mining, the Group's shareholding in Karo Mining was 66.34%.

The additional 37.96% of the issued share capital of Karo Mining was acquired from the Leto Settlement, a related party (refer to note 34) for a purchase consideration of US\$29.4 million. The purchase consideration was settled through the issue of 13 693 000 new ordinary shares of the Company to the Leto Settlement. The Group determined that the acquisition of Karo Mining represented a business and accordingly accounted for the acquisition as a business combination in terms of IFRS 3.

The Group assessed that from 30 March 2022 it exercises control over Karo Mining. The Group concluded that it has power over Karo Mining as the Group has the ability to appoint the majority of the board of directors of Karo Mining, owns the majority of the issued share capital and has the majority of the decision making rights over relevant activities. From 30 March 2022, the Group is exposed and has the right to variable returns from Karo Mining which results from its 66.34% shareholding and has the ability to use the shareholding to affect its return on its investment. The Group controls the development activities and is actively involved with the development of Karo Mining and more specifically Karo Platinum.

Effective 30 March 2022, the Investment Project Framework Agreement entered into between the Republic of Zimbabwe and the Leto Settlement was amended by changing the shareholding in Karo Platinum (Private) Limited ('Karo Platinum'), an indirect subsidiary of Karo Mining to 85.0% by Karo Zimbabwe Holdings (Private) Limited and 15.0% by the Republic of Zimbabwe, on a free funded carry basis. Before the amendment, the Republic of Zimbabwe was entitled to a 50.0% shareholding in Karo Platinum. The remaining entities are all indirect wholly-owned subsidiaries of Karo Mining.

The table below details Karo Mining's interest in subsidiaries as at 30 March 2022 (acquisition date) and at 30 September 2022 (collectively referred to as 'Karo Group'):

| Company name                             | Effective interest | Country of incorporation and principal place of business | Principal activity                     |
|------------------------------------------|--------------------|----------------------------------------------------------|----------------------------------------|
| Karo Zimbabwe Holdings (Private) Limited | 100%               | Zimbabwe                                                 | Investment holding                     |
| Karo Platinum (Private) Limited*         | 85%                | Zimbabwe                                                 | Platinum mining, smelting and refining |
| Karo Coal Mines (Private) Limited        | 100%               | Zimbabwe                                                 | Dormant                                |
| Karo Power Generation (Private) Limited  | 100%               | Zimbabwe                                                 | Power generation                       |
| Karo Refinery (Private) Limited          | 100%               | Zimbabwe                                                 | Dormant                                |

\*At 30 September 2022 the shares equalling 15.0% of the issued share capital of Karo Platinum has not been transferred to the Republic of Zimbabwe. The Group believes that there are no substantive barriers preventing the shares from being transferred. Consequently, the 15.0% shareholding of the Republic of Zimbabwe in Karo Platinum has been accounted for as non-controlling interest in the acquisition accounting of Karo Mining and subsidiaries.

The transaction cost relating to the acquisition was US\$0.1 million which is classified as other operating expenses.

The fair values of the net identifiable assets acquired were determined independently by using the sum of the parts methodology. The market multiple approach was used to determine the fair value of Karo Platinum (Private) Limited while the net asset value approach was used to determine the fair values of the remaining entities. Since the effective acquisition date is 30 March 2022, the Karo Group's results have been consolidated within the Group's results. Up to the effective acquisition date the Karo Group's results were equity accounted at the Group's proportionate share in the investment (refer to note 16).

Below a summary of the Karo Group's statement of profit or loss for the year ended 30 September 2022 as if the acquisition took place as at 1 October 2021, as well as a summary of Karo Group's statement of profit or loss since the acquisition date for the six-months ended 30 September 2022 included in the consolidated statement of profit or loss for the year ended 30 September 2022.

|                             | Year ended<br>30 September<br>2022<br>US\$'000 | Six months ended<br>30 September<br>2022<br>US\$'000 |
|-----------------------------|------------------------------------------------|------------------------------------------------------|
| Operating expenses          | (2 207)                                        | (1 763)                                              |
| Fair value adjustments      | (10 909)                                       | 6 970                                                |
| Finance costs               | (139)                                          | (27)                                                 |
| Tax                         | (31)                                           | (21)                                                 |
| Net (loss)/profit after tax | (13 286)                                       | (5 159)                                              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 31. BUSINESS COMBINATION (continued)

#### Acquisition of Karo Mining Holdings plc (continued)

The following table summarises the fair value of the assets and liabilities of the Karo Group comprising Karo Mining and its subsidiaries at the date of acquisition:

|                                                                    | Fair value recognised<br>on acquisition<br>US\$'000 |
|--------------------------------------------------------------------|-----------------------------------------------------|
| <b>Assets</b>                                                      |                                                     |
| Property, plant and equipment                                      | 203 409                                             |
| Inventories                                                        | 2                                                   |
| Trade and other receivables                                        | 337                                                 |
| Cash and cash equivalents                                          | 4 984                                               |
|                                                                    | <b>208 732</b>                                      |
| <b>Liabilities</b>                                                 |                                                     |
| Borrowings                                                         | (8 466)                                             |
| Other financial liabilities                                        | (17 879)                                            |
| Deferred tax                                                       | (30 263)                                            |
| Tax liability                                                      | (6)                                                 |
| Trade and other payables                                           | (3 735)                                             |
|                                                                    | <b>(60 349)</b>                                     |
| Total identifiable net assets at fair value                        | <b>148 383</b>                                      |
| Non-controlling interest                                           | <b>(66 181)</b>                                     |
| Total attributable net assets acquired                             | <b>82 202</b>                                       |
| <b>Consideration</b>                                               |                                                     |
| Book value of existing shareholding (note 16)                      | (1 656)                                             |
| Prepaid investment in Karo Platinum (Private) Limited (note 18)    | (2 710)                                             |
| Gain on acquisition: fair value of existing 28.38% shareholding    | (33 503)                                            |
| Gain on acquisition: purchase of shares at a discount              | (14 888)                                            |
| Total purchase price to be settled by the issue of ordinary shares | <b>(29 445)</b>                                     |
| Net cash acquired                                                  | <b>4 984</b>                                        |
| Cash inflow from business combination                              | <b>4 984</b>                                        |

The fair value of receivables acquired approximates their carrying amount due to the short-term nature thereof. The purchase of shares at a discount represents a bargain purchase on the acquisition (US\$14.9 million). The non-controlling interest represents the proportionate share of the fair value of the net identifiable assets.

Subsequent to acquiring the controlling interest in Karo Mining, the Group increased its shareholding in Karo Mining by converting the loan receivable to ordinary shares and by subscribing to additional shares issued by Karo Mining (described in the following paragraphs). Refer to note 24 for the consequential decrease in the non-controlling interest in Karo Mining.

Effective 19 May 2022, the Company acquired the loan receivable from Arxo Finance plc (a wholly owned subsidiary of the Company) that was receivable from Karo Mining, refer to note 16. The loan was converted to ordinary shares issued by Karo Mining. Karo Mining issued an additional 38 new ordinary shares to the Company as consideration. The loan payable (including accrued interest) amounted to US\$8.5 million. The additional shares issued represented 1.21% of the issued share capital of Karo Mining which increased the Company's shareholding to 67.55%.

Effective 2 June 2022, Karo Mining issued an additional 44 new ordinary shares for a cash subscription of US\$9.9 million to the Company. The additional shares issued represented 1.29% of the issued share capital of Karo Mining which increased the Company's shareholding to 68.84%.

Effective 10 August 2022, Karo Mining issued an additional 45 new ordinary shares for a cash subscription of US\$10.2 million to the Company. The additional shares issued represented 1.22% of the issued share capital of Karo Mining which increased the Company's shareholding to 70.00%.

Effective 7 September 2022, Karo Mining issued an additional 44 051 new ordinary shares for a cash subscription of US\$44 thousand to the Company and the non-controlling shareholder. The Company subscribed to 30 835 ordinary shares while the non-controlling shareholder subscribed to 13 216 ordinary shares. The shares were subscribed to according to the existing proportionate share of each shareholder. The cash subscription was not settled at 30 September 2022 by the non-controlling shareholder.

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for the year ended 30 September 2022

### 31. BUSINESS COMBINATION (continued)

#### Acquisition of Salene Chrome (Private) Limited ('Salene Chrome')

Effective 31 March 2021, the Company acquired 100% of the issued share capital of Salene Chrome Zimbabwe (Private) Limited ('Salene Chrome'), a company incorporated in Zimbabwe from the Leto Settlement, a related party (refer to note 34) for a cash consideration of US\$3.0 million. The cash consideration excluded capital expenses previously incurred by the Company on exploration activities. Salene Chrome holds six special grants on the Great Dyke in Zimbabwe for the prospecting and mining of minerals including chrome.

The Company previously had a call option to acquire 90.0% of the issued share capital of Salene Chrome for a consideration of US\$90 and was required to fund and undertake an initial exploration programme with a spend of up to US\$3.2 million. Leto Settlement would have retained a 10% free carried shareholding in Salene Chrome and would have been entitled to a 3% commission on the Cost, Insurance and Freight ('CIF') sales value of the chrome concentrates and any other commodities sold.

The call option agreement lapsed at 31 March 2021. On the same day, the Company entered into a purchase agreement to acquire 100% of the issued share capital of Salene Chrome.

The following table summarises the fair value of the assets and liabilities of Salene Chrome at 31 March 2021:

|                                             | Fair value<br>recognised on<br>acquisition<br>US\$'000 |
|---------------------------------------------|--------------------------------------------------------|
| <b>Assets</b>                               |                                                        |
| Property, plant and equipment               | 4 692                                                  |
| Trade and other receivables                 | 109                                                    |
| Cash and cash equivalents                   | 2                                                      |
|                                             | 4 803                                                  |
| <b>Liabilities</b>                          |                                                        |
| Borrowings                                  | (529)                                                  |
| Trade and other payables                    | (609)                                                  |
|                                             | (1 138)                                                |
| Total identifiable net assets at fair value | 3 665                                                  |
| Less cash and cash equivalents acquired     | (2)                                                    |
| Goodwill arising on acquisition             | 1 392                                                  |
| Total cash flow on acquisition              | 5 055                                                  |
| Less amounts already spent (note 18)        | (1 976)                                                |
| Cash outflow on business combination        | 3 079                                                  |

Below a summary of Salene Chrome's statement of profit or loss for the year ended 30 September 2021 as if the acquisition took place as at 1 October 2020, as well as a summary of Salene Chrome's statement of profit or loss since the acquisition date for the six-months ended 30 September 2021 included in the consolidated statement of profit or loss for the year ended 30 September 2021.

|                                | Year ended<br>30 September<br>2021<br>US\$'000 | Six months ended<br>30 September<br>2021<br>US\$'000 |
|--------------------------------|------------------------------------------------|------------------------------------------------------|
| Operating expenses             | (359)                                          | (248)                                                |
| Profit on exchange differences | 174                                            | 174                                                  |
| Operating loss                 | (185)                                          | (74)                                                 |
| Finance costs                  | (33)                                           | (20)                                                 |
| Net loss after tax             | (218)                                          | (94)                                                 |

The purchase consideration was funded from existing cash resources of the Group. The transaction cost was US\$0.1 million which is classified as other operating expenses.

The goodwill recognised was attributed to the Special Economic Zone status of Salene Chrome, existing bilateral relationships with the Government of Zimbabwe, supplier relationships and knowledge of the workforce. The goodwill is not tax deductible.

During the year ended 30 September 2022, the goodwill was impaired. Refer to note 15.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 32. DIRECTORS INTEREST IN STATED CAPITAL

|              | 2022<br>% | 2021<br>% |
|--------------|-----------|-----------|
| LC Pouroulis | 0.40      | 0.38      |
| P Pouroulis  | 2.68      | 2.90      |
| MG Jones     | 0.26      | 0.25      |
| A Djakouris  | 0.01      | 0.02      |
| C Bell       | 0.02      | 0.02      |
| Total        | 3.37      | 3.57      |

Where a member of the Board of Directors holds no direct or indirect interest, the director is not reflected in the table above.

There has been no change in the Director's interests in the share capital of the Company between the end of the financial year and the date of the approval of the consolidated financial statements.

### 33. FINANCIAL RISK MANAGEMENT

*Accounting policy: Financial instruments - classification*

The Group classifies its financial instruments in the following categories:

- At fair value through profit or loss
- At fair value through other comprehensive income
- At amortised cost

The Group determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Group's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified at fair value through profit or loss, for other equity instruments, on the day of acquisition the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at fair value through other comprehensive income. Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss (such as derivatives) or the Group has designated to measure them at fair value through profit or loss.

The following table presents the classification of the Group's financial instruments:

| Financial assets                                                             | Classification                    |
|------------------------------------------------------------------------------|-----------------------------------|
| Other financial assets                                                       |                                   |
| Investments in money markets, current accounts, cash funds and income funds  | Fair value through profit or loss |
| PGM discount facility hedging derivative                                     | Fair value through profit or loss |
| Investment in equity instruments                                             | Fair value through profit or loss |
| Option to acquire shares                                                     | Fair value through profit or loss |
| Trade and other receivables                                                  | Amortised cost                    |
| PGM discounting receivable                                                   | Fair value through profit or loss |
| Cash and cash equivalents                                                    | Amortised cost                    |
| Financial liabilities                                                        | Classification                    |
| Borrowings                                                                   | Amortised cost                    |
| Option granted to NCI to call upon shares in Karo Platinum (Private) Limited | Fair value through profit or loss |
| PGM discount facility hedging derivative                                     | Fair value through profit or loss |
| Forward exchange contracts                                                   | Fair value through profit or loss |
| Trade and other payables                                                     | Amortised cost                    |

The Group made an irrevocable election to classify marketable securities at fair value through profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 33. FINANCIAL RISK MANAGEMENT (continued)

In the ordinary course of business the Group is exposed to credit risk, liquidity risk, and market risk. This note presents information about the Group's exposure to each of the above risks and its objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout this note.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

#### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade and other receivables, cash and cash equivalents and other financial assets.

##### *Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk. In monitoring customer credit risk, management reviews on a regular basis the ageing of trade and other receivables to obtain comfort that there are no past due amounts without acceptable mitigating credit information available.

The Group establishes an allowance for credit losses that represents its estimate of expected credit losses in respect of trade and other receivables. The Group applies a simplified approach to measure the loss allowance for trade receivables, using the lifetime expected loss provision. The expected credit loss on trade receivables is estimated using a provision matrix by reference to past default experience and credit rating if available, adjusted as appropriate for current observable data.

The main component of the allowance for credit losses (if applicable) is a specific loss component that relates to individually significant exposures. As at 30 September 2022 and 30 September 2021, none of the carrying amounts of trade and other receivables is either past due or impaired, for which an allowance for credit losses is necessary. Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default and for who no current observable adverse credit information is available.

The allowance for credit losses in respect of trade and other receivables is used to record credit losses unless management is satisfied that no recovery of the amount owing is possible and at that point the amount considered irrecoverable is written off against the financial asset directly.

The most significant exposure of the Group to credit risk is represented by the carrying amount of trade receivables. The Board of Directors performs regular ageing reviews of trade receivables to identify any doubtful balances. Based on the review performed for the reporting period, the Board of Directors concluded that no allowance for credit losses is required in respect of trade receivables. 58.3% and 77.1% of the trade receivables were due from the Group's largest customer as at 30 September 2022 and 30 September 2021, respectively.

##### *Cash and cash equivalents and long-term deposits*

The Group limits its exposures on cash and cash equivalents by dealing only with well-established financial institutions of high-quality credit standing. The majority of the Group's cash resources were deposited with HSBC based in Hong Kong and South Africa, Bank of China in South Africa and Nedbank in South Africa.

##### *Investments in money markets, current accounts, cash funds and income funds*

The Group invests only in well-known reputable financial institutions. The majority of the investment in money markets, current accounts, cash funds and income funds are kept in cash at financial institutions of high credit quality standing.

| The maximum exposure to credit risk at the reporting date of the consolidated financial statements was: | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---------------------------------------------------------------------------------------------------------|------------------|------------------|
| Financial assets                                                                                        | 6 019            | 7 702            |
| Trade and other receivables                                                                             | 149 669          | 136 554          |
| Contract assets                                                                                         | 2 078            | 2 440            |
| Cash and cash equivalents                                                                               | 143 300          | 83 436           |
|                                                                                                         | <b>301 066</b>   | <b>230 132</b>   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 33. FINANCIAL RISK MANAGEMENT (continued)

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. At 30 September 2022 the Group had undrawn banking facilities of US\$31.2 million (ZAR564.5 million) (2021: US\$28.8 million (ZAR290 million)) available (note 26).

Management is aware of the above risk. Liquidity risk is monitored on a regular basis and management is taking steps deemed necessary in an attempt to manage the corresponding risk. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, financial risk management may not be possible for instances where weakened commodity prices persist, forecast production not being achieved and further funding is not raised.

The following table presents the remaining contractual maturities of the Group's financial liabilities at the end of the reporting period, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

|                             | Contractual undiscounted cash flow           |                                                          |                                                              |                                  |                   | Carrying amount<br>US\$'000 |
|-----------------------------|----------------------------------------------|----------------------------------------------------------|--------------------------------------------------------------|----------------------------------|-------------------|-----------------------------|
|                             | Within 1 year<br>or on<br>demand<br>US\$'000 | More than 1<br>year but less<br>than 2 years<br>US\$'000 | More than 2<br>years but<br>less than 5<br>years<br>US\$'000 | More than 5<br>years<br>US\$'000 | Total<br>US\$'000 |                             |
| <b>30 September 2022</b>    |                                              |                                                          |                                                              |                                  |                   |                             |
| Borrowings                  | 42 365                                       | 12 937                                                   | 11 381                                                       | -                                | 66 683            | 62 884                      |
| Other financial liabilities | 526                                          | -                                                        | -                                                            | -                                | 526               | 526                         |
| Trade and other payables    | 43 453                                       | -                                                        | -                                                            | -                                | 43 453            | 43 453                      |
|                             | <b>86 344</b>                                | <b>12 937</b>                                            | <b>11 381</b>                                                | <b>-</b>                         | <b>110 662</b>    | <b>106 863</b>              |
| <b>30 September 2021</b>    |                                              |                                                          |                                                              |                                  |                   |                             |
| Borrowings                  | 17 598                                       | 11 403                                                   | 10 179                                                       | 463                              | 39 643            | 36 850                      |
| Other financial liabilities | 485                                          | -                                                        | -                                                            | -                                | 485               | 485                         |
| Trade and other payables    | 45 257                                       | -                                                        | -                                                            | -                                | 45 257            | 45 257                      |
|                             | <b>63 340</b>                                | <b>11 403</b>                                            | <b>10 179</b>                                                | <b>463</b>                       | <b>85 385</b>     | <b>82 592</b>               |

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income and the values of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

The Group is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currency of the Group entities. These currency risk exposures arise primarily from exchange rate movements in ZAR, Euro ('€'), British Sterling ('GBP') and US\$.

Management is aware of the above risk. Currency risk arising from currency fluctuations is monitored on a regular basis and management is taking steps deemed necessary in managing the corresponding risk. These steps may include to enter, from time to time, into forward exchange contracts within board-approval limits. Financial risk management may not be possible for instances where weakened commodity prices persist, forecast production not being achieved and further funding is not raised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 33. FINANCIAL RISK MANAGEMENT (continued)

#### Market risk (continued)

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate. Exposures in US\$ relate to recognized assets and liabilities denominated in US\$ of entities of the Group that have a functional currency other than US\$. For presentation purposes, the amounts of the exposure are shown in US\$, translated using the spot rate at the reporting date. The spot rates used at the reporting date against the US\$ are a) US\$:ZAR, 18.07 (2021: 15.05); b) US\$:EUR, 1.02 (2021: 0.86) and c) US\$:GBP, 0.90 (2021: 0.74). Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

The Group entered into a number of forward exchange contracts to hedge certain aspects of the foreign exchange risk associated to the conversion of the US\$ to the ZAR and the EUR against the ZAR. The net exposure of these contracts was US\$8.5 million (2021: US\$11.2 million) with various expiries no later than 27 October 2022 (2021: no later than 22 February 2022).

At the reporting date the Group's exposure to currency risk was as follows:

|                             | 30 September 2022 |         |         |       | 30 September 2021 |       |       |     |
|-----------------------------|-------------------|---------|---------|-------|-------------------|-------|-------|-----|
|                             | US\$              | ZAR     | €       | GBP   | US\$              | ZAR   | €     | GBP |
| <b>Amounts in US\$'000</b>  |                   |         |         |       |                   |       |       |     |
| Other financial assets      | -                 | -       | 19      | -     | 3 023             | -     | 18    | -   |
| Trade and other receivables | 133 214           | 27      | 157     | 19    | 84 561            | -     | 13    | -   |
| Current taxation            | -                 | -       | (1 726) | -     | -                 | -     | (183) | -   |
| Cash and cash equivalents   | 11 604            | 161     | 204     | 142   | 7 964             | 2 804 | 270   | 37  |
| Borrowings                  | (26 890)          | -       | -       | -     | (28 485)          | -     | -     | -   |
| Other financial liabilities | (526)             | -       | -       | -     | (485)             | -     | -     | -   |
| Trade and other payables    | (33)              | (2 898) | (680)   | (342) | (11)              | (141) | (357) | (6) |
|                             | (117 369)         | (2 710) | (2 026) | (181) | 66 567            | 2 663 | (239) | 31  |

A 10.0% strengthening of the US\$ against the above currencies at the reporting date would have changed profits and equity by the amounts presented below. This analysis assumes that all other variables, and in particular interest rates, remain constant. The analysis has been performed on the same basis for each reporting date.

|      | 2022<br>Increase<br>in profit or loss<br>and equity<br>US\$'000 | 2021<br>(Decrease)/<br>increase/<br>in profit or loss<br>and equity<br>US\$'000 |
|------|-----------------------------------------------------------------|---------------------------------------------------------------------------------|
| ZAR  | 216                                                             | 259                                                                             |
| €    | 159                                                             | (23)                                                                            |
| US\$ | 7 717                                                           | 8 219                                                                           |
| GBP  | 14                                                              | 3                                                                               |

A 10.0% weakening of the US\$ against the above currencies at each reporting date would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 33. FINANCIAL RISK MANAGEMENT (continued)

#### Interest rate risk

Interest rate risk is the Group's exposure to adverse movements in interest rates. It arises as a result of timing differences on the repricing of assets and liabilities. Management is aware of the above risk. Interest rate risk is monitored on a regular basis and management is taking steps deemed necessary managing the corresponding risk. As at the reporting date, the interest rate profile of the Group was as follows :

|                                                                             | 2022                                                                  | 2021                                                     | 2022<br>US\$'000 | 2021<br>US\$'000 |
|-----------------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------|------------------|------------------|
| <b>Variable rate financial assets</b>                                       |                                                                       |                                                          |                  |                  |
| Investments in money markets, current accounts, cash funds and income funds | 4.1% - 6.4%                                                           | 4.6%                                                     | 6 019            | 7 702            |
| Cash and cash equivalents                                                   | 0% - 6.73%                                                            | 0% - 4.72%                                               | 143 300          | 83 436           |
|                                                                             |                                                                       |                                                          | 149 319          | 91 138           |
| <b>Variable rate financial liabilities</b>                                  |                                                                       |                                                          |                  |                  |
| Equipment loan facility                                                     | 1-month SOFR plus between 3.25% and 3.5%                              | 1-month US LIBOR plus between 3.2% and 3.25%             | 23 699           | 24 834           |
| Atrafin loan                                                                | 6-month US Libor plus 2%                                              | 6-month US Libor plus 2%                                 | 2 955            | 3 651            |
| Absa commercial asset finance                                               | RSA prime less 1.15%                                                  | -                                                        | 6 885            | -                |
| Wesbank revolving facility                                                  | RSA prime less between 0.65% and 1.15%                                | -                                                        | 1 404            | -                |
| Lease liabilities                                                           | 5.9% - RSA prime + 3.75%                                              | 8.0% - RSA prime plus 3.75%                              | 3 579            | 5 385            |
| Property loans                                                              | RSA prime                                                             | RSA prime                                                | 553              | 664              |
| Loan from related party                                                     | -                                                                     | 3-month US LIBOR plus 5%                                 | -                | 542              |
| Bank credit facilities                                                      | 1-month US LIBOR + 1.6% and 1-month SOFR plus between 1.65% and 3.05% | 1-month US LIBOR plus 1.6% - 3-month US LIBOR plus 3.05% | 23 809           | 1 774            |
|                                                                             |                                                                       |                                                          | 62 884           | 36 850           |

A change of 100 basis points in interest rates at each reporting date would have changed profits and equity by the amounts presented below. This analysis assumes that all other variables, and in particular foreign currency rates, remain constant. The analysis has been performed on the same basis for each reporting date.

|                                                                             | 2022<br>Increase/<br>(decrease) in<br>profit or loss and<br>equity<br>US\$'000 | 2021<br>Increase/<br>(decrease) in<br>profit or loss<br>and equity<br>US\$'000 |
|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Investments in money markets, current accounts, cash funds and income funds | 482                                                                            | 157                                                                            |
| Cash and cash equivalents                                                   | 224                                                                            | 388                                                                            |
| Equipment loan facility                                                     | (273)                                                                          | (255)                                                                          |
| Atrafin loan                                                                | (34)                                                                           | (38)                                                                           |
| Commercial asset finance                                                    | (79)                                                                           | -                                                                              |
| Revolving facility                                                          | (16)                                                                           | -                                                                              |
| Lease liabilities                                                           | (55)                                                                           | (54)                                                                           |
| Loan from related party                                                     | -                                                                              | (3)                                                                            |
| Loan from related party                                                     | -                                                                              | (7)                                                                            |
| Bank credit facilities                                                      | (208)                                                                          | (16)                                                                           |
| Property loans                                                              | (1)                                                                            | (2)                                                                            |
|                                                                             | 40                                                                             | 170                                                                            |

A decrease of 100 basis points in interest rates at each reporting date would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

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### 33. FINANCIAL RISK MANAGEMENT (continued)

#### Fair values

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

#### Financial instruments carried at fair value:

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

The impact of COVID-19 should already be priced into the inputs, which for the Group, mostly relates to commodity price risk used in the level 1 and 2 fair valuation techniques as determined by the market. The level 3 valuation techniques were adjusted internally by amending the cash flows associated with the discounted cash flow valuations.

The levels are defined as follows:

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments (highest level).

Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation methodologies in which all significant inputs are directly or indirectly based on observable market data.

Level 3: fair values measured using valuation methodologies in which any significant inputs are not based on observable market data.

| Financial instrument                                                         | Fair value level | Fair value<br>2022<br>US\$'000 | 2021<br>US\$'000 | Valuation technique<br>and key inputs                                           |
|------------------------------------------------------------------------------|------------------|--------------------------------|------------------|---------------------------------------------------------------------------------|
| <b>Financial assets measured at fair value</b>                               |                  |                                |                  |                                                                                 |
| Investments in money markets, current accounts, cash funds and income funds  | Level 2          | 6 019                          | 7 702            | Quoted market price for similar instruments                                     |
| Right to acquire shares in Karo Platinum (Private) Limited                   | Level 3          | -                              | 5 870            | Comparable company market multiple valuation and a Monte Carlo Simulation model |
| PGM discount facility hedging derivative                                     | Level 2          | -                              | 3 023            | Quoted market metal prices and exchange rate                                    |
| Investments in equity instruments                                            | Level 1          | 19                             | 18               | Quoted market price                                                             |
| <b>Trade and other receivables measured at fair value</b>                    |                  |                                |                  |                                                                                 |
| PGM discounting receivable                                                   | Level 2          | 76 750                         | 77 286           | Quoted market metal prices and exchange rate (refer below)                      |
| <b>Financial liabilities measured at fair value</b>                          |                  |                                |                  |                                                                                 |
| Option granted to NCI to call upon shares in Karo Platinum (Private) Limited | Level 3          | 16 779                         | -                | Discounted cash flow valuation and a Monte Carlo Simulation model               |
| PGM discount facility hedging derivative                                     | Level 2          | 337                            | -                | Quoted market metal prices and exchange rate                                    |
| Forward exchange contracts                                                   | Level 2          | 189                            | 485              | Quoted market closing exchange rates                                            |

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

Refer to note 21 for the fair value recognised relating to the PGM discounting receivable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 33. FINANCIAL RISK MANAGEMENT (continued)

Fair value gains and losses recognised in the financial instruments during the year:

|                                                                                            | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Changes in fair value of financial assets at fair value through profit or loss</b>      |                  |                  |
| Investments in equity instruments                                                          | 1                | 10               |
| Investments in money markets, current accounts, cash funds and income funds                | 242              | 223              |
| PGM discount facility hedging derivative                                                   | -                | 4 615            |
| Right to acquire shares in Karo Platinum (Private) Limited                                 | (5 870)          | 5 870            |
| Option to acquire shares in Salene Chrome Zimbabwe (Private) Limited                       | -                | (178)            |
|                                                                                            | <b>(5 627)</b>   | <b>10 540</b>    |
| <b>Changes in fair value of financial liabilities at fair value through profit or loss</b> |                  |                  |
| PGM discount facility hedging derivative                                                   | 174              | -                |
| Option granted to NCI to call upon shares in Karo Platinum (Private) Limited               | 1 100            | -                |
| Forward exchange contracts                                                                 | 247              | (370)            |
|                                                                                            | <b>1 521</b>     | <b>(370)</b>     |

#### Level 3: Option granted to NCI to call upon shares in Karo Platinum (Private) Limited ('Karo Platinum')

Refer to notes 18 and 31. The Republic of Zimbabwe has an option to increase its shareholding in Karo Platinum by 11.0% exercisable after 24 months from 30 March 2022, but before 36 months, payable in cash at the current net present value of Karo Platinum at 30 March 2022. The option represents a financial instrument which is recognised at fair value through profit or loss. At 30 September 2022, the Group completed an independent reviewed valuation of Karo Platinum. In determining the fair value, the discounted cash flow valuation technique was used. The following significant inputs were used in determining the fair value:

The initial fair value loss of US\$17.9 million recognised during the interim period ending 31 March 2022 was recognised in the profit or loss of Karo Zimbabwe Holdings (Private) Limited immediately prior to the acquisition of the controlling interest in Karo Mining Holdings Limited by the Group. The Group's proportionate share of the loss is classified in the share of loss of investment accounted for using the equity method in the statement of profit or loss. Refer to notes 16, 27 and 31.

|                             |         |                                     |
|-----------------------------|---------|-------------------------------------|
| PGM basket price (6E)       | US\$/oz | 2 140                               |
| Base metal basket price     | US\$/t  | 15 099                              |
| Life of Mine                |         | 17 years                            |
| Annual throughput           | kt      | 205                                 |
| 6E PGM grade per tonne feed | g/t     | 3.6                                 |
| Annual production (6E)      | koz     | 194                                 |
| PGM recovery                | %       | 78% first two years, thereafter 82% |
| WACC                        | %       | 10.3%                               |
| Tax holiday                 | years   | First 5                             |

The Monte-Carlo simulation was used in determining the fair value of Karo Platinum at the end of the 36-month period (31 March 2025). The option value has been determined by averaging the discounted values between month 25 and 36 (the period in which the option can be exercised). The following significant inputs were used:

|                                                           |                  |                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Strike price:                                             | US\$71.8 million | Independently verified net present value of Karo Platinum as at 30 March 2022 using a discounted cash flow model                                                                                                                                                            |
| Valuation of 11.0% of Karo Platinum at 30 September 2022: | US\$59.5 million | Discounted cash flow model                                                                                                                                                                                                                                                  |
| Volatility:                                               | 4.4%             | Sector volatility (converted to monthly)                                                                                                                                                                                                                                    |
| Drift:                                                    | 1.5%             | Risk free rate (converted to monthly) based on the US risk free zero yield curve at 31 August 2022 based on the Svensson method and includes a country risk premium for the operations being in Zimbabwe. The country risk premium for Zimbabwe was sourced from Damodaran. |
| Time step:                                                | 1.0              | Annual time intervals                                                                                                                                                                                                                                                       |
| Discount rate:                                            | 0.83%            | Converted to monthly                                                                                                                                                                                                                                                        |

A sensitivity analysis was performed on the option value with the following results in the fair value of the option:

| Sensitivity              | Option value<br>US\$'000 | (Decrease)/increase in profit or loss and equity<br>US\$'000 |
|--------------------------|--------------------------|--------------------------------------------------------------|
| Discount rate minus 5.0% | 16 795                   | (16)                                                         |
| Discount plus 5.0%       | 16 763                   | 16                                                           |
| Volatility minus 10.0%   | 16 299                   | 480                                                          |
| Volatility plus 10.0%    | 17 296                   | (517)                                                        |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 33. FINANCIAL RISK MANAGEMENT (continued)

| <b>Estimation of fair values</b>                                                                    |            |               |             |
|-----------------------------------------------------------------------------------------------------|------------|---------------|-------------|
| The following key inputs were used in determining the fair value of the PGM discounting receivable: |            |               |             |
|                                                                                                     |            | <b>2022</b>   | <b>2021</b> |
| Platinum                                                                                            | US\$/oz    | <b>878</b>    | 976         |
| Palladium                                                                                           | US\$/oz    | <b>2 113</b>  | 2 121       |
| Rhodium                                                                                             | US\$/oz    | <b>13 709</b> | 13 380      |
| Gold                                                                                                | US\$/oz    | <b>1 684</b>  | 1 779       |
| Ruthenium                                                                                           | US\$/oz    | <b>440</b>    | 567         |
| Iridium                                                                                             | US\$/oz    | <b>3 638</b>  | 4 105       |
| Metallurgical chrome concentrate                                                                    | US\$/tonne | <b>209</b>    | 160         |
| US\$:ZAR exchange rate                                                                              |            | <b>17.57</b>  | 14.55       |

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment allowance of trade receivables and the carrying value of trade payables are assumed to approximate their fair values as the short term effect of discounting is not material. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The carrying value of financial assets and liabilities at amortised cost approximates its fair value.

### 34. RELATED PARTY TRANSACTIONS AND BALANCES

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <i>Accounting policy</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |  |
| A party is considered to be related to the Group if:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |  |
| <ul style="list-style-type: none"> <li>the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;</li> <li>the Group and the party are subject to common control;</li> <li>the party is an associate of the Group or a joint venture in which the Group is a venturer;</li> <li>the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such individual, or is an entity under the control, joint control or significant influence of such individuals;</li> <li>the party is a close family member of a party referred to in the first bullet point above or is an entity under the control, joint control or significant influence of such individuals; or</li> <li>the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.</li> </ul> |  |
| Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Group.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |  |

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

|                                               | <b>2022</b><br><b>US\$'000</b> | <b>2021</b><br><b>US\$'000</b> |
|-----------------------------------------------|--------------------------------|--------------------------------|
| <b>Loans receivable</b> (refer to note 16)    |                                |                                |
| Karo Mining Holdings plc (before acquisition) | -                              | 8 353                          |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 30 September 2022

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

|                                                               | <b>2022</b><br><b>US\$'000</b> | <b>2021</b><br><b>US\$'000</b> |
|---------------------------------------------------------------|--------------------------------|--------------------------------|
| <b>Trade and other receivables</b> (note 21)                  |                                |                                |
| Thys and Alta Steenkamp*                                      | -                              | 188                            |
| The Tharisa Community Trust                                   | -                              | 65                             |
| Rocasize Proprietary Limited                                  | 31                             | 3                              |
| Karo Mining Holdings plc ((before acquisition)                | -                              | 796                            |
| Karo Zimbabwe Holdings (Private) Limited (before acquisition) | -                              | 321                            |
| Karo Platinum (Private) Limited (before acquisition)          | -                              | 417                            |
| Karo Power Generation (Private) Limited (before acquisition)  | -                              | 146                            |
| The Leto Settlement                                           | 13                             | -                              |
| Salene Mining Proprietary Limited                             | 13                             | 15                             |
|                                                               | <b>57</b>                      | <b>1 951</b>                   |
| <b>Loan payable</b> (note 26)                                 |                                |                                |
| Leto Settlement                                               | -                              | 542                            |
| <b>Trade and other payables</b> (note 28)                     |                                |                                |
| Karo Zimbabwe Holdings (Private) Limited (before acquisition) | -                              | 315                            |
| Karo Platinum (Private) Limited (before acquisition)          | -                              | 29                             |
| Rocasize Proprietary Limited                                  | -                              | 57                             |
|                                                               | -                              | 401                            |
| <b>Amounts due to Directors</b>                               |                                |                                |
| A Djakouris                                                   | 18                             | 21                             |
| J Salter                                                      | 21                             | 23                             |
| O Kamal                                                       | 13                             | 12                             |
| C Bell                                                        | 23                             | 17                             |
| R Davey                                                       | 20                             | 16                             |
| Z Hong                                                        | 9                              | 9                              |
| Lo Wai Man                                                    | 9                              | 10                             |
|                                                               | <b>113</b>                     | <b>108</b>                     |
| <b>Total other payables</b>                                   | <b>113</b>                     | <b>509</b>                     |
| <b>Property loans payable</b>                                 |                                |                                |
| Ross Two-10-Properties Proprietary Limited*                   | -                              | 153                            |
| Rohcon Engineering Proprietary Limited*                       | -                              | 193                            |
| PCMQ Proprietary Limited*                                     | -                              | 199                            |
| Thys & Alta Properties Proprietary Limited*                   | -                              | 119                            |
|                                                               | -                              | 664                            |
| <b>Revenue</b>                                                |                                |                                |
| Salene Manganese Proprietary Limited                          | 1 035                          | 420                            |
| Karo Platinum (Private) Limited (before acquisition)          | -                              | 5                              |
| <b>Cost of sales</b>                                          |                                |                                |
| Rocasize Proprietary Limited                                  | 541                            | 511                            |
| <b>Other income</b>                                           |                                |                                |
| Rocasize Proprietary Limited                                  | 23                             | 9                              |
| <b>Consulting fees received</b>                               |                                |                                |
| Salene Manganese Proprietary Limited                          | 45                             | -                              |
| Rocasize Proprietary Limited                                  | 8                              | 14                             |
| Salene Chrome Zimbabwe (Private) Limited (before acquisition) | -                              | 54                             |
| Karo Mining Holdings plc (before acquisition)                 | 6                              | -                              |
| Karo Platinum (Private) Limited (before acquisition)          | 188                            | 183                            |
| Karo Power Generation (Private) Limited (before acquisition)  | 7                              | 10                             |
| Karo Zimbabwe Holdings (Private) Limited (before acquisition) | 28                             | 10                             |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 30 September 2022

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

|                                               | 2022<br>US\$'000 | 2021<br>US\$'000 |
|-----------------------------------------------|------------------|------------------|
| <b>Rent paid</b>                              |                  |                  |
| PCMQ Proprietary Limited*                     | -                | 23               |
| Thys & Alta Properties Proprietary Limited*   | -                | 9                |
| <b>Interest receivable</b>                    |                  |                  |
| Karo Mining Holdings plc (before acquisition) | 112              | 222              |
| <b>Interest paid</b>                          |                  |                  |
| The Leto Settlement                           | 13               | -                |
| Ross Two-10-Properties Proprietary Limited*   | -                | 11               |
| Thys & Alta Properties Proprietary Limited*   | -                | 4                |
| Rohcon Engineering Proprietary Limited*       | -                | 14               |
| <b>Dividends paid</b>                         |                  |                  |
| Thari Resources Proprietary Limited           | -                | 845              |
| The Tharisa Community Trust                   | 164              | 253              |

\* The Group previously disclosed related party transactions with Thys and Alta Steenkamp, PCMQ Proprietary Limited, Thys & Alta Properties Proprietary Limited, Ross Two-10-Properties Proprietary Limited and Rohcon Engineering Proprietary Limited. These related party relationships have ceased.

**Compensation to key management:**

|                         | Salary and<br>fees<br>US\$'000 | Expense<br>allowances<br>US\$'000 | Share-based<br>payments<br>US\$'000 | Provident<br>fund and risk<br>benefits<br>US\$'000 | Bonus<br>US\$'000 | Total<br>US\$'000 |
|-------------------------|--------------------------------|-----------------------------------|-------------------------------------|----------------------------------------------------|-------------------|-------------------|
| <b>2022</b>             |                                |                                   |                                     |                                                    |                   |                   |
| Non-Executive Directors | 642                            | -                                 | -                                   | -                                                  | -                 | 642               |
| Executive Directors     | 1 712                          | 8                                 | 828                                 | 76                                                 | 319               | 2 943             |
| Other key management    | 1 380                          | 20                                | 817                                 | 95                                                 | 588               | 2 900             |
|                         | 3 734                          | 28                                | 1 645                               | 171                                                | 907               | 6 485             |
| <b>2021</b>             |                                |                                   |                                     |                                                    |                   |                   |
| Non-Executive Directors | 631                            | -                                 | -                                   | -                                                  | -                 | 631               |
| Executive Directors     | 1 622                          | 8                                 | 3 315                               | 82                                                 | 356               | 5 383             |
| Other key management    | 988                            | 22                                | 1 034                               | 97                                                 | 220               | 2 361             |
|                         | 3 241                          | 30                                | 4 349                               | 179                                                | 576               | 8 375             |

Share-based awards to the Directors are disclosed in note 11. Details of each plan are disclosed in note 8. Awards to the key management in the period under review are as follows:

| 2022 Ordinary shares | Opening<br>balance | Inclusion of<br>additional<br>employee | Allocated | Vested    | Forfeited | Total     |
|----------------------|--------------------|----------------------------------------|-----------|-----------|-----------|-----------|
| LTIP*                | 695 276            | 145 650                                | 1 319 717 | (388 628) | (129 808) | 1 642 207 |
| 2021 Ordinary shares | Opening<br>balance | Resignation                            | Allocated | Vested    | Forfeited | Total     |
| LTIP**               | 1 576 158          | (272 700)                              | -         | (608 182) | -         | 695 276   |
| 2021 Ordinary shares |                    |                                        |           |           |           |           |
| SARS                 | 293 919            | (50 907)                               | -         | (243 012) | -         | -         |

No SARS were awarded during the years ended 30 September 2022 and 30 September 2021.

\* Four employees

\*\* Three employees

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

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

#### Option to acquire shares in Salene Manganese Proprietary Limited

On 9 July 2019, the Company was granted a call option to acquire a 70.0% shareholding in Salene Manganese Proprietary Limited, a company incorporated in South Africa. The option was exercisable at the fair market value and consequently had no impact on the Group's statement of profit or loss. The call option was exercisable on or before 14 August 2022, consequently the option lapsed.

#### Relationships between parties:

*Thari Resources Proprietary Limited*

A former shareholder of Tharisa Minerals Proprietary Limited, refer to note 24.

*The Tharisa Community Trust and Rocasize Proprietary Limited*

The Tharisa Community Trust is a former shareholder of Tharisa Minerals Proprietary Limited, refer to note 24. The Tharisa Community Trust owns 100% of the issued ordinary share capital of Rocasize Proprietary Limited.

*The Music for the Children Foundation*

A Director of the company is a Trustee of the non-profit organisation.

*Salene Manganese Proprietary Limited and Salene Mining Proprietary Limited*

A director of the Company is also a director of these companies.

*The Leto Settlement*

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

*Karo Mining Holdings plc, Karo Zimbabwe Holdings (Private) Limited, Karo Platinum (Private) Limited, Karo Power Generation (Private) Limited, Karo Coal Mines (Private) Limited and Karo Refinery (Private) Limited*

The Company owned 26.8% of the issued share capital of Karo Mining Holdings plc before acquiring the controlling interest at 30 March 2022 (refer to note 31). Karo Mining Holdings Limited owns 100% of the issued share capital of Karo Zimbabwe Holdings (Private) Limited, Karo Power Generation (Private) Limited, Karo Coal Mines (Private) Limited and Karo Refinery (Private) Limited and 85% of the issued share capital of Karo Platinum (Private) Limited.

### 35. CONTINGENT LIABILITIES

#### Diesel rebates

At 30 September 2022, the Group had certain unresolved tax matters. Included in trade and other receivables is an amount of US\$4.6 million (ZAR82.3 million) (2021: US\$5.5 million (ZAR82.3 million)) which relates to diesel rebates receivable from the South African Revenue Service ('SARS') in respect of the mining operations. SARS rejected diesel claims relating to the period from September 2011 to February 2018. The Group is taking the necessary action to recover the amount due.

#### Mining royalty

The Group has objected and appealed to the assessments issued by SARS imposing an additional mining royalty in relation to the 2015 and 2017 years of assessment in an amount of US\$5.7 million (ZAR102.3 million) (2021: US\$6.8 million (ZAR102.3 million)) (inclusive of penalties and interest). Due to the technical nature of the matter at hand, the matter underwent two separate Alternate Dispute Resolution processes and the matter is now set to be heard at the tax court on 14 August 2023. SARS increased the gross sales value of the PGM sales to the minimum specified condition (of 150 parts per million) as set out in the legislation by adjusting the average PGM grade on a linear basis. SARS did not take into account the increase in the associated costs to bring the concentrate to the minimum specified condition whether on a linear basis or otherwise. This is inconsistent with both past practice by SARS and industry applied norms. The Group objected and appealed against the assessment on the basis that it is not in terms of the applicable legislation. The Group, together with its legal adviser, has re-assessed the basis on which it is liable for payment of the mining royalty challenging both the linear basis of grossing up the sales value and determining the incremental costs which would be incurred in bringing the concentrate to the minimum specified standard.

In the event that SARS would be successful, the Group estimates the incremental mining royalty for the period up to the current year of assessment to be US\$20.0 million (ZAR361.9 million) (2021: US\$16.7 million (ZAR250.9 million)), with the amount net of tax estimated to be US\$10.0 million (ZAR180.6 million) (2021: US\$12.0 million (ZAR180.6 million)). If the Group is successful with a favourable outcome of calculating the mining royalty on the re-assessed basis, it would result in a refund of past royalty payments with a net inflow to the Group.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 35. CONTINGENT LIABILITIES (continued)

#### Rehabilitation provision

The Group's mining and exploration activities are subject to extensive environmental laws and regulations. The Group has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. Estimated future rehabilitation costs are based principally on legal and regulatory requirements. Tharisa Minerals Proprietary Limited's approved Environmental Management Programme ('EMPr') commits the company to completely backfill the pit voids to natural ground level and restore the pre-mining land potential, namely agricultural land with grazing and wilderness capabilities. The company has evaluated alternative mine closure strategies building on the establishment of a post-mining economy with socio-economic benefits. An amended application has been submitted to the Department of Mineral Resources and Energy ('DMRE') seeking its approval for a backfill of the pit voids concurrent with mining only, also called in-pit dumping, which results in a partial void and associated pit lake which is profiled and 'made safe' before rehabilitation of the surface with the residual waste rock stockpiles remaining on surface ('pit-lake option'). In conjunction with the submission of this application, the company has also engaged with the relevant government departments to ensure their support for this submission. This application has been submitted supported by the necessary specialty studies. As there is uncertainty as to the successful outcome of the application, the company has applied a probability weighted factor in calculating the mine closure liability applying a 60% probability to the successful approval of the pit-lake option. In the alternative, the company has applied a 40% probability to an alternative 'make safe' option with the partial backfilling of the pit whereby the walls of the pit will be profiled at 24 degrees and, with the passage of time, result in a pit-lake forming in the void. The rehabilitation expense and provision referenced in note 26 has been accounted for on this basis. The company is confident of the successful outcome in its engagement with the DMRE. No adjustment for any effects on the company that may result from a complete backfill of the voids, if any, has been made in the financial statements. It is not possible to determine and measure any additional requirements that may be required as the amended EMP is at an advanced stage through the various approval levels, hence no provision has been made for these potential additional requirements.

#### Other

As at 30 September 2022, there is no litigation (2021: no litigation), current or pending, which is considered likely to have a material adverse effect on the Group. Refer to note 36 for guarantees.

### 36. CAPITAL COMMITMENTS AND GUARANTEES

|                               | 2022<br>US\$'000 | 2021<br>US\$'000 |
|-------------------------------|------------------|------------------|
| <b>Capital commitments</b>    |                  |                  |
| Authorised and contracted     | 28 937           | 30 639           |
| Authorised and not contracted | 3 027            | 1 298            |
|                               | <b>31 964</b>    | <b>31 937</b>    |

The above commitments are with respect to property, plant and equipment and are outstanding at the respective reporting period. All contracted amounts will be funded through existing funding mechanisms within the Group and cash generated from operations. Balances denominated in currencies other than the US\$ were converted at the closing rates of exchange ruling at 30 September 2022.

#### Guarantees

Tharisa Minerals Proprietary Limited entered into an equipment loan facility of US\$35.0 million (2021: US\$30.0 million) with Caterpillar Financial Services Corporation. The equipment loan facility is secured by a first notarial bond over the equipment and is guaranteed by the Company.

Tharisa Minerals Proprietary Limited guarantees US\$16.6 million (ZAR300.0 million) (2021: US\$20 million (ZAR300.0 million)) to Absa Bank Limited in respect of the Commercial Asset Finance and overdraft facilities.

The Company guarantees a total of US\$12.7 million (ZAR229 million) (2021: US\$12.2 million (ZAR183 million)) to third party suppliers of Tharisa Minerals Proprietary Limited.

An insurance company has provided a guarantee to the Department of Mineral Resources and Energy to satisfy the legal requirements with respect to environmental rehabilitation and the Group has pledged as collateral its investments in interest-bearing instruments to the insurance company to support this guarantee. The total value of the guarantee is US\$18.7 million (ZAR337.5 million) (2021: US\$19.2 million (ZAR288.4 million)).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 36. CAPITAL COMMITMENTS AND GUARANTEES (continued)

The Company issued a guarantee to Absa Bank Limited which guarantees the payment of certain liabilities of Arxo Logistics Proprietary Limited to Transnet totalling US\$1.1 million (ZAR19.4 million) (2021: US\$1.3 million (ZAR19.4 million)).

The Company issued guarantees limited to US\$20.0 million (2021: US\$20.0 million) as securities for trade finance facilities provided by two banks to Arxo Resources Limited.

A guarantee was issued to Lombard Insurance Company Limited which guarantees the payment of certain liabilities of Arxo Logistics Proprietary Limited to Transnet totalling US\$0.7 million (ZAR12.0 million) (2021: US\$0.8 million (ZAR12.0 million)).

The Company and Arxo Metals Proprietary Limited jointly indemnify a third party for any claims which may result from negligence or breach in terms of the plant operating agreement between Arxo Metals Proprietary Limited and the third party.

The Company holds an indirect 100% equity interest in Tharisa Fujian Industrial Co., Limited, the registered capital of which is US\$10.0 million. Up to 30 September 2022, US\$6.1 million has been paid up.

### 37. EVENTS AFTER THE REPORTING PERIOD

#### *Accounting policies: Events after the reporting period*

Assets and liabilities are adjusted for events that occurred during the period from the reporting date to the date of approval of the financial statements by the Board of Directors, when these events provide additional information for the valuation of amounts relating to events existing at the reporting date or imply that the going concern concept in relation to part or whole of the Group is not appropriate.

On 1 December 2022, the Board has proposed a final dividend of US 4.0 cents per share, subject to the necessary shareholder approval at the Annual General Meeting.

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

### 38. DIVIDENDS

#### *Accounting policy: Dividends*

Dividends are recognised as a liability in the period they are declared according to IAS 10.

During the period ended 30 September 2022, the Company declared and paid a final dividend of US 5.0 cents per share in respect of the financial year ended 30 September 2021. In addition, an interim dividend of US 3.0 cents per share was declared and paid in respect of the financial year ended 30 September 2022.

During the period ended 30 September 2021, the Company declared and paid a final dividend of US 3.5 cents per share in respect of the financial year ended 30 September 2020. In addition, an interim dividend of US 4.0 cents per share was declared and paid in respect of the financial year ended 30 September 2021.

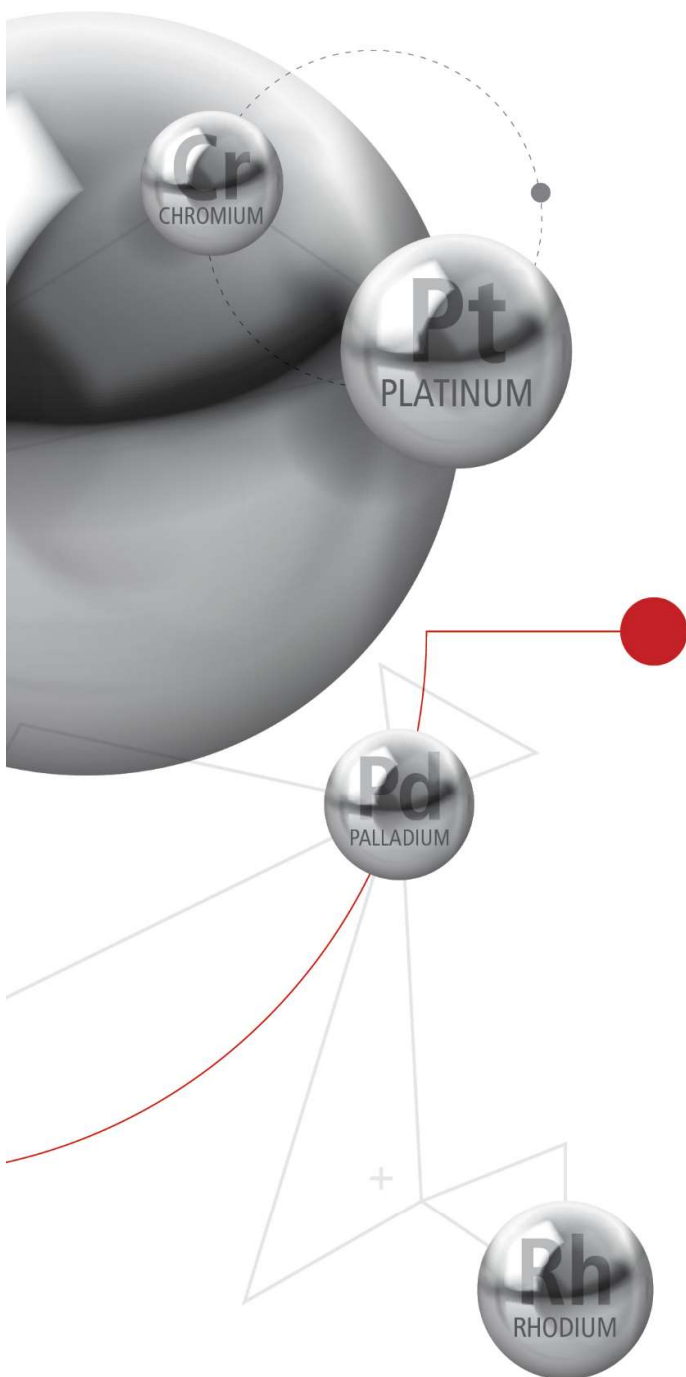
A subsidiary of the Company, Tharisa Minerals Proprietary Limited, declared and paid an ordinary dividend of US\$2.7 million (2021: US\$4.2 million) during the year ended 30 September 2022. The dividend paid to non-controlling shareholders amounted to US\$0.2 million (2021: US\$1.1 million).

A subsidiary of the Company, Arxo Logistics Proprietary Limited, declared an ordinary dividend of US\$1.0 million (2021: no dividend) during the year ended 30 September 2022.

# tharisa

COMPANY FINANCIAL STATEMENTS

30 September 2022



enriching lives through innovating the resources company of the future

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
for the year ended 30 September 2022

|                                                                                | Notes | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------------------------------------------------------------|-------|------------------|------------------|
| Revenue                                                                        | 5     | 21 556           | 17 685           |
| Dividend income                                                                |       | 10 021           | 11 000           |
| Interest revenue                                                               |       | 11 535           | 6 685            |
| Foreign exchange (loss)/gain                                                   |       | (912)            | 1 172            |
| Operating expenses                                                             | 7     | (17 434)         | (5 847)          |
| Operating profit                                                               |       | 3 210            | 13 010           |
| Finance income                                                                 | 8     | 73               | 53               |
| Finance costs                                                                  | 9     | (9)              | -                |
| Changes in fair value of financial assets at fair value through profit or loss | 20    | (5 869)          | 5 702            |
| (Loss)/profit before tax                                                       |       | (2 595)          | 18 765           |
| Tax                                                                            | 10    | (732)            | (3 311)          |
| <b>(Loss)/profit for the year</b>                                              |       | <b>(3 327)</b>   | <b>15 454</b>    |
| <b>Other comprehensive income</b>                                              |       |                  |                  |
| <i>Items that may not be classified subsequently to profit or loss</i>         |       | -                | -                |
| <i>Items that may be classified subsequently to profit or loss</i>             |       | -                | -                |
| <b>Other comprehensive income</b>                                              |       | -                | -                |
| <b>Total comprehensive (loss)/income for the year</b>                          |       | <b>(3 327)</b>   | <b>15 454</b>    |

The notes on pages 127 to 151 are an integral part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**  
as at 30 September 2022

|                                     | Notes | 2022<br>US\$'000 | 2021<br>US\$'000 |
|-------------------------------------|-------|------------------|------------------|
| <b>Assets</b>                       |       |                  |                  |
| <b>Non-current assets</b>           |       |                  |                  |
| Investment in subsidiaries          | 11    | 401 050          | 305 917          |
| Investment in joint arrangements    | 12    | -                | 4 500            |
| Financial and other assets          | 13    | 2 589            | 12 060           |
| <b>Total non-current assets</b>     |       | <b>403 639</b>   | <b>322 477</b>   |
| <b>Current assets</b>               |       |                  |                  |
| Financial and other assets          | 13    | 629              | 874              |
| Other receivables                   | 14    | 4 595            | 43 062           |
| Cash and cash equivalents           | 15    | 2 429            | 17 619           |
| <b>Total current assets</b>         |       | <b>7 653</b>     | <b>61 555</b>    |
| <b>Total assets</b>                 |       | <b>411 292</b>   | <b>384 032</b>   |
| <b>Equity and liabilities</b>       |       |                  |                  |
| Share capital and premium           | 16    | 345 897          | 289 818          |
| Other reserve                       | 16    | 47 245           | 47 245           |
| Retained earnings                   | 16    | 15 611           | 43 720           |
| <b>Total equity</b>                 |       | <b>408 753</b>   | <b>380 783</b>   |
| <b>Non-current liabilities</b>      |       |                  |                  |
| Deferred taxation                   | 17    | 124              | 2 068            |
| <b>Current liabilities</b>          |       |                  |                  |
| Other payables                      | 18    | 2 352            | 1 139            |
| Current taxation                    | 10    | 63               | 42               |
| <b>Total current liabilities</b>    |       | <b>2 415</b>     | <b>1 181</b>     |
| <b>Total liabilities</b>            |       | <b>2 539</b>     | <b>3 249</b>     |
| <b>Total equity and liabilities</b> |       | <b>411 292</b>   | <b>384 032</b>   |

The financial statements were authorised for issue by the Board of Directors on 1 December 2022.



Phoevos Pouroulis  
Director



Michael Jones  
Director

The notes on pages 127 to 151 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2022

|                                                             | Note | Share capital<br>US\$'000 | Share<br>premium<br>US\$'000 | Other reserve<br>US\$'000 | Retained<br>earnings<br>US\$'000 | Total equity<br>US\$'000 |
|-------------------------------------------------------------|------|---------------------------|------------------------------|---------------------------|----------------------------------|--------------------------|
| <b>Balance at 1 October 2020</b>                            |      | 269                       | 286 660                      | 47 245                    | 51 603                           | 385 777                  |
| <b>Total comprehensive income for the year</b>              |      |                           |                              |                           |                                  |                          |
| Profit for the year                                         |      | -                         | -                            | -                         | 15 454                           | 15 454                   |
| <b>Total comprehensive income for the year</b>              |      | -                         | -                            | -                         | 15 454                           | 15 454                   |
| <b>Transactions with owners of the Company</b>              |      |                           |                              |                           |                                  |                          |
| <i>Contributions by and distributions to owners</i>         |      |                           |                              |                           |                                  |                          |
| Issue of ordinary shares                                    | 16   | 2                         | 2 887                        | -                         | -                                | 2 889                    |
| Dividends paid                                              | 24   | -                         | -                            | -                         | (20 181)                         | (20 181)                 |
| Equity-settled share-based payments                         | 16   | -                         | -                            | -                         | (3 156)                          | (3 156)                  |
| Contributions by owners of the Company                      |      | 2                         | 2 887                        | -                         | (23 337)                         | (20 448)                 |
| Total transactions with owners of the Company               |      | 2                         | 2 887                        | -                         | (23 337)                         | (20 448)                 |
| <b>Balance at 30 September 2021</b>                         |      | 271                       | 289 547                      | 47 245                    | 43 720                           | 380 783                  |
| <b>Total comprehensive loss for the year</b>                |      |                           |                              |                           |                                  |                          |
| Loss for the year                                           |      | -                         | -                            | -                         | (3 327)                          | (3 327)                  |
| <b>Total comprehensive loss for the year</b>                |      | -                         | -                            | -                         | (3 327)                          | (3 327)                  |
| <b>Transactions with owners of the Company</b>              |      |                           |                              |                           |                                  |                          |
| <i>Contributions by and distributions to owners</i>         |      |                           |                              |                           |                                  |                          |
| Issue of ordinary shares                                    | 16   | 29                        | 56 050                       | -                         | -                                | 56 079                   |
| Dividends paid                                              | 24   | -                         | -                            | -                         | (23 106)                         | (23 106)                 |
| Equity-settled share-based payments                         | 16   | -                         | -                            | -                         | (1 676)                          | (1 676)                  |
| Contributions by and distributions to owners of the Company |      | 29                        | 56 050                       | -                         | (24 782)                         | 31 297                   |
| Total transactions with owners of the Company               |      | 29                        | 56 050                       | -                         | (24 782)                         | 31 297                   |
| <b>Balance at 30 September 2022</b>                         |      | 300                       | 345 597                      | 47 245                    | 15 611                           | 408 753                  |

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% and General Health System contribution at 1.7%-2.65% for deemed distributions after 1 March 2019 will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of the deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 127 to 151 are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**  
for the year ended 30 September 2022

|                                                                                         | Notes | 2022<br>US\$'000 | 2021<br>US\$'000 |
|-----------------------------------------------------------------------------------------|-------|------------------|------------------|
| <b>Cash flows from operating activities</b>                                             |       |                  |                  |
| (Loss)/profit for the year                                                              |       | (3 327)          | 15 454           |
| Adjustments for:                                                                        |       |                  |                  |
| Impairment loss                                                                         | 7     | 10 399           | 183              |
| Changes in fair value of financial assets at fair value through profit or loss          | 20    | 5 869            | (5 702)          |
| Dividend income and interest revenue                                                    | 5     | (21 556)         | (17 685)         |
| Finance income                                                                          | 8     | (73)             | (53)             |
| Finance costs                                                                           | 9     | 9                | -                |
| Foreign exchange loss/(gain)                                                            |       | 912              | (1 172)          |
| Tax                                                                                     | 10    | 732              | 3 311            |
| Equity-settled share-based payments                                                     | 7     | 21               | 42               |
|                                                                                         |       | (7 014)          | (5 622)          |
| Changes in:                                                                             |       |                  |                  |
| Other receivables                                                                       |       | 332              | (804)            |
| Other payables                                                                          |       | (463)            | 818              |
| Cash flows used in operations                                                           |       | (7 145)          | (5 608)          |
| Dividends received*                                                                     | 21    | 11 650           | 17 221           |
| Interest revenue received*                                                              | 21    | 47 765           | 21 394           |
| Income tax paid                                                                         | 10    | (2 655)          | (1 239)          |
| <b>Net cash flows from operating activities*</b>                                        |       | <b>49 615</b>    | <b>31 768</b>    |
| <b>Cash flows from investing activities</b>                                             |       |                  |                  |
| Additions to investment in subsidiaries and increase in investment in preference shares | 11    | (28 849)         | (7 039)          |
| Additions to investments joint venture                                                  | 12    | (4 965)          | -                |
| Additions to financial and other assets                                                 | 13    | (9 003)          | (2 282)          |
| Repayment of financial and other assets                                                 | 13    | 1 122            | 3 632            |
| Interest received                                                                       | 8     | 5                | 2                |
| <b>Net cash flows used in investing activities*</b>                                     |       | <b>(41 690)</b>  | <b>(5 687)</b>   |
| <b>Cash flows from financing activities</b>                                             |       |                  |                  |
| Dividends paid                                                                          | 24    | (23 106)         | (20 181)         |
| Interest paid                                                                           | 9     | (9)              | -                |
| <b>Net cash flows used in financing activities</b>                                      |       | <b>(23 115)</b>  | <b>(20 181)</b>  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                             |       | <b>(15 190)</b>  | <b>5 900</b>     |
| Cash and cash equivalents at the beginning of the year                                  |       | 17 619           | 11 719           |
| <b>Cash and cash equivalents at the end of the year</b>                                 | 15    | <b>2 429</b>     | <b>17 619</b>    |

\*The dividends received cash in-flows of US\$38.6 million previously reported as part of cash flows from investing activities, has been reclassified to be presented within cash flows from operating activities and disaggregated between dividends received of US\$17.2 million and interest revenue of US\$21.4.

The notes on pages 127 to 151 are an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 1. INCORPORATION AND PRINCIPAL ACTIVITIES

Tharisa plc (the 'Company') was incorporated in Cyprus on 20 February 2008 under registration number HE223412 as a private limited liability company under the Cyprus Companies Law, Cap. 113. The name of the Company was changed from Tharisa Limited to Tharisa plc on 19 January 2012. The registered office is at Sofoklis Pittokopitis Business Center, Office 108-110, 17 Neophytou Nicolaides & Kilkis Street, 8011, Paphos, Cyprus. On 10 April 2014, the Company listed its ordinary share capital on the main board of the Johannesburg Stock Exchange ('JSE'). On 8 June 2016 the Company listed its ordinary share capital as a standard listing on the main board of the London Stock Exchange ('LSE'). On 6 February 2019 the Company listed its ordinary share capital as a secondary listing on the A2X Exchange in South Africa.

The principal activity of the Company is that of an investment holding company with controlling interests in PGM and chrome mining and processing operations and associated sales and logistics operations.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these annual financial statements are set out below. Where an accounting policy is specific to a note, the policy is described in the note which it relates to. These policies have consistently been applied to all the years presented.

#### 2.1. BASIS OF PREPARATION

##### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs'), the Listings Requirements of the Johannesburg Stock Exchange, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee, the Financial Reporting Pronouncements of the Financial Reporting Standards Council and the requirements of the Cyprus Companies Law, Cap. 113. IFRS comprises the standards issued by the International Accounting Standards Board ('IASB') and IFRS Interpretation Committee ('IFRIC') as issued by the IASB. Statutory financial statements of the Company were additionally prepared in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113. These have been approved and issued on the same date and there are no differences in the two sets of financial statements prepared.

These financial statements are the separate financial statements of the Company.

The Company has also prepared consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries ('the Group'). The consolidated financial statements can be obtained from Sofoklis Pittokopitis Business Center, Office 108-110, 17 Neophytou Nicolaides & Kilkis Street, 8011, Paphos, Cyprus.

Users of these separate financial statements of the Company should read them together with the Group's consolidated financial statements as at and for the year ended 30 September 2022 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and its subsidiaries.

##### Basis of measurement

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

##### Functional and presentation currency

The financial statements are presented in United States Dollars ('US\$') which is the functional and presentation currency of the Company.

##### Going concern

After making enquiries which include reviews of current cash resources, forecasts and budgets, timing of cash flows, borrowing facilities and sensitivity analyses and considering the associated uncertainties to the Company's operations, the Directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements which assumes that the Company will be able to meet its liabilities as they fall due for the foreseeable future.

Refer to note 20 for statements on the Company's objectives, policies and processes for managing its capital, details of its financial instruments, its exposures to market risk in relation to commodity prices and foreign exchange risks, interest rate risk, credit risk, and liquidity risk.

##### Foreign currency translation

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign currency gains and losses are reported on a net basis.

Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.1. STANDARDS AND INTERPRETATIONS ADOPTED IN THE CURRENT YEAR

The Company has adopted the following new and/or revised standards and interpretations which became effective for the year ended 30 September 2022 for which the nature and effect of the changes as a result of the adoption of these new accounting standards are described below::

##### ***Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 4, IFRS 7 and IFRS 16***

The Amendments focus on the effects on financial statements when an entity replaces the old interest rate benchmark with an alternative benchmark rate as a consequence of the global regulatory reform of key interbank offered rates ('IBORs'). For the transition from an IBOR benchmark rate with an alternative nearly risk-free interest rate (RFR), the amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform and that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

The Company has IBOR linked preference share investments in subsidiaries and has identified the Secured Overnight Financing Rate, which is the recommended US\$ Libor alternative, as a replacement of the US\$ Libor. At the date of this report, the US\$ Libor was still used for calculating the preference dividends. The US Libor that the Company is exposed to will cease to exist by June 2023. The adoption and initial application of these amendments had no impact on the Company's results, but the Company will assess the impact on the balances and cash flows linked to the rate changes arising from the IBOR reform once the replacement has occurred.

The adoption of all other standards, amendments or interpretations had no impact on the results for the year ended 30 September 2022.

#### 2.2. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The new standards, interpretations and amendments to standards listed below are not effective and have not been early adopted, but will be adopted once these new standards, interpretations and amendments become effective. The Company notes the new standards, amendments and interpretations which have been issued but not yet effective and does not plan to early adopt any of the standards, amendments and interpretations. There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods.

##### ***Classification of Liabilities as Current or Non-current - Amendments to IAS 1***

The International Accounting Standards Board (IASB) issued Classification of Liabilities as Current or Non-current, which amends IAS 1 Presentation of Financial Statements. The amendments affect requirements in IAS 1 for the presentation of liabilities. Specifically, they clarify a criterion for classifying a liability as non-current. The amendment must be applied retrospectively and is effective for annual periods beginning on or after 1 January 2023. This amendment is not expected to have a material impact on the Company.

##### ***Annual Improvements to IFRS Standards 2018-2020***

As part of its process to make non-urgent but necessary amendments to IFRS Standards, the IASB has issued the Annual Improvements to IFRS Standards 2018-2020. The amendments applicable to the Company relate to IFRS 9 and clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

The amendment must be applied prospectively and is effective for annual periods beginning on or after 1 January 2022. This amendment is not expected to have a material impact on the Company.

##### ***Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37***

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments must be applied prospectively for annual periods beginning on or after 1 January 2022, to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on transition.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

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### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.3. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

##### ***Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12***

In May 2021, the IASB issued amendments to IAS 12 Income Taxes which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a decommissioning asset and decommissioning liability (or lease asset or lease liability) give rise to taxable and deductible temporary differences that are not equal.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented and is effective for annual periods beginning on or after 1 January 2023. The amendment is not expected to have a material impact on the Company.

##### ***Reference to the Conceptual Framework – Amendments to IFRS 3***

Effective for annual periods beginning on or after 1 January 2022 and must be applied prospectively. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

These amendments are not expected to have a material impact on the Company.

##### ***Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2***

The IASB has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) to clarify how entities should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. This is due to the term "accounting estimate" not being defined and the previous definition of a "change in accounting estimate" being unclear.

The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendment must be applied prospectively and is effective for annual periods beginning on or after 1 January 2023. This amendment is not expected to have a material impact on the Company.

##### ***Disclosure of Accounting Policies – Amendments to IAS 1***

To assist preparers of financial statements, the IASB had previously refined its definition of 'material' (effective 1 Jan 2020) and issued nonmandatory practical guidance on applying the concept of materiality. As the final step of the materiality improvements, the IASB issued amendments on the application of materiality to the disclosure of accounting policies. The key amendments include requirements for entities to disclose their material accounting policies rather than their significant accounting policies as well as certain clarifications regarding accounting policies related to material transactions or events.

The amendment must be applied prospectively and is effective for annual periods beginning on or after 1 January 2023. This amendment is not expected to have a material impact on the Company.

### 3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and estimates made by management in the application of IFRS that have a significant effect on the financial statements and major sources of estimation uncertainty are disclosed in each note it relates to.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 4. SHARE-BASED PAYMENTS

#### **Accounting policy**

Equity settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share-based transactions are set out in the supporting notes.

The fair value determined at the grant date of the equity settled share-based payment is expensed on a straight line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in the equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The amount recognized as an expense is adjusted to reflect the revision of the original estimate.

Equity settled share-based payment transactions with parties other than the employees are measured at fair value of the goods and services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Where the Company has the right to elect settlement either equity settled or cash settled, the share-based payment transactions will be treated as equity settled share-based payments.

Conditional awards ('LTIP') is the grant of shares in the Company where the risks and rewards of share ownership will vest on specific vesting dates with the employee subject to certain conditions. LTIPs vest in three equal tranches for the 2020 Award and at the third anniversary of the grant for the 2021 Award. The award, on vesting, may at the election of the Company, be either cash-settled or share-settled as provided for in the rules of the Plan.

Appreciation rights ('SARS') is the grant of an award by the Company where the employee is, subject to certain conditions, entitled to receive the increase in the share value above the award price. The awards vest in two equal annual tranches with the ability to exercise the award at any time up to five years from the date of the grant. The appreciation in value may, at the election of the Company, be either cash settled or share settled as provided for in the rules of the Plan. No SARS were issued during the years ended 30 September 2022 and 30 September 2021 and all qualifying SARS awards were vested as at 30 September 2022.

#### **2019 Award – third tranche**

The sixth award was made on 30 June 2019, comprising LTIPs and SARS. The third (final) tranche vested at 30 June 2022 for LTIPs while the second (final) tranche for SARS vested at 30 June 2021.

At 30 September 2022, the Group had the following share-based payment arrangements:

#### **2020 Award – third tranche**

The seventh award was made on 30 June 2020, comprising LTIPs only. The vesting of these awards is subject to the following performance conditions:

Subject to there being no fatality during the vesting periods and continued employment in good standing for the LTIP's:

- 40% of the vesting will be subject to achieving at least the market guidance for PGM production as publicly disclosed and referenced to the commencement of the respective financial reporting period (it being noted that the vesting period and financial year are not coterminous);
- 40% of the vesting will be subject to achieving at least the market guidance for chrome concentrate production as publicly disclosed and referenced to the commencement of the respective financial reporting period (it being noted that the vesting period and financial year are not coterminous), adjusted to exclude the production from the Vulcan Plant;
- 20% of the vesting will be subject to achieving at least 90% of the Vulcan Plant's nameplate production capacity of 480 kt of in-spec chrome concentrate production.

#### **2021 Award**

The eighth award was made on 8 December 2021 with the measurement period being aligned to the Group's financial year-end of 30 September. This award will vest on the third anniversary of the grant, being 8 December 2024 and is subject to continued employment as at 8 December 2024. The three-year vesting period is divided into three annual measurement periods at 30 September, the result of each being aggregated at the end of the vesting period to determine the final vesting percentage. The vesting of these awards is subject to continued employment in good standing and the following performance conditions:

- 33.33% of the vesting will be subject to achieving at least the market guidance for PGM production as publicly disclosed and referenced to the commencement of the respective financial reporting period;
- 33.33% of the vesting will be subject to achieving at least the market guidance for chrome concentrate production as publicly disclosed and referenced to the commencement of the respective financial reporting period;
- 33.34% of the vesting will be subject to achieving certain strategic measures. All three interim measurement periods will be based on an equal allocation to:
  - Return on invested capital exceeding the weighted average cost of capital of the Group;
  - Performance against the ESG plan;
  - Tracking on achievement of Vision 2025.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 4. SHARE-BASED PAYMENTS (continued)

#### 2021 Award (continued)

The award will be reduced in each annual measurement period by one-third for each fatality that occurred during that measurement period. For avoidance of doubt, if any performance condition is not met in any annual measurement period and consequently is forfeited (either wholly or partially) as a result of failure to achieve the performance condition, but the performance condition is achieved in subsequent measurement periods the award will vest for that annual measurement period as provided.

The awards are subject to the rules governing the Plan and the final discretion of the Tharisa plc Remuneration Committee will prevail should there be any discrepancy.

| LTIP                                           | First measurement period/<br>tranche | Second measurement period/<br>tranche | Third measurement period/<br>tranche |
|------------------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| <b>Valuation of share award at grant date:</b> |                                      |                                       |                                      |
| Seventh issue - 2020                           | ZAR11.65                             | ZAR10.67                              | ZAR9.66                              |
| Eighth issue - 2021                            | ZAR23.83                             | ZAR23.83                              | ZAR23.83                             |

A reconciliation of the movement in the Group's LTIP in the period under review is as follows:

|                                  | Opening balance  | Allocated        | Vested             | Forfeited        | Total            |
|----------------------------------|------------------|------------------|--------------------|------------------|------------------|
| <b>LTIP 2022 Ordinary shares</b> | <b>4 272 742</b> | <b>5 431 124</b> | <b>(1 861 133)</b> | <b>(853 258)</b> | <b>6 989 475</b> |
| LTIP 2021 Ordinary shares        | 8 166 229        | -                | (3 516 095)        | (377 392)        | 4 272 742        |

An expense of US\$21 thousand (2021: US\$37 thousand) was recognised in profit or loss.

The fair value at grant date of the LTIP awards was determined by present valuing the share price on grant date less the expected dividends. No LTIP awards were issued during the year ended 30 September 2021.

|                                                                                                |               |
|------------------------------------------------------------------------------------------------|---------------|
| The following inputs were used for LTIP grants issued during the year ended 30 September 2022: | <b>2022</b>   |
| Spot price                                                                                     | <b>R27.00</b> |
| Dividend yield                                                                                 | <b>4.16%</b>  |
| The risk-free interest rate (swap yield curve)                                                 | <b>5.76%</b>  |
| Forfeiture assumption – based on participants' employee turnover history                       | <b>10.63%</b> |

#### SARS

No SARS were issued during the years ended 30 September 2022 and 30 September 2021. In terms of previous awards, employees may exercise the SARS within five years from the grant date. No SARS was exercised during the year ended 30 September 2022 and consequently no expense (2021: US\$5 thousand) was recognised.

| Number of SARS vested, not yet exercised:          |              | Number of rights |           |
|----------------------------------------------------|--------------|------------------|-----------|
| Vesting date                                       | Expiry date  | 2022             | 2021      |
| 30 June 2018                                       | 30 June 2022 | -                | 2 121 393 |
| 30 June 2019                                       | 30 June 2023 | 617 852          | 769 859   |
| 30 June 2020                                       | 30 June 2024 | 1 305 071        | 1 806 612 |
| Number of share options exercised during the year: |              | <b>2 397 593</b> | 2 985 289 |
| Weighted average share price at date of exercise:  |              | <b>ZAR27.76</b>  | ZAR25.07  |

#### Judgements and estimates

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by present valuing the share price on grant date less the expected dividends and by using a Binomial Tree model, using the aforementioned assumptions.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 5. REVENUE

#### Accounting policy

Revenue comprises dividend income received from subsidiaries. Dividend income is recognised on the date that the Company's right to receive payment is established.

Revenue also comprises of interest revenue received and calculated on the effective interest method. The interest revenue is recognised when it accrues to the company.

|                            | 2022<br>US\$'000 | 2021<br>US\$'000 |
|----------------------------|------------------|------------------|
| Dividend income (note 21)  | 12 671           | 14 221           |
| Interest revenue (note 21) | 8 885            | 3 464            |
|                            | <b>21 556</b>    | <b>17 685</b>    |

The interest revenue represents the accrued preference share dividends from the preference share investments that form part of the net investments in the Company's subsidiaries, refer to note 11. The interest revenue is recognised and measured based on the effective interest method. The interest revenue of US\$3.5 million from the prior financial reporting period, has been disaggregated and disclosed separately from dividend income.

### 6. DIRECTORS REMUNERATION

#### Accounting policy: short term benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months from the reporting date are calculated at undiscounted amounts based on remuneration rates that the Company expects to pay as at the reporting date including related costs, such as workers compensation insurance and payroll tax. Non-accumulating monetary benefits such as medical aid contributions are expensed as the benefits are taken by the employees.

The remuneration of the Directors is set out in the following table:

|                             | 2022                        |                    |                   |                                 |                   | 2021                        |                    |                   |                                 |                   |
|-----------------------------|-----------------------------|--------------------|-------------------|---------------------------------|-------------------|-----------------------------|--------------------|-------------------|---------------------------------|-------------------|
|                             | Directors' fees<br>US\$'000 | Salary<br>US\$'000 | Bonus<br>US\$'000 | Share-based payment<br>US\$'000 | Total<br>US\$'000 | Directors' fees<br>US\$'000 | Salary<br>US\$'000 | Bonus<br>US\$'000 | Share-based payment<br>US\$'000 | Total<br>US\$'000 |
| <b>Paid by the Company:</b> |                             |                    |                   |                                 |                   |                             |                    |                   |                                 |                   |
| LC Pouroulis                | -                           | 69                 | 10                | 21                              | 100               | -                           | 73                 | 11                | 42                              | 126               |
| JD Salter                   | 122                         | -                  | -                 | -                               | 122               | 129                         | -                  | -                 | -                               | 129               |
| A Djakouris                 | 103                         | -                  | -                 | -                               | 103               | 129                         | -                  | -                 | -                               | 129               |
| OM Kamal                    | 60                          | -                  | -                 | -                               | 60                | 61                          | -                  | -                 | -                               | 61                |
| C Bell                      | 122                         | -                  | -                 | -                               | 122               | 97                          | -                  | -                 | -                               | 97                |
| R Davey                     | 104                         | -                  | -                 | -                               | 104               | 79                          | -                  | -                 | -                               | 79                |
| ZL Hong                     | 42                          | -                  | -                 | -                               | 42                | 43                          | -                  | -                 | -                               | 43                |
| SWM Lo*                     | 42                          | -                  | -                 | -                               | 42                | 27                          | -                  | -                 | -                               | 27                |
| VWY Chu**                   | -                           | -                  | -                 | -                               | -                 | 15                          | -                  | -                 | -                               | 15                |
| <b>Total</b>                | <b>595</b>                  | <b>69</b>          | <b>10</b>         | <b>21</b>                       | <b>695</b>        | <b>580</b>                  | <b>73</b>          | <b>11</b>         | <b>42</b>                       | <b>706</b>        |

\* Appointed on 10 February 2021

\*\* Retired by rotation on 10 February 2021

#### Directors' share awards

Details of each plan are disclosed in note 4. Non-Executive Directors are not entitled to participate in the Group's share award plan. The number of LTIP and SARS awarded to the Executive Director by the Company, are set out in the following tables:

| LTIP 2022 Ordinary shares | Opening balance | Allocated | Vested   | Forfeited | Total  |
|---------------------------|-----------------|-----------|----------|-----------|--------|
| LC Pouroulis              | 45 461          | 64 315    | (20 837) | (6 867)   | 82 072 |
| LTIP 2021 Ordinary shares |                 |           |          |           |        |
| LC Pouroulis              | 97 363          | -         | (51 902) | -         | 45 461 |
| SARS 2021 Ordinary shares |                 |           |          |           |        |
| LC Pouroulis              | 14 919          | -         | (14 919) | -         | -      |

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 September 2022

**7. OPERATING EXPENSES**

|                                     | 2022<br>US\$'000 | 2021<br>US\$'000 |
|-------------------------------------|------------------|------------------|
| Directors remuneration (note 6)     | 674              | 664              |
| Business development                | 50               | 190              |
| Equity-settled share-based payments | 21               | 42               |
| External audit                      | 293              | 242              |
| Consulting and professional         | 602              | 880              |
| Administration (note 21)            | 4 320            | 3 289            |
| Impairment losses (note 11)         | 10 399           | 183              |
| Listing fees                        | 730              | 126              |
| Travelling                          | 105              | -                |
| Sundry expenses                     | 240              | 231              |
|                                     | <b>17 434</b>    | <b>5 847</b>     |

**8. FINANCE INCOME**

**Accounting policy**

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues using the effective interest method.

|                                       | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---------------------------------------|------------------|------------------|
| Amortisation of intergroup receivable | 68               | 50               |
| Interest income                       | 5                | 3                |
| Finance income                        | <b>73</b>        | <b>53</b>        |

**9. FINANCE COSTS**

**Accounting policy**

Finance costs are recognised in profit or loss using the effective interest method.

|                                         | 2022<br>US\$'000 | 2021<br>US\$'000 |
|-----------------------------------------|------------------|------------------|
| Interest paid: Cyprus Revenue Authority | 9                | -                |

**10. TAX**

**Accounting policy**

Income tax comprises current and deferred taxes. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Apart from certain limited exceptions, all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 September 2022

**10. TAX (continued)**

**Accounting policy (continued)**

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Company controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but which they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is established.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

|                                                         | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---------------------------------------------------------|------------------|------------------|
| Corporation tax – current year                          | 103              | 12               |
| Special contribution to the defence fund – current year | 1                | -                |
| Dividend withholding tax                                | 2 572            | 1 231            |
|                                                         | 2 676            | 1 243            |
| Deferred tax (note 17)                                  | (1 944)          | 2 068            |
|                                                         | 732              | 3 311            |

Current tax comprises corporation tax, deferred tax, dividend withholding tax and special contribution for defence. Corporation tax is provided at the rate of 12.5% (2021: 12.5%), dividend withholding tax relating to foreign dividends received at 5.0% and deferred tax at the rate the temporary difference relates to. Special contribution for defence is provided on passive interest at the rate of 30%. 100% of passive interest income is disallowed in the computation of chargeable income for corporation tax purposes (2021: 100%).

|                                                        | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------------------------------------|------------------|------------------|
| <b>Tax reconciliation</b>                              |                  |                  |
| (Loss)/profit before tax                               | (3 327)          | 18 765           |
| Tax calculated at 12.5% (2021: 12.5%)                  | (416)            | 2 346            |
| Tax effect of allowances and income not subject to tax | (1 970)          | (2 930)          |
| Tax effect of expenses not deductible for tax purposes | 2 385            | 581              |
| Prior year under provision: tax on notional interest   | 104              | -                |
| Dividend withholding tax                               | 2 572            | 1 231            |
| Special contribution to the defence fund               | 1                | -                |
| Recognition of deemed interest income for tax purposes | -                | 15               |
| Tax charge                                             | 2 676            | 1 243            |

Dividend withholding tax arose on ordinary and preference dividends declared and paid by South African subsidiaries to the Company (refer to notes 11 and 17). Dividend withholding tax is calculated at a tax rate of 5.0% in terms of the Double Taxation Agreement between Cyprus and South Africa.

|                                      | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------------------|------------------|------------------|
| <b>Tax payable</b>                   |                  |                  |
| Balance at the beginning of the year | 42               | 38               |
| Current tax charge                   | 2 676            | 1 243            |
| Payments made                        | (2 655)          | (1 239)          |
| Balance at the end of the year       | 63               | 42               |

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 10. TAX (continued)

**Significant judgement: Taxes**

Judgement is required in determining the liability for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws.

### 11. INVESTMENTS IN SUBSIDIARIES

**Accounting policy**

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less accumulated impairment losses. Impairment losses are recognised as an expense in the period in which the impairment is identified.

**Accounting policy: impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its related CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs (group of units) and then, to reduce the carrying amount of the other assets in the CGU (group of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of the other assets of the CGU.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed through profit or loss if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

|                            | 2022<br>US\$'000 | 2021<br>US\$'000 |
|----------------------------|------------------|------------------|
| Unlisted ordinary shares   | 110 330          | 20 198           |
| Unlisted preference shares | 290 720          | 285 719          |
|                            | 401 050          | 305 917          |

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 September 2022

**11. INVESTMENTS IN SUBSIDIARIES (continued)**

The following table contains the particulars of all direct subsidiaries of the Company.

| <b>Name</b>                              | <b>Country of establishment/<br/>incorporation and operation</b> | <b>Principal activities</b>                                                           | <b>2022 Holding %</b> | <b>2021 Holding %</b> | <b>Date of incorporation/<br/>establishment/<br/>acquisition</b> | <b>Particulars of issued and paid up capital and other securities</b>                                 | <b>Type of entity</b>     |
|------------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------------------------------|-----------------------|-----------------------|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|---------------------------|
| Tharisa Minerals Proprietary Limited     | South Africa                                                     | Mining of platinum group metals and chrome concentrates                               | 100                   | 74                    | 9 February 2009                                                  | 500 ordinary shares of ZAR1 each and 2 632 redeemable preference shares of ZAR0.01 each               | Limited liability company |
| Tharisa Investments Limited              | Cyprus                                                           | Investment holding                                                                    | 100                   | 100                   | 2 November 2010                                                  | 15 129 class A shares of US\$0.01 each                                                                | Limited liability company |
| Arxo Resources Limited                   | Cyprus                                                           | Selling and distribution of chrome products                                           | 100                   | 100                   | 4 February 2011                                                  | 1 ordinary share of EUR1 each                                                                         | Limited liability company |
| Arxo Logistics Proprietary Limited       | South Africa                                                     | Logistics operations                                                                  | 100                   | 100                   | 1 March 2011                                                     | 170 ordinary shares of ZAR1 each                                                                      | Limited liability company |
| Tharisa Administration Services Limited  | Cyprus                                                           | Management and administration services to other entities of the Group and the Company | 100                   | 100                   | 31 May 2011                                                      | 1 100 ordinary shares of US\$1 each                                                                   | Limited liability company |
| Dinami Limited                           | Guernsey                                                         | Marketing of chrome products                                                          | 100                   | 100                   | 30 May 2013                                                      | 1 000 ordinary shares of £1 each                                                                      | Limited liability company |
| Arxo Finance plc                         | Cyprus                                                           | Financing                                                                             | 100                   | 100                   | 29 June 2018                                                     | 48 000 ordinary shares of US\$1 each and 20 non-cumulative redeemable preference shares of US\$1 each | Limited liability company |
| MetQ Proprietary Limited                 | South Africa                                                     | Manufacturing                                                                         | 100                   | 100                   | 1 October 2019                                                   | 100 ordinary shares of ZAR1 each                                                                      | Limited liability company |
| Salene Chrome Zimbabwe (Private) Limited | Zimbabwe                                                         | Mining of chrome concentrates                                                         | 100                   | 100                   | 31 March 2021                                                    | 400 ordinary shares of US\$1 each                                                                     | Limited liability company |
| Arxo Prospecting (Cyprus) Limited        | Cyprus                                                           | Prospecting                                                                           | 100                   | 100                   | 19 April 2021                                                    | 1 100 ordinary shares of US\$1 each                                                                   | Limited liability company |
| Arxo Exploration (Cyprus) Limited        | Cyprus                                                           | Exploration                                                                           | 100                   | 100                   | 20 April 2021                                                    | 1 100 ordinary shares of US\$1 each                                                                   | Limited liability company |

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 11. INVESTMENTS IN SUBSIDIARIES (continued)

| Name                           | Country of establishment/<br>incorporation and operation | Principal activities                                   | 2022 Holding % | 2021 Holding % | Date of incorporation/<br>establishment/<br>acquisition | Particulars of issued and paid up capital and other securities | Type of entity            |
|--------------------------------|----------------------------------------------------------|--------------------------------------------------------|----------------|----------------|---------------------------------------------------------|----------------------------------------------------------------|---------------------------|
| Arxo Technologies Limited      | Cyprus                                                   | Research and development                               | 100            | 100            | 30 June 2021                                            | 1 000 ordinary shares of US\$1 each                            | Limited liability company |
| Redox One Limited              | Cyprus                                                   | Research and development in renewable energy solutions | 100            | -              | 18 April 2022                                           | 100 ordinary shares of US\$1 each                              | Limited liability company |
| Skyler Storm (Private) Limited | Zimbabwe                                                 | Mining and beneficiation of chrome concentrate         | 100            | -              | 1 December 2021                                         | 200 000 ordinary shares of US\$1 each                          | Limited liability company |
| Karo Mining Holdings plc       | Zimbabwe                                                 | Investment holding company                             | 70             | 26.8           | 30 March 2022                                           | 45 200 ordinary shares of US\$1 each                           | Limited liability company |

Tharisa Investments (Hong Kong) Limited, an indirect subsidiary and a dormant company which was incorporated in Hong Kong, was deregistered on 9 September 2022.

#### Terms of redeemable preference shares of Arxo Finance plc

During the year ended 30 September 2022, the Company acquired 5 non-cumulative redeemable preference shares (2021: 2 non-cumulative redeemable preference shares) issued by Arxo Finance plc for a consideration of US\$5 million (2021: US\$2 million).

The terms of issue of the class of non-cumulative redeemable preference shares for a subscription price of US\$1 000 000 per share, of which US\$1 allocated as par value and US\$999 999 as a share premium and which entitles the holder(s) thereof to an annual dividend at a variable rate equal to three - month US\$ Libor + 275 basis points, with such dividend payment rights only accruing for as long as there are sufficient accumulated distributable reserves on the company's balance sheet after such balance sheet has been subjected to external audit in any given financial year, as well as an express declaration of dividends by the board of directors, without such dividend declaration arising as a matter of course simply due to the existence of distributable reserves, as well as redemption of such preference shares at the behest of the Company or the preference shareholder(s), for the following price:

- (i) the original subscription price having been paid for those preference shares;
- (ii) all dividends which have been expressly declared and have accrued (but have not been paid); and
- (iii) any other interest arrears.

The non-cumulative redeemable preference shares may be redeemed at the earlier of three years at the election of Arxo Finance plc or after five years at election of the Company from 31 March 2020. The Company and Arxo Finance plc have no intention to redeem these preference shares and therefore they are treated by the Company as Investment in Arxo Finance plc. Arxo Finance plc has not declared any preference dividends during the year ended 30 September 2022 (2021: no preference dividends declared).

#### Terms of preference shares of Tharisa Minerals Proprietary Limited

The preference shares confer on the holder the right to receive out of distributable profits of the subsidiary a cumulative preferential cash dividend calculated at the rate of twelve - month US\$ Libor + 1% pa, on the basis that it shall be due and payable annually on the dividend date (30 September). The preference dividend shall, in respect of each preference share which has not been redeemed, be declared and paid on each dividend date and will be calculated at the dividend rate on the subscription price. The redemption date is the earlier of the tenth business day after receipt by the preference shareholder of a written notice given by the subsidiary company, which notice the subsidiary company may give at any time, or the tenth business day after receipt by the subsidiary company of a written notice given by the preference shareholder, which the preference shareholder may give only after the third anniversary of the subscription date. Three years since the subscription date have already passed. The preference share investment of US\$270.7 million (2021: US\$270.7 million) are treated by the Company as part of the investment in Tharisa Minerals Proprietary Limited as there is no expectation of redemption in the foreseeable future. The preference shares are subordinated in favour of the subsidiary's bank borrowings.

During the year ended 30 September 2022, US\$41.4 million (2021: US\$21.4 million) of accrued preference dividends were paid by Tharisa Minerals Proprietary Limited. From the prior financial reporting period end 30 September 2021, the accrued dividends were classified as short-term receivables and no longer part of the investment in Tharisa Minerals Proprietary Limited as the Company expected settlement of the preference share dividends in the foreseeable future, refer to note 14.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 11. INVESTMENTS IN SUBSIDIARIES (continued)

#### **Incorporation of Redox One Limited, Skyler Storm (Private) Limited, Arxo Prospecting (Cyprus) Limited, Arxo Exploration (Cyprus) Limited and Arxo Technologies Limited**

On 18 April 2022, the Company incorporated Redox One Limited, a company established in Cyprus. The principal activity of Redox One Limited is the research and development on renewable energy solutions.

On 16 December 2021, the Company incorporated Skyler Storm (Private) Limited, a company established in Zimbabwe. The principal activity of Skyler Storm (Private) Limited is the mining and beneficiation of chrome concentrate.

On 19 April 2021, the Company incorporated Arxo Prospecting (Cyprus) Limited, a company established in Cyprus. The principal activity of Arxo Prospecting (Cyprus) Limited is the prospecting for minerals and metals.

On 20 April 2021, the Company incorporated Arxo Exploration (Cyprus) Limited, a company established in Cyprus. The principal activity of Arxo Exploration (Cyprus) Limited is the exploration for various metals and minerals.

On 30 June 2021, the Company incorporated Arxo Technologies Limited, a company established in Cyprus. The principal activity of Arxo Technologies Limited is to perform research and development operations.

#### **Acquisition of 70% equity interest in Karo Mining Holdings plc ('Karo Mining')**

Effective 30 March 2022, the Company acquired a controlling interest in Karo Mining by increasing its shareholding to 66.34% of the issued share capital of Karo Mining. Immediately prior to the acquisition of the controlling interest in Karo Mining, the Company owned 28.28% of in Karo Mining and was accounted for as a joint venture investment at cost (refer to note 12). The additional 37.96% of the issued share capital of Karo Mining was acquired from the Leto Settlement, a related party (refer to note 21) for a purchase consideration of US\$29.4 million. The purchase consideration was settled through the issue of 13 693 000 new ordinary shares of the Company to the Leto Settlement.

Effective 19 May 2022, the Company acquired a loan receivable from Arxo Finance plc that was receivable from Karo Mining in cash at the value of US\$8.5 million. This loan receivable was converted to ordinary shares issued by Karo Mining. Karo Mining issued an additional 38 new ordinary shares to the Company as consideration. The additional shares issued represented 1.21% of the issued share capital of Karo Mining which increased the Company's shareholding to 67.55%.

Effective 2 June 2022, Karo Mining issued an additional 44 new ordinary shares for a cash subscription of US\$9.9 million to the Company. The additional shares issued represented 1.29% of the issued share capital of Karo Mining which increased the Company's shareholding to 68.84%.

Effective 10 August 2022, Karo Mining issued an additional 45 new ordinary shares for a cash subscription of US\$10.2 million to the Company. The additional shares issued represented 1.22% of the issued share capital of Karo Mining which increased the Company's shareholding to 70.0%.

Effective 7 September 2022, Karo Mining issued an additional 44 051 new ordinary shares for a cash subscription of US\$44 thousand to the Company and the non-controlling shareholder. The Company subscribed to 30 835 ordinary shares while the non-controlling shareholder subscribed to 13 216 ordinary shares. The shares were subscribed to according to the existing proportionate share of each shareholder. The cash subscription was receivable from the non-controlling shareholder at 30 September 2022.

#### **Acquisition of 26% equity interest in Tharisa Minerals Proprietary Limited ('Tharisa Minerals')**

Effective 16 February 2022, the Company acquired 20.0% of the issued share capital of Tharisa Minerals for a purchase consideration of US\$19.9 million (ZAR300.0 million) from Thari Resources Proprietary Limited, a related party (refer to note 21). The purchase consideration was settled through the issue of 10 695 187 new ordinary shares in the Company. Post the acquisition, the Company owned 94.0% of the issued ordinary shares of Tharisa Minerals.

On 20 May 2022 the Company purchased the remaining 6.0% of the issued ordinary shareholding of Tharisa Minerals from the Tharisa Community Trust for a purchase consideration of US\$5.7 million (ZAR90.0 million) with the purchase consideration being settled through the issue of 3 208 556 new ordinary shares in the Company.

#### **Acquisition of 100% equity interest in Salene Chrome Zimbabwe (Private) Limited**

Effective 31 March 2021, the Company acquired 100% of the issued share capital of Salene Chrome Zimbabwe (Private) Limited ('Salene Chrome'), a company incorporated in Zimbabwe from the Leto Settlement, a related party (note 21) for a cash consideration of US\$3.0 million. Salene Chrome holds six special grants on the Great Dyke in Zimbabwe for the prospecting and mining of minerals including chrome.

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

#### **Impairment of investment in MetQ Proprietary Limited**

During the year ended 30 September 2022, it became evident that the operational performance of MetQ Proprietary Limited ('MetQ') is not as expected and the Group believes that an impairment indicator is present. The MetQ investment was tested for impairment by using its value in use. The cost of the investment was US\$2.7 million and the recoverable amount of the investment in subsidiary was calculated at US\$1.1 million and consequently an impairment loss of US\$1.6 million was recognised in other operating expenses. The discount rate used within the value in use calculation was a rel discount rate and is 12.6%.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 11. INVESTMENTS IN SUBSIDIARIES (continued)

#### Impairment of investment in Salene Chrome Zimbabwe (Private) Limited

Effective 1 July 2022, the Zimbabwean government enacted an export ban on chrome concentrates to support the local beneficiation industry. Local downstream selling prices of chrome concentrates are unfavourable to Salene Chrome Zimbabwe (Private) Limited and consequently operations were ceased while allowing the company to evaluate and develop downstream opportunities. The Company believes that the change in operational circumstances during the year ended 30 September 2022 represents an impairment indicator. The Company's investment had a cost of US\$8.8 million. The Company performed a value in use calculation and concluded that the recoverable amount of the investment in subsidiary is zero. The discount rate used within the value in use calculation represents the weighted average cost of capital and was 10.5%. Consequently an impairment charge of US\$8.8 million was recognised in other operating expenses. The impairment is not tax deductible.

#### *Judgement and estimates: recoverability of investment in subsidiaries and other receivables*

The recoverable amounts of the Company's investment in subsidiaries and other receivables have been based on cash flow projections as at 30 September 2022. The internal financial model is based on the known and confirmed resources and circumstances of each investment and receivable and includes cash flow projections resulting from approved capital projects and the *in situ* value of the inferred underground resource, and no future credit losses are expected.

The following underlying assumptions were used in the discounted cash flow model:

- a discount rate equal to the Group's weighted average cost of capital;
- forecast timing of cash flows reflects actual practices;
- a forecast period of nineteen years;
- an exchange rate of ZAR16.01:US\$1;
- spot PGM basket price (US\$2 224/oz) and spot chrome concentrate prices (US\$200/tonne); and
- future ongoing capital requirements were included.

Sensitivity analyses were performed by adjusting the above assumptions individually and collectively by 90% and 110%. The recoverable amount was higher than the carrying amount and consequently no impairment or allowance for credit losses has been made.

### 12. INVESTMENT IN JOINT ARRANGEMENTS

#### **Accounting policy: Joint arrangements**

The Company applies IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

#### **Accounting policy: Joint ventures**

Joint ventures are accounted for at cost and are adjusted for impairments where appropriate in the Company financial statements.

At 30 September 2021 the joint venture investment represented the investment of 26.8% of the issued share capital of Karo Mining Holdings plc ('Karo Mining'), a company incorporated in Cyprus. Effective 7 February 2022, the Company acquired an additional 1.58% of the issued share capital of the Karo Mining joint venture increasing its shareholding to 28.38% for a cash subscription of 22 new ordinary shares totalling US\$5.0 million. Karo Mining' principal place of business is in Cyprus. The functional and presentation currency of Karo Mining and its subsidiaries is the US\$. The table below details Karo Mining' interest in subsidiaries as at 30 September 2022 and 30 September 2021 (refer to note 16 of the consolidated financial statements).

| Company name                             | Effective interest 30 September 2022 | Effective interest 30 September 2021 | Country of incorporation and principal place of business | Principal activity                     |
|------------------------------------------|--------------------------------------|--------------------------------------|----------------------------------------------------------|----------------------------------------|
| Karo Zimbabwe Holdings (Private) Limited | 100%                                 | 100%                                 | Zimbabwe                                                 | Investment holding                     |
| Karo Platinum (Private) Limited          | 85%                                  | 100%                                 | Zimbabwe                                                 | Platinum mining, smelting and refining |
| Karo Coal Mines (Private) Limited        | 100%                                 | 100%                                 | Zimbabwe                                                 | Dormant                                |
| Karo Power Generation (Private) Limited  | 100%                                 | 100%                                 | Zimbabwe                                                 | Power generation                       |
| Karo Refinery (Private) Limited          | 100%                                 | 100%                                 | Zimbabwe                                                 | Dormant                                |

|                                                                                              | 2022<br>US\$'000 | 2021<br>US\$'000 |
|----------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Investment in Karo Mining</b>                                                             |                  |                  |
| Shares acquired                                                                              | 4 500            | 4 500            |
| Additional investment                                                                        | 4 965            | -                |
| Cost of the investment prior to the acquisition of the controlling interest at 30 March 2022 | 9 465            | -                |
| Transferred to investment in subsidiary                                                      | (9 465)          | -                |
| Cost of the investment                                                                       | -                | 4 500            |

During the year ended 30 September 2022, the Company acquired a controlling interest in Karo Mining and capitalised the cost of the investment in the joint venture to the cost of the Karo Mining subsidiary upon the acquisition. The Company's effective interest in the issued share capital of Karo Mining at 30 September 2022 is 70.0% (refer to note 11)

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 13. FINANCIAL AND OTHER ASSETS

#### **Accounting policy**

##### *Measurement: Financial assets at amortised cost*

Financial assets at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost less any impairment.

##### *Measurement: Financial assets at fair value through profit or loss*

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets carried at fair value through profit or loss are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets held at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise.

##### *Derecognition: Financial assets*

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognised in the statement of profit or loss.

##### *Hedge accounting*

The Company does not apply hedge accounting.

#### **Accounting policy: Impairment**

##### *Financial asset at amortised cost*

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest' ('SPPI') on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Impairment requirements are based on expected credit losses (expected credit loss model). Expected credit losses ('ECLs') are an estimate of credit losses over the life of a financial instrument, and are recognised as a loss allowance or provision. The amount of ECLs to be recognised depends on the extent of credit deterioration since initial recognition.

The Company applies the expected credit loss model to all debt instruments classified as measured at amortised cost, or at fair value through other comprehensive income, including lease receivables and contract assets.

The Company considers both approaches: the general approach and the simplified approach. For trade receivables (not subject to provisional pricing) due in less than 12 months, the Company applies the simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Company considers its historical credit loss experience, adjusted for forward looking factors that could indicate impairments taking into account the specific debtors and the economic environment.

The general approach requires the assessment of financial assets to be split into 3 stages:

Stage 1: no significant deterioration in credit quality. This identifies financial assets as having a low credit risk, and the asset is considered to be performing as anticipated. At this stage, a 12 month expected credit loss assessment is required.

Stage 2: significant deterioration in credit quality of the financial asset but no indication of a credit loss event. This stage identifies assets as under-performing. Lifetime expected credit losses are required to be assessed.

Stage 3: clear and objective evidence of impairment is present. This stage identifies assets as non-performing financial instruments. Lifetime expected credit losses are required to be assessed.

Once a default has occurred, it is considered a deterioration of credit risk and therefore an increase in the credit risk.

The Company considers a wide variety of indicators when assessing the increase in credit risk as well as the probability of the default happening for impairment purposes. Some indicators considered include: Significant changes in the expected performance and behaviour of the debtor; past due information; significant changes in external market indicators including market information related to the debtor, existing or forecast adverse changes in business, financial or economic conditions; an actual or expected significant adverse change in the regulatory, economic, or technological environment; actual or expected significant internal credit rating downgrade or decrease; actual or expected significant change in the operating results of the debtor.

The expected credit loss value is determined as the estimated cash shortfall that would be incurred, multiplied by the probability of the default occurring.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 September 2022

**13. FINANCIAL AND OTHER ASSETS (continued)**

|                                                                | <i>Fair value hierarchy</i> | <b>2022<br/>US\$'000</b> | <b>2021<br/>US\$'000</b> |
|----------------------------------------------------------------|-----------------------------|--------------------------|--------------------------|
| <b>Non-current financial assets</b>                            |                             |                          |                          |
| Right to acquire shares in Karo Platinum (Private) Limited     | Level 3                     | -                        | 5 870                    |
| Share-based payment receivables from related parties (note 21) |                             | <b>2 589</b>             | 3 908                    |
| <b>Non-current other assets</b>                                |                             |                          |                          |
| Prepaid investment in Karo Platinum (Private) Limited          | Amortised cost              | -                        | 2 282                    |
|                                                                |                             | <b>2 589</b>             | 12 060                   |
| <b>Current financial assets</b>                                |                             |                          |                          |
| Share-based payment receivables from related parties (note 21) |                             | <b>610</b>               | 856                      |
| Shares in Bank of Cyprus Public Co Limited                     | Level 1                     | <b>19</b>                | 18                       |
|                                                                |                             | <b>629</b>               | 874                      |

The financial and other assets at amortised cost approximate its fair value.

**Right to acquire shares in Karo Platinum (Private) Limited ('Karo Platinum')**

The Company was granted the right to acquire up to 40% of the issued share capital of Karo Platinum, a company incorporated in Zimbabwe, at a discount to the market value. The asset represented the fair value gain (50% discount to the market value as the project is at a measured resource and reserve stage) of the discount on the purchase. During the year ended 30 September 2022, the transaction was restructured by the Company acquiring a controlling interest in Karo Mining Holdings plc (the holding company of Karo Platinum), resulting in Karo Platinum becoming an indirect subsidiary of the Company (refer to notes 11 and 12. Consequently the right to acquire shares in Karo Platinum was derecognised through profit or loss (refer to note 11).

**Prepaid investment in Karo Platinum**

As part of the evaluation of the right to acquire shares in Karo Platinum, the Company incurred exploration and evaluation costs which have been capitalised. As part of the acquisition of Karo Mining Holdings plc (refer to note 11), the prepaid investment in Karo Platinum was capitalised as part of the investment in subsidiaries.

**Shares in Bank of Cyprus Public Co Limited**

The financial assets at fair value through profit or loss represent shares in Bank of Cyprus Public Co Limited that are marketable securities and are valued at market value at the close of business on 30 September 2022 by reference to latest available stock exchange quoted bid prices. These financial assets are measured at fair value through profit or loss.

**14. OTHER RECEIVABLES**

**Accounting policy**

Other receivables, prepayments, deposits and dividends receivable, are non-derivative financial assets categorised as financial assets measured at amortised cost.

|                                                                 | <b>2022<br/>US\$'000</b> | <b>2021<br/>US\$'000</b> |
|-----------------------------------------------------------------|--------------------------|--------------------------|
| Accrued dividends (note 21)                                     | <b>913</b>               | -                        |
| Accrued interest revenue – preference share dividends (note 21) | <b>2 487</b>             | 41 367                   |
| Receivables from related parties (note 21)                      | <b>943</b>               | 1 532                    |
| Deposits and prepayments                                        | <b>95</b>                | 163                      |
| Other                                                           | <b>157</b>               | -                        |
|                                                                 | <b>4 595</b>             | 43 062                   |

The carrying amount of other receivables approximate its fair value.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 15. CASH AND CASH EQUIVALENTS

#### **Accounting policy**

Cash and cash equivalents comprise cash at bank, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value and a maturity of three months or less.

|               | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---------------|------------------|------------------|
| Cash at bank  | 2 169            | 17 359           |
| Bank deposits | 260              | 260              |
|               | <b>2 429</b>     | <b>17 619</b>    |

As at 30 September 2022, US\$0.3 million (2021: US\$0.3 million) served as security against certain credit facilities of the Company and its subsidiaries. The amounts reflected above approximate their fair values.

### 16. SHARE CAPITAL AND RESERVES

#### **Accounting policy: share capital**

The share capital is stated at nominal value. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

When share options are exercised, the Company issues new shares or issues shares from the treasury shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

| Share capital                                                              | 30 September 2022   |                | 30 September 2021   |                |
|----------------------------------------------------------------------------|---------------------|----------------|---------------------|----------------|
|                                                                            | Number of<br>Shares | US\$'000       | Number of<br>Shares | US\$'000       |
| <b>Authorised – ordinary shares of US\$0.001 each</b>                      |                     |                |                     |                |
| As at 30 September                                                         | 10 000 000 000      | 10 000         | 10 000 000 000      | 10 000         |
| <b>Authorised – convertible redeemable preference shares of US\$1 each</b> |                     |                |                     |                |
| As at 30 September                                                         | 1 051               | 1              | 1 051               | 1              |
| <b>Issued</b>                                                              |                     |                |                     |                |
| <b>Ordinary shares</b>                                                     |                     |                |                     |                |
| Balance at the beginning of the year                                       | 275 000 000         | 275            | 275 000 000         | 275            |
| Issued during the year                                                     | 27 596 743          | 28             | -                   | -              |
| Balance at the end of the year                                             | <b>302 596 743</b>  | <b>303</b>     | 275 000 000         | 275            |
| <b>Treasury shares</b>                                                     |                     |                |                     |                |
| Balance at the beginning of the year                                       | 3 715 621           | 4              | 6 523 686           | 6              |
| Transferred as part of management share award plans                        | (865 243)           | (1)            | (2 808 065)         | (2)            |
| Balance at the end of the year                                             | <b>2 850 378</b>    | <b>3</b>       | 3 715 621           | 4              |
| <b>Issued and fully paid</b>                                               | <b>299 746 365</b>  | <b>300</b>     | 271 284 379         | 271            |
| <b>Share premium</b>                                                       |                     |                |                     |                |
| Balance at the beginning of the year                                       | 271 284 379         | 289 547        | 268 476 314         | 286 660        |
| Issued during the year                                                     | 28 461 986          | 56 050         | 2 808 065           | 2 887          |
| Balance at the end of the year                                             | <b>299 746 365</b>  | <b>345 597</b> | 271 284 379         | 289 547        |
| <b>Total share capital and premium</b>                                     |                     | <b>345 897</b> |                     | <b>289 818</b> |

#### **Share capital**

During the year ended 30 September 2022, the Company issued 13 693 000 ordinary shares to The Leto Settlement, a related party, as consideration for the controlling interest in Karo Mining Holdings (refer to note 11). In addition, the Company issued 10 695 187 and 3 208 556 ordinary shares to Thari Resources Proprietary Limited and The Tharisa Community Trust respectively, both related parties, as consideration for the acquisition of the non-controlling interest in Tharisa Minerals Proprietary Limited (refer to note 11).

During the year ended 30 September 2022, 865 243 (2021: 2 808 065) ordinary shares were transferred from treasury shares to satisfy the vesting/exercise of Conditional Awards and Appreciation Rights by the participants of the Tharisa Share Award Plan.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 16. SHARE CAPITAL AND RESERVES (continued)

#### Share capital (continued)

At 30 September 2022, 2 850 378 (2021: 3 715 621) ordinary shares were held in treasury.

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

#### Share premium

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

During the years ended 30 September 2022 and 30 September 2021, the increases in the share premium account related to the issue and allotment of ordinary shares granted.

#### Other reserve

Other reserve represents the excess of the issue price of the Company's ordinary shares over the sum of their nominal value and share premium arising from such issuance, as registered with the Registrar of Companies in Cyprus.

#### Retained earnings

The retained earnings includes the accumulated retained profits and losses of the Company and the share-based payment reserve. Retained earnings are distributable for dividend purposes.

#### Capital management

The Company's target is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business in a way that optimises the cost of capital and matches the current strategic business plan. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital. Capital is defined as equity attributable to owners of the Company. Management is aware of the risks associated to capital management. Capital needs are monitored on a regular basis and whenever needed management takes steps in an attempt to effectively manage any corresponding risks.

### 17. DEFERRED TAX

#### Accounting policy

Refer to note 10.

|                                                                    | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------------------------------------------------|------------------|------------------|
| <b>Deferred tax liability</b>                                      |                  |                  |
| Dividend withholding tax                                           | 124              | 2 068            |
| <b>Reconciliation of deferred tax liability</b>                    |                  |                  |
| Balance at the beginning of the year                               | 2 068            | -                |
| Temporary differences recognised in profit or loss in relation to: |                  |                  |
| Dividend withholding tax                                           | (1 944)          | 2 068            |
|                                                                    | 124              | 2 068            |

The deferred tax liability relates to dividend withholding tax raised on accrued dividends amounting to US\$2.5 million (2021: US\$41.4 million) which from 30 September 2021 were classified as short-term receivables, as the Company expects settlement in the foreseeable future. The accrued dividends attract dividend withholding tax at a rate of 5.0% (2021: 5.0%) (refer to note 10) upon payment. The Company raised the relevant dividend withholding tax as deferred tax since settlement of the accrued preference dividends is expected within the foreseeable future.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 18. OTHER PAYABLES

#### **Accounting policy**

Other payables are non-derivative financial liabilities categorised as other financial liabilities. Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

|                                                              | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------------------------------------------|------------------|------------------|
| Accruals                                                     | 363              | 233              |
| Other payables                                               | 846              | 96               |
| Share-based payment liabilities to related parties (note 21) | 833              | -                |
| Payables to related parties (note 21)                        | 310              | 810              |
|                                                              | <b>2 352</b>     | <b>1 139</b>     |

The share-based payment liabilities arose from the cash settlement of the third tranche of the 2019 Award as well as the second tranche of the 2020 Award (refer to note 4) which has been settled by the relevant subsidiary companies and for which the Company has an obligation to reimburse the relevant subsidiary companies for this cash settlement. The amounts above are payable within one year from the reporting period. The exposure of the Company to liquidity risk is disclosed in note 20. The amounts reflected above approximate their fair values.

### 19. DIRECTORS INTEREST IN STATED CAPITAL

|              | 2022<br>%   | 2021<br>%   |
|--------------|-------------|-------------|
| LC Pouroulis | 0.40        | 0.38        |
| P Pouroulis  | 2.68        | 2.90        |
| MG Jones     | 0.26        | 0.25        |
| A Djakouris  | 0.01        | 0.02        |
| C Bell       | 0.02        | 0.02        |
| Total        | <b>3.37</b> | <b>3.57</b> |

Where a member of the Board of Directors holds no direct or indirect interest, the director is not reflected in the table above. There has been no change in the Director's interests in the share capital of the Company between the end of the financial year and the date of the approval of the financial statements.

### 20. FINANCIAL RISK MANAGEMENT

#### **Accounting policy: classification**

The Company classifies its financial instruments in the following categories:

- At fair value through profit or loss
- At fair value through other comprehensive income
- At amortised cost

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified at fair value through profit or loss, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at fair value through other comprehensive income. Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss (such as derivatives) or the Company has designated to measure them at fair value through profit or loss.

The following table presents the classification of financial instruments:

| Financial assets                 | Classification                    |
|----------------------------------|-----------------------------------|
| Other financial assets           |                                   |
| Investment in equity instruments | Fair value through profit or loss |
| Option to acquire shares         | Fair value through profit or loss |
| Other receivables and assets     | Amortised cost                    |
| Cash and cash equivalents        | Amortised cost                    |
| Financial liabilities            | Classification                    |
| Other payables                   | Amortised cost                    |

The Company made an irrevocable election to classify marketable securities at fair value through profit or loss.

#### **Measurement: Financial assets and liabilities at amortised cost**

Financial assets and liabilities at amortised cost are initially recognised at fair value. Financial assets are subsequently carried at amortised cost less any impairment while financial liabilities are subsequently carried at amortised cost.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 20. FINANCIAL RISK MANAGEMENT (continued)

#### **Accounting policy (continued)**

##### *Measurement: Financial assets and liabilities at fair value through profit or loss*

Financial assets and liabilities carried at fair value through profit or loss are initially recorded at fair value and transaction costs are expensed in the statement of profit or loss. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets and liabilities held at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise. Where management has designated to recognise a financial liability at fair value through profit or loss, any changes associated with the Company's own credit risk will be recognised in other comprehensive income.

##### *Derecognition: Financial assets*

The Company derecognises financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognised in the statement of profit or loss.

##### *Derecognition: Financial liabilities*

The Company derecognises financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss.

##### *Hedge accounting*

The Company does not apply hedge accounting.

In the ordinary course of business the Company is exposed to credit risk, liquidity risk, and market risk. This note presents information about the Company's exposure to each of the above risks and its objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout this note.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

#### **Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's financial assets. The most significant exposure of the Company to credit risk is represented by the carrying amount of receivables from related parties, other financial assets and cash and cash equivalents.

##### *Financial and other assets and other receivables*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each party. However, management also considers the demographics of each party including the default risk of the industry and country in which they operate, as these factors may have an influence on credit risk. In monitoring credit risk, management reviews on a regular basis the ageing and the current and anticipated financial position and profitability of entities included in loans receivable from related parties and receivables from related parties. The Company establishes an allowance for credit losses that represents its estimate of expected losses. The main component of this allowance is a specific loss component that relates to individually significant exposures. At the reporting date, the Board of Directors is of the opinion that other than the impairment made for the balance owing by Tharisa Investments Limited, none of the other carrying amounts of loans receivable from related parties and receivables from related parties are impaired.

##### *Cash and cash equivalents*

The Company limits its exposures on cash and cash equivalents by dealing only with well-established financial institutions of high quality credit standing. At the reporting date, the majority of the Company's cash resources was deposited with HSBC based in Hong Kong.

The maximum exposure to credit risk at the reporting date of the financial statements was:

|                                        | 2022<br>US\$'000 | 2021<br>US\$'000 |
|----------------------------------------|------------------|------------------|
| Non-current financial and other assets | 2 589            | 12 060           |
| Current financial and other assets     | 54               | 874              |
| Other receivables                      | 4 594            | 43 062           |
| Cash and cash equivalents              | 2 429            | 17 619           |
|                                        | <b>9 666</b>     | <b>73 615</b>    |

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 20. FINANCIAL RISK MANAGEMENT (continued)

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Management is aware of the above risk. Liquidity risk is monitored on a regular basis and management is taking steps deemed necessary in an attempt to manage the corresponding risk. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, financial risk management may not be possible for instances where weakened commodity prices exist, forecast production not being achieved and funding is not raised.

The following table presents the remaining contractual maturities of the Company's financial liabilities at the end of the reporting period, which are based on contractual undiscounted cash flows and the earliest date the Company can be required to pay:

|                          | Contractual undiscounted cash flow     |                   |                             |
|--------------------------|----------------------------------------|-------------------|-----------------------------|
|                          | Within 1 year or on demand<br>US\$'000 | Total<br>US\$'000 | Carrying amount<br>US\$'000 |
| <b>30 September 2022</b> |                                        |                   |                             |
| Other payables           | 2 352                                  | 2 352             | 2 352                       |
| <b>30 September 2021</b> |                                        |                   |                             |
| Other payables           | 1 139                                  | 1 139             | 1 139                       |

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### Equity price risk

Equity price risk is the risk that changes in equity prices will affect the Company's income or the value of its investment holdings. The maximum exposure to equity price risk is represented by the carrying amount of investments in subsidiaries as disclosed in note 11 to the financial statements.

The Board of Directors has performed an impairment assessment of the investments in subsidiaries based on value in use calculation and has concluded that indications for impairment were present at 30 September 2022. Certain investments were provided for, refer to note 11. The value in use calculation uses discounted cash flows of the subsidiaries approved by management.

#### Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially dependent of changes in market interest rates. Other than cash at bank which attracts interest at normal commercial rates and investments in preference shares of subsidiary companies, the Company has no other significant interest bearing financial assets. Management is aware of the above risks. Interest rate risk is monitored on a regular basis and management is taking steps deemed necessary in an attempt to manage the corresponding risk.

At the reporting date the interest rate profile of interest-bearing financial instruments were:

|                                                                    | Effective interest rate    | 2022<br>US\$'000 | 2021<br>US\$'000 |
|--------------------------------------------------------------------|----------------------------|------------------|------------------|
| <b>Unlisted preference shares</b>                                  |                            |                  |                  |
| Unlisted preference shares in Tharisa Minerals Proprietary Limited | 12 – month US Libor + 1%   | 270 719          | 270 719          |
| Unlisted preference shares in Arxo Finance plc                     | 3 – month US Libor + 2.75% | 20 000           | 15 000           |
|                                                                    |                            | <b>290 719</b>   | <b>285 719</b>   |

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 20. FINANCIAL RISK MANAGEMENT (continued)

#### Market risk (continued)

##### Sensitivity analysis

An increase of 100 basis points in interest rates at the reporting date would have increased equity and profit or loss by approximately US\$2.7 million (2021: US\$2.9 million). This analysis assumes that all other variables and in particular foreign exchange rates, remain constant. The analysis is performed on the same basis for 30 September 2021. A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

##### Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the exchange rate movement in South African Rand ('ZAR'), British Pound ('GBP') and Euro ('€') against the US\$. Management is aware of the above risk. Currency risk arising from currency fluctuations is monitored on a regular basis and management is taking steps deemed necessary to manage the corresponding risk.

The following table details the Company's exposure at the end of the reporting period to currency risk arising from recognized assets and liabilities denominated in a currency other than the functional currency of the Company. For presentation purposes, the amounts of the exposure are shown in US\$, translated using the spot rate at the reporting date. The spot rates used at the reporting date against the US\$ are US\$:ZAR 18.07 (2021: 15.05); US\$:EUR 1.02 (2021: 0.86) and US\$:GBP 0.90 (2021: 0.74).

|                           | €     | 2022<br>ZAR | GBP | €     | 2021<br>ZAR | GBP |
|---------------------------|-------|-------------|-----|-------|-------------|-----|
| Amounts in US\$'000       |       |             |     |       |             |     |
| Financial assets          | 19    | 2 624       | -   | 18    | 4 763       | -   |
| Other receivables         | -     | 1 070       | -   | 9     | 13          | 50  |
| Cash and cash equivalents | 29    | 149         | 132 | 43    | 960         | 24  |
| Other payables            | (201) | (632)       | (6) | (138) | (814)       | -   |
| Current tax liabilities   | (63)  | -           | -   | (42)  | -           | -   |
|                           | (216) | 3 211       | 126 | (110) | 4 922       | 74  |

##### Sensitivity analysis

A 10% strengthening of the US\$ against the currencies disclosed in the previous table at 30 September 2022 and 30 September 2021, would have increased/(decreased) equity and profit or loss by the amounts disclosed in the following table. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the US\$ against the relevant currency, there would be an equal and opposite impact on the profit or loss and equity.

|     | Profit or loss and equity |                  |
|-----|---------------------------|------------------|
|     | 2022<br>US\$'000          | 2021<br>US\$'000 |
| ZAR | (292)                     | (448)            |
| €   | 20                        | 10               |
| GBP | (11)                      | (7)              |
|     | (283)                     | (445)            |

#### Fair values

The Board of Directors considered that the fair values of significant financial assets and liabilities approximate to their carrying amounts at the reporting date.

#### Fair value hierarchy

The carrying value of the Company's financial instruments at fair value through profit or loss at the end of the reporting period across the three levels of the fair value hierarchy defined in IFRS 13, *Fair Value Measurement*, is represented by the carrying amounts of the financial and other assets. The fair value is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

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

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 20. FINANCIAL RISK MANAGEMENT (continued)

#### Fair values (continued)

| Financial instrument                           | Fair value level | Fair value<br>2022<br>US\$'000 | 2021<br>US\$'000 | Valuation technique<br>and key inputs                                           |
|------------------------------------------------|------------------|--------------------------------|------------------|---------------------------------------------------------------------------------|
| <b>Financial assets measured at fair value</b> |                  |                                |                  |                                                                                 |
| Right to acquire shares in Karo Platinum       | Level 3          | -                              | 5 870            | Comparable company market multiple valuation and a Monte Carlo Simulation model |
| Investments in equity instruments              | Level 1          | 19                             | 18               | Quoted market price for the same instrument                                     |

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

Fair value gains and losses recognised in the financial instruments during the year:

|                                                                                       | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---------------------------------------------------------------------------------------|------------------|------------------|
| <b>Changes in fair value of financial assets at fair value through profit or loss</b> |                  |                  |
| Investments in equity instruments                                                     | 1                | 10               |
| Right to acquire shares in Karo Platinum                                              | (5 870)          | 5 870            |
| Option to acquire shares in Salene Chrome Zimbabwe (Private) Limited                  | -                | (178)            |
|                                                                                       | <b>(5 869)</b>   | <b>5 702</b>     |

#### Level 3: Right to acquire shares in Karo Platinum (Private) Limited

Refer to notes 12 and 13, the Company had the option to subscribe to up to 40.0% of the issued share capital of Karo Platinum (Private) Limited ('Karo Platinum'). The transaction was restructured by the Company acquiring the controlling shareholding in Karo Mining Holdings plc, the holding company of Karo Platinum (Private) Limited and consequently the fair value gain recognised during the year ended 30 September 2021 was reversed through the profit or loss.

### 21. RELATED PARTY TRANSACTIONS

#### Accounting policy

For the purpose of these financial statements, a party is considered to be related to the Company if:

- The party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company;
- The Company and the party are subject to common control;
- The party is an associate of the Company or a joint venture in which the Company is a venturer;
- The party is a member of key management personnel of the Company or the Company's parent, or a close family member of such individual, or is an entity under the control, joint control or significant influence of such individuals;
- The party is a close family member of a party referred to in the first bullet point or is an entity under the control, joint control or significant influence of such individuals; or
- The party is a post-employment benefit plan which is for the benefit of employees of the Company or of any entity that is a related party of the Company.

Related party transactions exist between shareholders, subsidiaries of the Company, joint ventures and its directors.

| Revenue                                                       | 2022<br>US\$'000 | 2021<br>US\$'000 |
|---------------------------------------------------------------|------------------|------------------|
| <b>Dividend income</b> (note 5)                               |                  |                  |
| Arxo Logistics Proprietary Limited                            | 1 021            | -                |
| Arxo Resources Limited                                        | 9 000            | 11 000           |
| Tharisa Minerals Proprietary Limited                          | 2 650            | 3 221            |
| <b>Interest revenue – preference share dividends</b> (note 5) |                  |                  |
| Tharisa Minerals Proprietary Limited                          | 8 885            | 3 464            |
|                                                               | <b>21 556</b>    | <b>17 685</b>    |
| <b>Administration fees</b> (note 7)                           |                  |                  |
| Tharisa Administration Services Limited                       | 584              | 172              |
| Tharisa Minerals Proprietary Limited                          | 77               | 92               |
| Braeston Proprietary Limited                                  | 3 659            | 3 025            |
|                                                               | <b>4 320</b>     | <b>3 289</b>     |

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 September 2022

**21. RELATED PARTY TRANSACTIONS (continued)**

|                                                                 | 2022<br>US\$'000 | 2021<br>US\$'000 |
|-----------------------------------------------------------------|------------------|------------------|
| <b>Amortised interest on related party receivables (note 8)</b> |                  |                  |
| Tharisa Minerals Proprietary Limited                            | 68               | 55               |
| Braeston Proprietary Limited                                    | -                | (5)              |
|                                                                 | <b>68</b>        | <b>50</b>        |
| <b>Non-current share-based payment receivables (note 13)</b>    |                  |                  |
| Tharisa Administration Services Limited                         | 47               | 11               |
| Tharisa Minerals Proprietary Limited                            | 660              | 1 216            |
| Braeston Proprietary Limited                                    | 1 589            | 2 259            |
| Dinami Limited                                                  | 48               | 52               |
| Arxo Logistics Proprietary Limited                              | 82               | 156              |
| Arxo Metals Proprietary Limited                                 | 68               | 97               |
| Arxo Resources Limited                                          | 40               | 52               |
| Ubhova Security Proprietary Limited                             | 5                | 20               |
| MetQ Proprietary Limited                                        | 12               | -                |
| Tharisa Fujian Industrial Co., Limited                          | 38               | 45               |
|                                                                 | <b>2 589</b>     | <b>3 908</b>     |
| <b>Current share-based payment receivables (note 13)</b>        |                  |                  |
| Tharisa Minerals Proprietary Limited                            | 276              | 659              |
| Braeston Proprietary Limited                                    | 293              | 93               |
| Arxo Logistics Proprietary Limited                              | 35               | 31               |
| Dinami Limited                                                  | -                | 13               |
| Ubhova Security Proprietary Limited                             | 6                | 6                |
| Tharisa Administration Services Limited                         | -                | 5                |
| Arxo Metals Proprietary Limited                                 | -                | 25               |
| Arxo Resources Limited                                          | -                | 24               |
|                                                                 | <b>610</b>       | <b>856</b>       |
| <b>Other receivables from related parties (note 14)</b>         |                  |                  |
| Karo Zimbabwe Holdings (Private) Limited                        | 5                | -                |
| Redox One Limited                                               | 33               | -                |
| Dinami Limited                                                  | -                | 14               |
| Tharisa Administration Services Limited                         | 603              | 304              |
| Arxo Finance plc                                                | 5                | -                |
| Skyler Storm (Private) Limited                                  | 86               | -                |
| Salene Chrome Zimbabwe (Private) Limited                        | 175              | 173              |
| Arxo Exploration (Cyprus) Limited                               | 1                | 6                |
| Arxo Prospecting (Cyprus) Limited                               | 3                | 34               |
| Arxo Technologies Limited                                       | 6                | 1                |
| Karo Mining Holdings plc                                        | 13               | 797              |
| Salene Mining Proprietary Limited                               | 13               | 15               |
| Thys and Alta Steenkamp*                                        | -                | 188              |
|                                                                 | <b>943</b>       | <b>1 532</b>     |

\* The Company previously disclosed a trade and other receivable from Thys and Alta Steenkamp. The related party relationship has ceased.

Receivables from related parties are unsecured, interest free and with no fixed repayment dates. The Company has issued financial support commitments to Tharisa Investments Limited and Tharisa Fujian Industrial Co., Limited confirming that it will not demand repayment of outstanding balances, until the entities are in a position to repay their balances.

Receivables from related parties include a share based payment asset of US\$2.6 million (2021: US\$4.8 million) for the reimbursement for the settlement of the portion of the LTIP and SARS awards on behalf of subsidiary companies.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 September 2022

**21. RELATED PARTY TRANSACTIONS (continued)**

|                                                                                                                                   | <b>2022</b><br><b>US\$'000</b> | <b>2021</b><br><b>US\$'000</b> |
|-----------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| <b>Dividends receivable (note 14)</b>                                                                                             |                                |                                |
| Arxo Logistics Proprietary Limited                                                                                                | 913                            | -                              |
| <b>Accrued interest revenue – preference share dividends receivable (note 14)</b>                                                 |                                |                                |
| Tharisa Minerals Proprietary Limited                                                                                              | 2 487                          | 41 367                         |
|                                                                                                                                   | <b>3 400</b>                   | <b>41 367</b>                  |
| <b>Payables to related parties (note 18)</b>                                                                                      |                                |                                |
| Braeston Proprietary Limited                                                                                                      | 158                            | 632                            |
| Tharisa Minerals Proprietary Limited                                                                                              | 4                              | 41                             |
| Arxo Resources Limited                                                                                                            | 6                              | -                              |
| Karo Platinum (Private) Limited                                                                                                   | 29                             | 29                             |
|                                                                                                                                   | <b>197</b>                     | <b>702</b>                     |
| <b>Amounts due to Directors</b>                                                                                                   |                                |                                |
| A Djakouris                                                                                                                       | 18                             | 21                             |
| J Salter                                                                                                                          | 21                             | 23                             |
| O Kamal                                                                                                                           | 13                             | 12                             |
| C Bell                                                                                                                            | 23                             | 17                             |
| R Davey                                                                                                                           | 20                             | 16                             |
| Z Hong                                                                                                                            | 9                              | 9                              |
| S Lo Wai Man                                                                                                                      | 9                              | 10                             |
|                                                                                                                                   | <b>113</b>                     | <b>108</b>                     |
|                                                                                                                                   | <b>310</b>                     | <b>810</b>                     |
| <b>Current share-based payment payables (note 18)</b>                                                                             |                                |                                |
| Tharisa Minerals Proprietary Limited                                                                                              | 251                            | -                              |
| Arxo Logistics Proprietary Limited                                                                                                | 27                             | -                              |
| Ubhova Security Proprietary Limited                                                                                               | 4                              | -                              |
| Braeston Proprietary Limited                                                                                                      | 488                            | -                              |
| Dinami Limited                                                                                                                    | 15                             | -                              |
| Tharisa Administration Services Limited                                                                                           | 5                              | -                              |
| Arxo Metals Proprietary Limited                                                                                                   | 24                             | -                              |
| Arxo Resources Limited                                                                                                            | 19                             | -                              |
|                                                                                                                                   | <b>833</b>                     | <b>-</b>                       |
| <b>Purchase consideration for the acquisition of non-controlling interest in Tharisa Minerals Proprietary Limited:</b>            |                                |                                |
| Thari Resources Proprietary Limited                                                                                               | 19 908                         | -                              |
| The Tharisa Community Trust                                                                                                       | 5 719                          | -                              |
| <b>Purchase consideration for the acquisition of the controlling interest and additional interest in Karo Mining Holdings plc</b> |                                |                                |
| 7 February 2022 – from Leto Settlement                                                                                            | 4 965                          | -                              |
| 30 March 2022 – from Leto Settlement                                                                                              | 29 445                         | -                              |
| 19 May 2022 – from Karo Mining                                                                                                    | 8 577                          | -                              |
| 2 June 2022 – from Karo Mining                                                                                                    | 9 931                          | -                              |
| 10 August 2022 – from Karo Mining                                                                                                 | 10 156                         | -                              |
| 7 September 2022 – from Karo Mining                                                                                               | 31                             | -                              |

**Option to acquire shares in Salene Manganese Proprietary Limited**

On 9 July 2019, the Company was granted a call option to acquire a 70.0% shareholding in Salene Manganese Proprietary Limited, a company incorporated in South Africa. The purchase consideration to acquire 70.0% of the shareholding would have been equal to 70.0% of the market value of Salene Manganese Proprietary Limited. Salene Manganese Proprietary Limited's principal activity is a manganese exploration and mining company. Salene Manganese Proprietary Limited purchased a Mining Right issued over the farm Macarthy 559, Kuruman district in South Africa. The Mining Right is for the mining of iron ore and manganese ore. The call option lapsed on 14 August 2022.

**Guarantees and financial support commitments to related parties**

The Company has issued the following guarantees with regards to related parties:

The Company issued a guarantee limited to US\$20.0 million (2021: US\$20.0 million) as a security for trade finance facilities provided by a bank to Arxo Resources Limited.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2022

### 21. RELATED PARTY TRANSACTIONS (continued)

#### Guarantees and financial support commitments to related parties (continued)

The Company issued a guarantee to Absa Bank Limited which guarantees payment of certain liabilities of Arxo Logistics Proprietary Limited to Transnet amounting to US\$1.1 million (ZAR19.4 million) (2021: US\$1.3 million (ZAR19.4 million)).

The Company has issued financial support commitments to its subsidiaries, Tharisa Investments Limited and Tharisa Fujian Industrial Co. Ltd, confirming that it will continue to provide funding to the companies in order to enable the entities to continue as going concerns and meet all their liabilities as they fall due.

The Company and Arxo Metals Proprietary Limited jointly indemnify a third party for any claims which may result from negligence or breach in terms of the plant operating agreement between Arxo Metals Proprietary Limited and the third party.

Tharisa Minerals Proprietary Limited entered into an equipment loan facility of US\$35.0 million (2021: US\$30.0 million) with Caterpillar Financial Services Corporation. The equipment loan facility is secured by a first notarial bond over the equipment and is guaranteed by the Company.

The Company guarantees a total of US\$12.7 million (ZAR229 million) (2021: US\$12.2 million (ZAR183 million)) to third party suppliers of Tharisa Minerals Proprietary Limited.

The Company and Arxo Metals Proprietary Limited jointly indemnify a third party for any claims which may result from negligence or breach in terms of the plant operating agreement between Arxo Metals Proprietary Limited and the third-party.

The Company issued guarantees limited to US\$0.5 million (ZAR9.0 million) (2021: US\$0.6 million (ZAR9.0 million)) as securities for bank facilities to be provided to MetQ Proprietary Limited.

#### Relationship between related parties and entities

A Djakouris, J Salter, O Kamal, C Bell, R Davey, Z Hong and S Lo Wai Man are directors of the Company.

Refer to note 11 for details of the Company's subsidiaries.

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

Thari Resources Proprietary Limited and The Tharisa Community Trust were former non-controlling shareholders of Tharisa Minerals Proprietary Limited.

A director of the Company is also a director of Salene Mining Proprietary Limited.

### 22. CONTINGENT LIABILITIES

As at 30 September 2022, there is no litigation (2021: no litigation), current or pending, which is considered likely to have a material adverse effect on the Company. The Company had no other contingent liabilities at 30 September 2022 (2021: no contingent liabilities).

### 23. EVENTS AFTER THE REPORTING PERIOD

#### Accounting policy

Assets and liabilities are adjusted for events that occurred during the period from the reporting date to the date of approval of the financial statements by the Board of Directors, when these events provide additional information for the valuation of amounts relating to events existing at the reporting date or imply that the going concern concept in relation to part or whole of the Company is not appropriate.

During October 2022, the Company received notice from Tharisa Minerals Proprietary Limited of its intention to redeem a portion of the Redeemable Cumulative Preference Shares. The redemption will impact the Company's investment in Tharisa Minerals Proprietary Limited in the statement of financial position.

On 1 December 2022, the Board has proposed a final dividend of US 4 cents per share, subject to the necessary shareholder approval at the Annual General Meeting.

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

### 24. DIVIDENDS

#### Accounting policy

Dividends are recognized as a liability in the period they are declared according to International Accounting Standard 10.

During the period ended 30 September 2022, the Company declared and paid a final dividend of US 5.0 cents per share in respect of the financial year ended 30 September 2021. In addition, an interim dividend of US 3.0 cents per share was declared and paid in respect of the financial year ended 30 September 2022.

During the period ended 30 September 2021, the Company declared and paid a final dividend of US 3.5 cents per share in respect of the financial year ended 30 September 2020. In addition, an interim dividend of US 4.0 cents per share was declared and paid in respect of the financial year ended 30 September 2021.