

**Tharisa plc**  
**(Incorporated in the Republic of Cyprus with limited liability)**  
**(Registration number HE223412)**  
**JSE share code: THA**  
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**(Tharisa)**

**Tharisa acquisition of mining equipment and the transfer of employees from MCC Contracts (Pty) Ltd effective 1 October 2017**

Tharisa announces that the agreement relating to the acquisition by Tharisa Minerals (Pty) Ltd (Tharisa Minerals) of the mining equipment from MCC Contracts (Pty) Ltd (MCC Contracts), as announced on 11 May 2017, is unconditional and the transaction will be effective from 1 October 2017. MCC Contracts is the current mining contractor for Tharisa Minerals.

As previously announced, Tharisa Minerals will purchase from MCC Contracts certain existing mining equipment, strategic components, site infrastructure and spare parts, as well as transfer employees currently on site and deployed at its Tharisa Mine in South Africa.

As part of the transition, Tharisa Minerals will also take cession and assignment of certain leases currently entered into by MCC Contracts. In addition, to optimise the fleet and, in particular, to insource the drilling which was partly subcontracted by MCC Contracts, additional mining fleet will be acquired by Tharisa Minerals.

Tharisa Minerals' large scale open pit operation has an open pit life of 18 years and a further 40 years of underground mine extension. With the long life of the open pit, the transition to an owner mining model is a logical progression in its development by derisking operations.

The contractor mining model was appropriate while the Tharisa Mine was in development, reducing the upfront capital spend on a fleet and enabling Tharisa Minerals to understand its orebody fully. It also allowed the company to determine the optimal fleet requirements for mining its specific ore body.

By taking direct control of its mining operations, Tharisa Minerals will be better placed to control reef grades, thereby, delivering improved quality ore to the processing plants and optimising the feed and recovery within the plants. As a result of the transition and the benefits of optimisation programmes, Tharisa expects to produce 150 koz of PGM concentrate and 1.4 Mt of chrome concentrates in FY2018.\*

### **Fleet purchase and capital spend**

The purchase consideration for the fleet, including components, spare parts, buckets, blades and tooling, totals ZAR303.0 million (US\$22.9 million). In addition, planned near term fleet optimisation equipment purchases of ZAR110 million (US\$8.3 million) are committed. This includes purchases of drill rigs, excavators and additional mining fleet. Once the fleet and optimisation equipment purchases are completed, the primary mining fleet will comprise 19 drill rigs, 11 excavators and 46 trucks capable of moving 17 Mm<sup>3</sup> per annum.

The estimated fleet replacement cost is approximately US\$145 million. With an average remaining life of the fleet is 40%, the fleet replacement programme will be guided by original equipment manufacturers' (OEM) specifications. The planned programme, which includes the purchase of components, is currently budgeted at ZAR120 million (US\$9 million) from Tharisa Minerals' sustaining capital spend in FY2018.

Tharisa Minerals is also taking cession and assignment of certain equipment leases. The net present value of these lease obligations total ZAR73.4 million (US\$5.5 million).

### **Funding**

The purchase price for the MCC Contracts fleet, which will be offset by certain employee-related provisions and accrued de-establishment costs which total ZAR22.2 million (US\$1.7 million), and the fleet optimisation programme will be funded primarily from a bridge loan facility of ZAR250.0 million (US\$18.9 million) and OEM financing facilities. The average interest rate for the purchase of the fleet and the fleet optimisation programme is 9.0%.

In addition, Tharisa Minerals has negotiated the necessary financing arrangements for the fleet replacement programme.

In the normal course, sustaining capex has been funded by operating cash flows and it is Tharisa Minerals' intention that sustaining capital will continue to be funded in this way. Where there is significant capital required on a replacement item, Tharisa Minerals may fund this through OEM financing facilities.

It is the Group's policy to have a consolidated total debt to total equity ratio of 15% and as at 31 March 2017, the ratio was 13%. Premised on the purchase of the MCC Contracts fleet, the cession and assignment of certain leases and the fleet optimisation programme being funded by debt, the pro forma debt to equity ratio would have been approximately 26%.

### **Mining costs**

The current contractor mining cost is inclusive of, *inter alia*, capital replacement costs as well as the financing costs. The cost reflected in the financial statements pertaining to mining costs per unit mined is therefore inclusive of the operating costs, capital replacement and finance costs, as well as the working capital requirements. Following the transition to owner mining the costs will be allocated to the respective categories, being operating costs and finance costs with the capital expenditure reflected separately.

To illustrate the impact on overall mining costs for comparative purposes only, the budgeted operating costs aggregated with the finance lease charges as well as the charge for depreciation in respect of the capital expenditure has been calculated. Those costs on a unit mined basis i.e. on a per cubic metre mined basis reflects a normal cost escalation relative to the prior reporting period. It should, however, be noted that the current mining plan provides for an increase in the stripping ratio from 8.4 m<sup>3</sup> as at 31 March 2017 to above the life of mine open pit average of 9.7 m<sup>3</sup>: m<sup>3</sup>, thereby increasing the volume of cubic metres mined with minimal change in the amount of reef tonnes mined.

### **Transfer of employees**

With effect from 1 October 2017 Tharisa Minerals will directly employ approximately 900 employees, who are already deployed at the Tharisa Mine. Representative unions, the Association of Construction and Mineworkers Union (AMCU) and the National Union of Mineworkers (NUM), were consulted throughout the process. Tharisa's total staff complement post the transition will be approximately 1 700.

\*Forward looking statements have not been reviewed or reported on by the Company's auditors

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