

Tharisa plc
(Incorporated in the Republic of Cyprus with limited liability)
(Registration number HE223412)
JSE share code: THA
LSE share code: THS
ISIN: CY0103562118
('Tharisa')

Acquisition of a 26.8% interest in a tier one PGM and base metal resource located on the Great Dyke in Zimbabwe

1. Introduction

Tharisa is pleased to announce that it has acquired a 26.8% shareholding in Karo Mining Holdings Limited ('Karo Holdings') for a total cash consideration of US\$4.5 million (the 'Acquisition') from the Leto Settlement ('Leto'), a related party being an indirect material shareholder in Tharisa, in terms of a sale and purchase agreement (the 'Acquisition Agreement') entered into between Tharisa and Leto.

Karo Holdings entered into an Investment Project Framework Agreement (the 'Investment Agreement') with the Republic of Zimbabwe on 22 March 2018 in terms of which Karo Holdings has undertaken to establish a platinum group metals ('PGMs') mine, concentrators, smelters, a base metal and precious metals refinery, as well as power generation capacity for the operations with surplus energy capacity made available to the Zimbabwe power grid.

The investment highlights include the following:

- The Acquisition provides Tharisa access to an area covering 23 903 hectares on the Great Dyke of Zimbabwe, containing an estimated PGM resource of some 96 Moz * (on a 4E basis)
- Great Dyke PGM projects are low cost, open pit and have significant palladium and base metal content resulting in high margin poly-metallic revenues
- Low cost entry for Tharisa of US\$4.5 million with the right to increase its project ownership by way of further project level investments at discounted values through a farm-in option at various economic milestones
- Tharisa has the right but not the obligation to fund further development at the project level allowing Tharisa a measured approach to developing the projects in line with its financial and strategic objectives, thereby creating further low cost diversified PGM and chrome operations
- Tharisa continues to deliver on its diversification and growth strategy through the implementation of Vision 2020 and strategic acquisitions such as the Salene Chrome Zimbabwe (Pvt) Limited transaction announced on 16 May 2018 and this acquisition.

*Derived from the Mineral Resources and Ore Reserves Summary on pages 70-73, Zimplats Holdings Limited Integrated Annual Report 2017

2. Acquisition rationale

The Tharisa Board and management are committed to pursuing growth and diversification through selective acquisitions which meet Tharisa's investment criteria. Key rationale for the Acquisition and benefits for Tharisa shareholders include:

- Tharisa was not previously involved in Zimbabwe due to political uncertainty in the country. Recent improvements in the political landscape have precipitated a decision by Tharisa to explore geographic diversification opportunities in Zimbabwe, renowned for having the world's largest PGM deposits outside of South Africa
- The resource is large scale with 96 Moz of 4E resource. There is optionality to de-risk the investment by starting on a smaller scale and increasing production over time
- The mine is open pit and Great Dyke PGM projects are typically low-cost
- Tharisa's management team has a proven track record of developing mines from the prospecting stage through to steady-state production and this experience can be applied to the development of Karo Platinum (as defined below)
- Tharisa is acquiring its stake in Karo Holdings at a significant discount to fair value.
- The farm-in approach reduces Tharisa's upfront exposure and creates optionality for an increased stake in the future

"Tharisa has established itself as a robust innovative Group with a proven track record of taking mines from prospecting to production and with strong cash generation and dividend payments. The Tharisa Group believes that coupled with its organic growth plans under Vision 2020 and the illuvial chrome prospects available through Salene Chrome, this acquisition has the potential to set Tharisa apart from its peers while delivering on its strategy of becoming a globally significant low cost producer of strategic commodities," says Tharisa CFO Michael Jones.

3. Karo Platinum

Karo Platinum (Pvt) Limited ('Karo Platinum'), an indirect 50% held subsidiary of Karo Holdings applied for and was awarded PGM rights under a special grant (the 'License Area') under the Zimbabwe Mines and Minerals Act, covering an area of 23 903 hectares. The License Area is situated on the Great Dyke in the Mashonaland West District of Zimbabwe. This area of land had recently been released by Zimbabwe Platinum Mines (Pvt) Ltd ('Zimplats') from its mining lease area in support of the Government of Zimbabwe's efforts to enable participation by other investors in the platinum mining industry in Zimbabwe. In terms of the special grant, Karo Platinum will be entitled to mine PGMs situated within the License Area. Karo Platinum will be responsible for the mine development and mining operations which will deliver run of mine ore to Karo Refining (Pvt) Limited, ('Karo Refining'). Karo Refining, 75% owned by Karo Holdings, will build, own and operate the concentrators, smelters, as well as the base metal and PGM refinery.

The remaining 50% shareholding in Karo Platinum will be held by an investment company wholly owned by the Republic of Zimbabwe and registered under the company laws of Zimbabwe and under the auspices of the Ministry of Finance and Economic Development ('Zimbabwe Investment Company').

The special grant was issued in terms of Part XIX of the Zimbabwe Mines and Minerals Act and authorises Karo Platinum to carry out mining operations over the License Area for a period of 60 months, with the right of annual renewal on the expiry of such period on 90 days prior application. Karo Platinum intends applying within 12 months for a mining lease in terms of Part VIII of the Zimbabwe Mines and Minerals Act over the Licence Area valid for the life of mine.

Based on publicly available geological exploration results previously undertaken over the License Area, and in particular the Mineral Resources and Ore Reserves Summary contained in the Zimplats Integrated Annual Report of 2017, Tharisa considers this to be a highly prospective area which is estimated to contain some 96 Moz at a projected resource grade of 3.2 g/t on a 4E basis. This presents an unparalleled opportunity to expand its PGM mining interests into Zimbabwe. The Great Dyke of Zimbabwe contains the world's largest known PGM deposits outside of South Africa.

Tharisa has agreed to provide up to US\$8.0 million in funding to Karo Holdings as a repayable debt facility. This will be utilised to undertake initial geological exploration and sampling work in the License Area to determine a compliant mineral resource which will enhance the value of the investment in Karo Holdings. Tharisa will manage the exploration and oversee a subsequent bankable feasibility study.

Karo Holdings is a newly incorporated company and following the conclusion of the Investment Agreement and award of the special grant its primary investment is the investment in Karo Platinum. As such, the value of the net assets and the profits attributable to the net assets that are the subject of the Acquisition cannot be determined at this time.

4. Coal and power generation

In terms of the Investment Agreement, Karo Holdings, through its 75% held subsidiaries, Karo Coal Mines (Pvt) Limited ('Karo Coal') and Karo Power Generation (Pvt) Limited ('Karo Power') respectively agreed to identify and establish a coal project with a focus on metallurgical coal and a power generation project. The original agreement contemplated the construction of a coal fired power station, however, in consultation with the Ministry of Energy and taking into consideration the power mix requirements of Zimbabwe, the agreement was amended to include the phased development of a renewable energy source of 300MW of solar power, to be fed into the national grid. Technical and financial partners have been identified for this project.

5. Indigenisation requirements

Karo Holdings, through its wholly owned subsidiary Karo Holdings Zimbabwe (Pvt) Limited ('Karo Zimbabwe'), will initially hold a 50% interest in Karo Platinum and a 75% interest in Karo Refining, Karo Coal and Karo Power (collectively referred to as 'Project Companies' or individually as a 'Project

Company'). Zimbabwe Investment Company will hold a 10% direct shareholding in each of the Project Companies (other than for Karo Platinum in which it retains a 50% shareholding). The remaining 15% shareholding in the Project Companies (except for Karo Platinum) will be allocated to the community and employees.

In the event that the current indigenisation requirements are reduced within 18 months of the signing of the Investment Agreement, Karo Holdings' equity interest in Karo Platinum may, at its election, directly increase to either the level as the law will then provide or to 75% in line with the Project Companies shareholding structures, at no cost to Karo Holdings. A presentation outlining the Karo Holdings group structure and providing further information on Karo Holdings and the projects is available on the Karo Holdings website, www.karomining.com.

It is intended that the Project Companies will apply for National Project Status and for the projects to be contained within a Special Economic Zone, which will provide the projects with enhanced economics through concessions granted by the Zimbabwe Government.

6. Farm-in approach

Tharisa has an option, at its election, to subscribe for shares directly in the Project Companies by way of a farm-in agreement. In terms of the option, Tharisa has the right but not the obligation, to fund the Project Companies in return for a direct shareholding in the applicable Project Companies. As a consequence of the farm-in arrangement, Tharisa may at its election, in addition to its indirect shareholding through the 26.8% shareholding in Karo Holdings, acquire a direct shareholding in the Project Companies.

The price payable for any new equity shares to be subscribed for in a Project Company will be determined with reference to an independent valuation of the applicable Project Company at that time in accordance with the South African code for the reporting of mineral asset valuation 'SAMVAL Code', taking into account factors including country risk and the leverage of the Project Company. Depending on the status of the project, the following valuation methodologies as provided for in the SAMVAL Code together with the agreed discount rates shall be applied:

- Up to an inferred resource – historical cost multiple, less a 60% discount
- Up to a measured resource and reserve – comparable company market multiples less a 50% discount
- On or after completion of a bankable feasibility study - income approach (which is determined using a discounted cash flow valuation) less a discount of 30%

Karo Holdings will retain a minimum 10% indirect shareholding in the underlying Project Companies post Tharisa exercising its farm-in option.

The disclosures and/or shareholder approval thresholds as set out in the stock exchange listings requirements will apply at the time of any farm-in option being exercised by Tharisa.

7. Funding

Both the cash purchase consideration of US\$4.5 million and the US\$8.0 million debt facility to undertake exploration will be funded by Tharisa from available cash resources.

8. Board approval

The Tharisa Board has established a New Business Committee ('Committee'), responsible for the investigation and assessment of new projects and business opportunities, particularly from a strategic, technical and operational point of view, and the identification of project related risks, and safety, health and environmental risks.

The Committee is not authorised to approve individual projects or investments or commit Tharisa, but works with executive management to review and evaluate new business opportunities and initiatives and make recommendations to the Tharisa Board for approval. The Committee recommended the Acquisition to the Tharisa Board.

9. Regulatory compliance

In terms of paragraph 10.1(b)(ii) of the Johannesburg Stock Exchange (JSE) Listings Requirements, Leto is a related party to Tharisa. This Acquisition is classified as a small related party transaction in terms of paragraph 10.7 of the JSE Listings Requirements.

In terms of paragraph 10.7(b) of the JSE Listings Requirements, a fairness opinion is required to be provided by an independent expert with respect to a small related party transaction. Minxcon Consulting (Pty) Ltd was appointed by the Tharisa Board as the independent expert in relation to the Acquisition. The full text of the independent expert's fairness opinion, which concludes that the independent expert is of the opinion that the Acquisition is fair insofar as the shareholders of Tharisa are concerned, is available at the offices of Tharisa for inspection for a period of 28 days from the date hereof.

10. Effective Date of the Acquisition

The Acquisition is unconditional and the effective date of the Acquisition is 12 June 2018.

11. Further Information

Executive management will be presenting to analysts on 13 June 2018 and the presentation will be published on the Tharisa website, www.tharisa.com at 11:00 (SA time)/10:00 (UK time).

12. Market Abuse Regulation

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation. Upon the publication of this announcement via a regulatory information service, this inside information is now considered to be in the public domain.

Paphos, Cyprus
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