



## **ANNUAL REPORT 2010**

**YOUNG LIONS EXPLORING AFRICA**

# THABEX LIMITED

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### **Shareholders Diary**

Annual General Meeting	27 July 2011
Interim Report	25 November 2011
Annual Report 2011	27 July 2011
Annual Report 2012	25 May 2012

# **THABEX LIMITED**

## **DIRECTORATE AND ADMINISTRATION**

### **DIRECTORS**

#### **JR Rapoo**

(Independent non-executive Chairman)  
B Comm (Law) Hons B Compt

#### **M Welthagen**

(Chief Executive)  
P Eng (Int) MEng (Mining) MPhil (Mineral Economics) B Comm Hons (Economics)  
MECSA MSAIMM FGSSA MPDAC IAS

#### **M Kamwanga**

(Financial Director)  
MSc (Mathematics of Finance)  
M Comm (Financial Management)

#### **MJ Ratshedi**

(Executive Director)  
B Law

#### **Dr JW Kruger**

(Independent non-executive)  
BSc (US) Hons BSc (Unisa) MSc (Wits)  
PhD (Wits) HOD (US)  
ORSSA SASA SAICSIT CSSA ISBA IAS IOD

#### **Prof DL Reid**

(Independent non-executive)  
DPhil (Geochemistry) MSc (Geology)  
BSc Hons (Geology) PrSciNat MGSSA FSEG

#### **AP Roux**

(Non-executive)  
B Agric

### **COMPANY SECRETARIES**

SA Mineral Investments (Proprietary) Ltd  
(Registration no 1981/004619/07)  
51 Austin Road Northcliff Johannesburg 2195

### **REGISTERED OFFICE**

51 Austin Road Northcliff Johannesburg 2195

### **BROKERS**

PSG Online Securities Ltd  
(Member of the JSE Ltd)  
(Registration no 1996/000509/06)  
1<sup>st</sup> Floor Roland Garros The Campus  
57 Sloane Street Bryanston 2191

### **TRANSFER SECRETARIES**

Link Market Services South Africa (Pty) Ltd  
(Registration no 2000/007239/07)  
13th Floor 19 Ameshoff Street Braamfontein 2000

### **SPONSOR**

Merchantec (Pty) Ltd  
t/a Merchantec Capital  
(Registration no 2008/027362/07)  
2<sup>nd</sup> Floor, North Block, Hyde Park Office Tower,  
Corner 6<sup>th</sup> Rd and Jan Smuts Ave, Hyde Park 2196

### **AUDITORS**

KPMG Inc. (Registration no 999/021543/21)  
KPMG Forum 1226 Schoeman Street Hatfield  
Pretoria 0028

### **COMMERCIAL BANKERS**

First National Bank of Southern Africa Ltd  
(Registration no 1971 /009695/06)  
Johannesburg Branch  
80 Market Street Johannesburg 2001

### **CORPORATE LAWYERS**

DLA Cliffe Dekker Hofmeyr Inc.  
(Registration No: 2008/018923/21)  
1 Protea Place Sandton Johannesburg 2196

### **STRATE**

STRATE Ltd (Registration no 1998/022242/06)  
5<sup>th</sup> Floor One Exchange Square  
2 Gwen Lane Sandown 2196

### **POSTAL ADDRESS**

PO Box 3899  
Northcliff Johannesburg 2115

### **TELEPHONE NUMBER**

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+27 (0)11 678 0791 (International)

### **FAX NUMBER**

+27 (0)11 476 3960

### **WEBSITE ADDRESS**

[www.thabex.com](http://www.thabex.com)

### **E-MAIL ADDRESS**

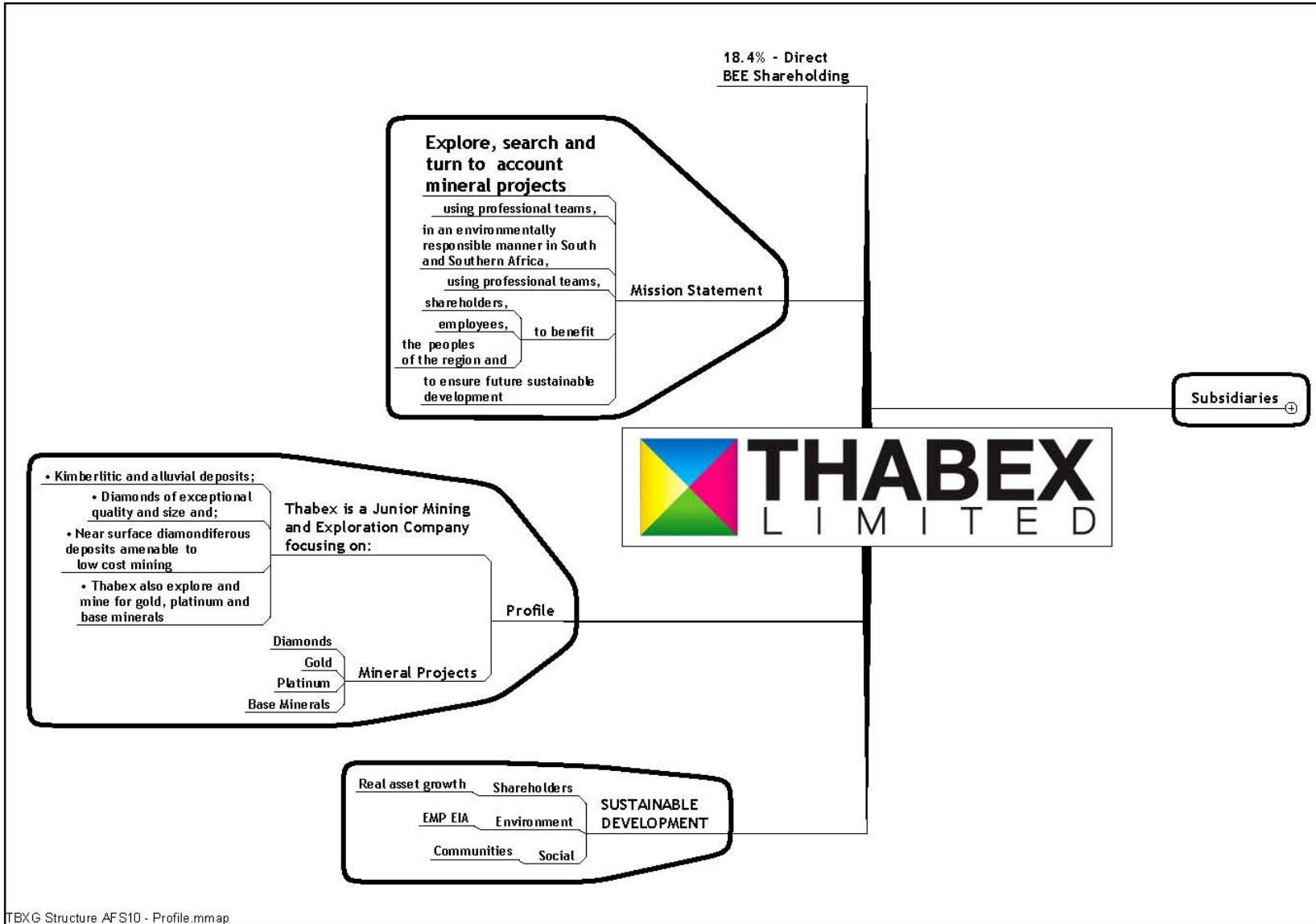
[info@thabex.com](mailto:info@thabex.com)

### **SHARE CODES**

ISIN code ZAE000013686  
JSE code TBX

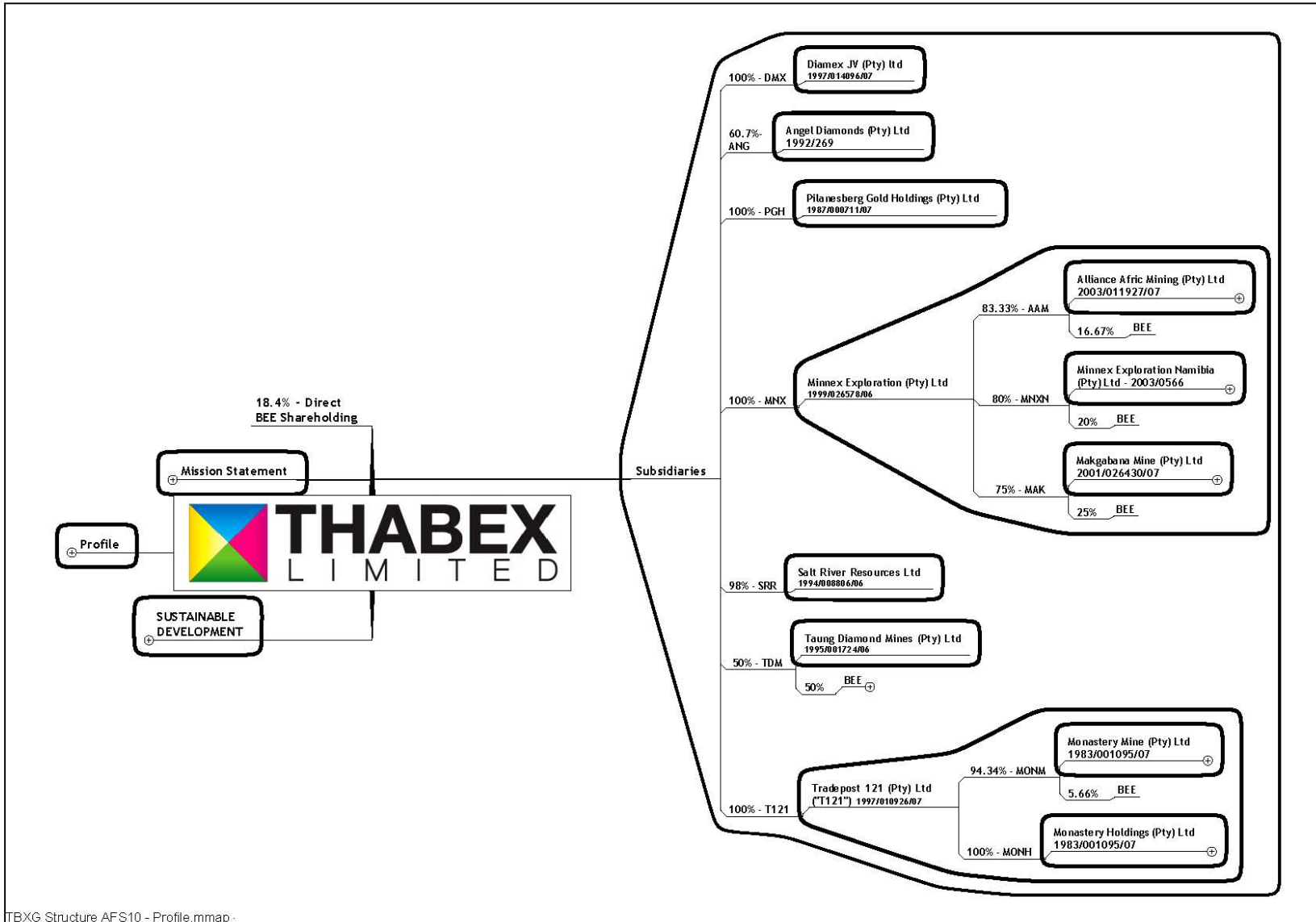
# THABEX LIMITED

## Profile



# THABEX LIMITED

## Corporate Structure



# THABEX LIMITED

## Chairman's Statement

### Dear Shareholder

Thabex remains committed to its long term objectives as stated in its Prospectus, dated 20 November 1997, your Company remained diversified in the commodities it has explored, the size of these projects and the extent to which these project can be turned to account.

At the time the Company raised R3.3 million by way of a private placement. Although Thabex disposed of some of its earlier projects the main aim of the Company remains to develop its projects itself in order to extract the economic rent contained in these project for its shareholders. During the past five years the project being explored have matured into two kimberlite projects held through indirect and direct subsidiaries, Monastery Mine (Pty) Ltd ("Monastery Mine") and Angel Diamonds (Pty) Ltd ("Angel Diamonds"), respectively, with Measured Diamond Resources and the potential to be turned to account immediately. The former Monastery Kimberlite project is the priority project for Thabex at present.

The much larger Salt River Resources Ltd base mineral project requires a final bulk sample for metallurgical test work prior to finalising a Bankable Feasibility on this project.

On 17 December 2009 the board of Angel Diamonds resolved to increase the authorised share capital of Angel Diamonds and to capitalise the company by raising R10 million. At the time Mantle Diamonds Ltd ("Mantle Diamonds") had already declined to proceed with the project and the Mantle Diamonds representative on the Angel Diamonds board was the only director and shareholder representative indicating that he would vote against the capitalisation issue.

Unfortunately strict adherence to Thabex's corporate governance, internal controls and standard procedures caused a previous director, to resign from the board of Thabex, and together with two minority shareholders of Angel Diamonds to recind from the approved board resolutions regarding the development of the Kolo Kimberlite project. On 21 June 2010 the High Court in the Kingdom of Lesotho granted an urgent interdict against Thabex and other interested parties to be involved with the management of Angel Diamonds. Thabex and the other interested parties have vigorously defended this action and an urgent application to liquidate Angel Diamonds. On 20 April 2011 the appeal of Thabex and other interested parties was upheld in the Appeal Court of Lesotho and today the liquidation application was discharged with costs in the High Court of Lesotho.


Thabex is therefore firmly in control of Angel Diamonds again and a meeting with the provisional liquidators has been requested in order to ensure a proper handover of the assets of Angel Diamonds.

The potential primary and secondary kimberlitic occurrences of Thabex's subsidiary, Minnex Exploration (Pty) Ltd, in Namibia will be reassessed once cash flow from the Monastery Kimberlite project can be re-allocated to the Namibia Kimberlite project.

The Company reluctantly applied for voluntary suspension of its listing on JSE Ltd on 22 June 2010 as a result of the above legal action, primarily because of the uncertainty about the legal standing of its interest in Angel Diamonds and the fact that the applications of the interdict failed to procure the audit of Angel Diamonds to be completed timeously to be included in Thabex's annual financial statements for the period ended 28 February 2010. Despite the set back in turning to account Angel Diamonds, the Company intends to finalise the application of the Mining Lease with the Mining Authorities in Lesotho and to continue with its operations at Monastery Mine, in order to create real returns for its shareholders.

Although the legal process relating to Angel Diamonds was very time consuming, the Company is confronted with a much more serious risk, in not being able to manage its mineral and prospecting rights due to the completely disfunctional Mineral Rights management system of the Department of Minerals and Resources. Since September 2010 the Company has been unable to register any new prospecting rights and the new internet based system has to date not been working at all.

I must commend the executive directors on the board and the support of the other directors and shareholders of the Company for their patience and support during this challenging and trying year.

  
Jeffery Raymond Rapoo  
Chairperson

19 May 2011

## THABEX LIMITED

### **Abridged CV's of the directors**

**Jeffrey Rapoo** (13 years on the board of Thabex) (Independent Non-executive Chairman)  
(Chairman of Audit and Remuneration Committees)

He has several years experience in financial management and was a past Executive – Finance at North West Transport Investments (Pty) Ltd and formerly Acting Managing Director at the Mpumalanga Development Corporation of the Mpumalanga Province and is also a director of Saminco Limited. Mr Rapoo has considerable experience in the field of project development and financial administration.

**Marius Welthagen** (17 years on the board of Thabex) (Chief Executive)

He has 32 years of mining experience. Mr Welthagen is a qualified mining engineer and specialised in mineral economics (MEng (Mining), MPhil Mineral Economics, BCom Hons (Economics)). He was employed at Kloof Gold Mine, Greenside Coal Mine in the Gold Fields Group as Mining Engineer, at the Minerals Bureau of South Africa as mineral economist and as a gold and platinum analyst for a leading stockbroker on the JSE. He is also chairman of Saminco Limited, a mining investment company. He was a founder member of SA Chrome and Alloys Ltd (formerly SouthWits Ltd) and Samroc Ltd (Formerly MangaChem Ltd).

**Joe Ratshedi** (new appointment) (Executive Director)

He holds the following degrees and diplomas: 1981 Bachelor of Law from University of Harare, 1984 B.M UH University Havana, 1987 (MEM) Diploma from the Frederick Institute of Technology Republic of Cyprus, 1994 Business Management, Educom College. Republic of South Africa. 1994 Business Management from the Frederick Institute of Technology. 1997 Sound Engineering from Cyprus College of Art: / Kato Paphos. 1994 Business Management. Frederick Institute of Technology. Republic of Cyprus.

He has technical skills in sound engineering and programming software (CUBASE-4). He has also successfully established investment links between the Middle Eastern and European investors and RSA mining entities.

**Masankisi Kamwanga** (1 year on the board) (Financial Director)

He has vast experience in management, lecturing and consulting related to finance and information and communication technology. He has a MSc and M.Comm. and is a SAP certified consultant. He is a consultant and lecturer on topics related to Finance, Commerce and Information Technology in South Africa and Democratic Republic of Congo ("the DRC") (Provincial Government, ISIPA, VISTA, RAU, UJ and CUT). He was also the financial advisor of the Minister of Labour and procurement advisor of the Minister of Finance in the Democratic Republic of Congo (DRC).

**Jan Kruger** (2 years on the board) (Independent Non-executive Director)(Member of Audit Committee)

Dr Kruger is a senior lecturer in Corporate Finance at the UNISA Graduate School of Business Leadership. He has a PhD in Computer Science. He has been a professional investor and equity analyst for many years. He has extensive experience as a consultant and as a lecturer in Mathematics, Operations Research, Finance, Computer Science, Management and Statistics in industry and at various universities. He presented 19 conference papers and published 10 research publications on Machine Learning, Data Mining and Reliability Theory. He is the co-editor of two first year mathematics text books. Jan did his PhD "Finding the causal structure from the correlation matrix" in Computer Science at Wits.

**David Reid** (11 years on the board of Thabex) (Independent Non-executive Director)

Professor Reid has been with the University of Cape Town since 1972 and is currently an Associate Professor in the Department of Geological Sciences. He has been a member of the Geological Society of South Africa since 1973 and has twice been awarded their Jubilee Medal in recognition of published research in South African geology and geochemistry. David Reid has published, lectured and consulted widely on topics related to economic geology and geochemistry, with particular emphasis on mineralisation in Namaqualand, Bushmanland, Namibia and the Bushveld Complex.

**Anton Roux** (13 years on board the of Thabex) (Non-executive Director)

He is a deciduous fruit producer on the family farm, La Colline, in the Franschhoek Valley in the Western Cape Province and is a director of Saminco Limited. He has been associated with the group since 1981 as director of SA Mineral Investments (Pty) Ltd. He is a graduate of the University of Stellenbosch holding a B Agric degree.

# THABEX LIMITED

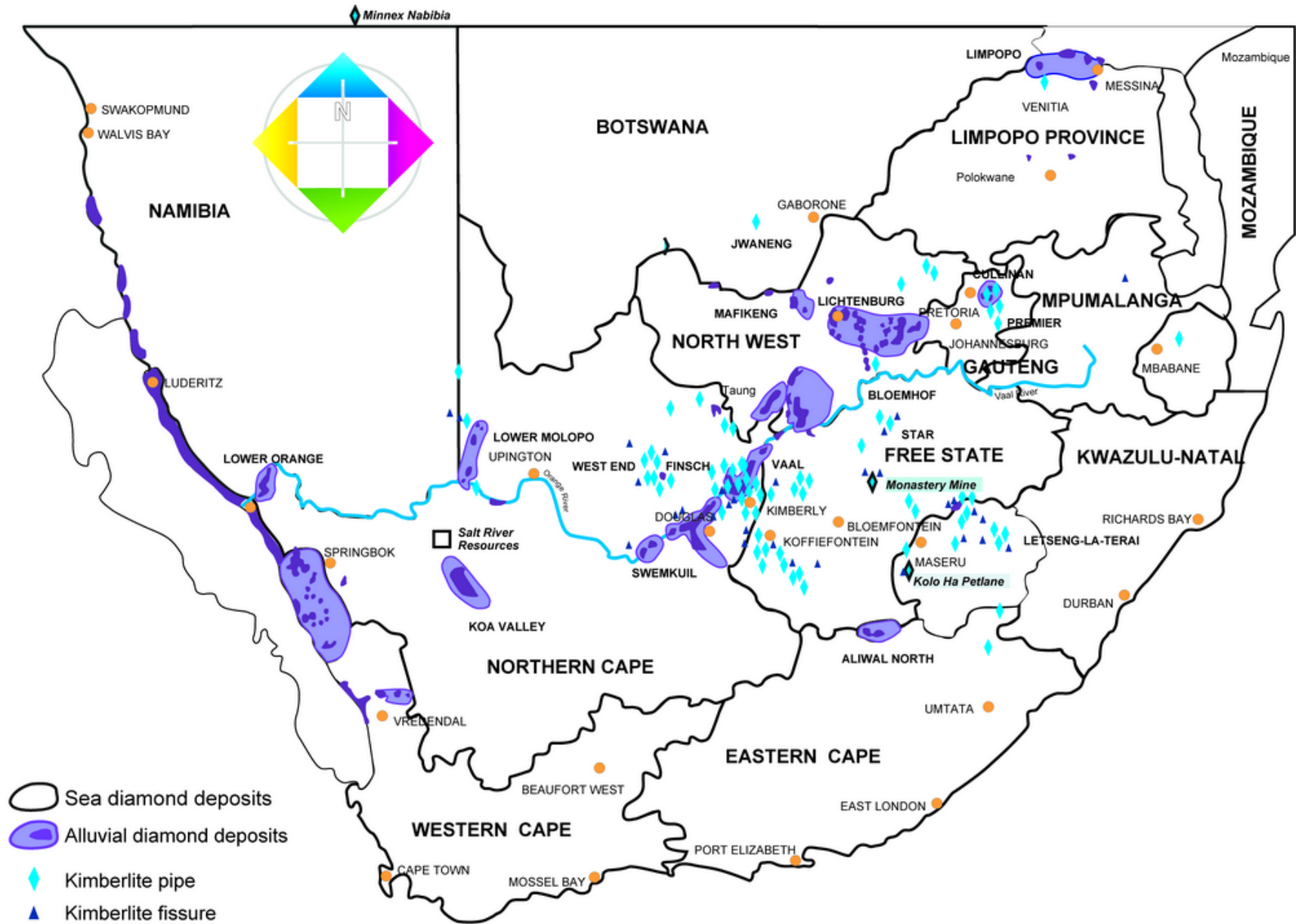
Summary of Mineral Resources and Reserves				Area of Interest	Mineral type	Permit No.	Area Ha	Boreholes		Inferred		Indicated		Measured		Valuation**						
Project	Attributable to							Expiry Date	Percussion	Diamond	Tons Mt	Grade	Tons Mt	Grade	Tons Mt	Grade	High NPV 8%	Middle Rm at 10%	Low 12%	NPV Rm at discount rate		
	Thabex	Pilansberg	Minnex Taung																	8%	10%	12%
Minnex Exploration Namibia (Pty) Ltd			80%	Namibia	Kimberlite Diamonds	ELP's 3082 & 3083 Jul 2011	160000	15	-	-	-	-	-	-	-	-	-	-	-			
Middelwater Portion 1			2.50% fee on turnover	Lower Orange River	Alluvial Diamonds	NC 30/5/2/2/211PR May 2012	4300	18	-	-	-	-	-	-	-	-	13.34	11.40	8.67			
Monastery Mine (Pty) Ltd	96.40%			Eastern Free State	Kimberlite Diamonds	FS 30/5/1/1/2/55 PR Dec 2010	521	-	6	5	25 to 50 cpht	4	25 to 50 cpht	3	25 cpht		166.55	150.00	139.70			
Angel Diamonds (Pty) Ltd	60.70%			Lowlands Lesotho	Kimberlite Diamonds	Dec 2009* PL 002#	5360	-	19	3	7 to 14 cpht	2.8	7 to 14 cpht	2.7	14.1cpht		193.79	175.00	160.24			
Cinprop 0002 (Pty) Ltd			10%	Harts River	Alluvial Diamonds	NW 5.2/2/2808 PR Dec 2011	2096	-	-	-	-	-	-	-	-	-	-	-	-			
Diamex JV (Pty) Ltd	100%			Management exploration	Kimberlite Diamonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Pilansberg Gold Holdings (Pty) Ltd		49%		Uganda	Joint Venture Mafuga Forest - Gold	EPL 103 Nov 2011	37800	-	-	-	-	-	-	-	-	-	-	-	-			
Protero Investment Holdings (Pty) Ltd	11.68%			Pofadder Northern Cape Province	Zinc, Copper, Lead	Registration pending for applications	19000	-	-	-	-	-	-	-	-	-	-	-	-			
Salt River Base Mineral Project	100%			Kenhardt Northern Cape Province	Zinc, Copper, Lead, Silver, Gold	NC 5/2/2/986 (Conv) PR Sept 2011	12035	27	58		2.46% Zn 0.44% Cu 20.15 0.49% Pb		1.78% Zn 0.66% Cu 14.13 0.35% Pb		1.83% Zn 0.46% Cu 9.87 0.55% Pb		3 183.38	2641.00	2 143.10			
Salt River Central	100%			Kenhardt Northern Cape Province	Zinc, Copper, Lead, Silver, Gold	NC 30/5/1/1/2/629 PR Oct 2011	8000	3	9		18.4g/t Ag 0.37g/t Au		18.9g/t Ag 0.69g/t Au		21.4g/t Ag 0.45g/t Au		-	-	-			
Salt River West	100%			Kenhardt Northern Cape Province	Zinc, Copper, Lead, Silver, Gold	NC 0/5/1/1/2/730 PR Sept 2011	26008	-	-	-	-	-	-	-	-	-	-	-	-			
<b>TOTAL</b>																	<b>3 557.06</b>	<b>2 977.40</b>	<b>2 451.71</b>			

PR - Prospecting Right (See Glossary on page 12)

# ML submitted 12 December 2008

\*\* Valuation and resource estimates as reported by Competent Person - Marius Welthagen (See page 7 and 58)

Map of Project Areas



## THABEX LIMITED

### Projects

The Group has five operating segments, as described below. For each of the segments the Group's Chief Executive reviews internal management reports on at least a monthly basis. The five segments are listed in order of priority for the Group's overall operations namely;

- 1 Thabex Ltd: Includes exploration and management services to the Group's companies.
- 2 Tradepost 121 (Pty) Ltd: Includes Monastery Mine (Pty) Ltd and Monastery Holdings (Pty) Ltd and these companies are involved in the prospecting and development of Monastery Kimberlite pipe in the district of Marquard in the Free State Province.
- 3 Salt River Resources Ltd: Includes the Salt River base mineral project in the Northern Cape Province.
- 4 Angel Diamonds (Pty) Ltd: Includes the Kolo Kimberlite project in the Mafateng district of the Kingdom of Lesotho.
- 5 Minnex Exploration (Pty) Ltd: Includes the Middelwater alluvial diamonds project, with a 2,5% royalty agreement on commencement of mining operations, and the search for primary kimberlite deposits in Northern Namibia.

### Diamonds in South Africa

#### Monastery Mine (Pty) Ltd ("Monastery")

Monastery is situated about 15km South of the town of Marquard in the Free State Province. Prospecting activities have so far consisted of sampling, analysis and metallurgical test work to decrease the amount of ilmenite in the concentrate of the kimberlite with a Dense Medium Separator plant. Monastery is also operating a 10 Foot Rotary Gravity Pan processing operation on various diamondiferous dumps around the open pit and plant areas. Shareholders are also referred to the SENS announcements relating to the acquisition of the Monastery Holdings, dated 25 February 2010 and the appointment of a processing contractor on 21 February 2011, respectively.

#### Minnex Exploration (Pty) Ltd ("Minnex")

Minnex has curtailed all exploration of the alluvial diamondiferous gravels on the Farm Middelwater Remaining Extent about 40km north of Prieska in the Northern Cape Province.

### Base minerals South Africa

#### Salt River Resources Ltd ("SRR")

Further metallurgical testing at SRR is necessary to ensure the turning to account of this project. SRR is conducting a pre-feasibility study of the Salt River Base Mineral Project. SRR has not been able to secure funding to complete a Bankable Feasibility Study of its poly-metallic (Cu-Pb-Zn-Ag-Au) project in the Kenhardt district of the Northern Cape Province and is considering several funding options to proceed.

### Diamonds in the Kingdom of Lesotho

Angel Diamonds (Pty) Ltd ("Angel Diamonds") submitted an application for a Mining License ("ML") to the Commissioner of Mines in Lesotho on 12 December 2008. As in the case of many exploration projects, when value is unlocked and prior to mining operations commencing, the expectations of possible vast amounts to be made from such a project overcomes the agreed process to achieve the gains for shareholders and personal greed takes over. Thabex has reported the legal matters regarding Angel Diamonds in detail on SENS. The Liquidation Application on 8 October 2010 by Mr TP Mosebo, a director of Angel Diamonds, was discharged with costs and Thabex has requested a meeting with the provisional liquidators to re-take control of Angel Diamonds.

The most disturbing aspect of the legal route taken by three minority shareholders is the fact that neither these minority shareholders, the provisional liquidators nor the Commissioner of Mines and Geology of Lesotho are able or willing to account for the 1 000 carats produced during the period Mantle Diamonds was involved in the project. Mantle Diamonds terminated their involvement in the project on 14 November 2009. However, their 10

# THABEX LIMITED

tph (tons per hour) DMS (Dense Medium Separator) prospecting plant remains on site at Kolo Ha Petlane to date. Mantle Diamonds, as a respondent in all the High Court cases in the Kingdom of Lesotho, have not opposed any of these cases, including the application to liquidate Angel Diamonds.

## Diamonds in Namibia

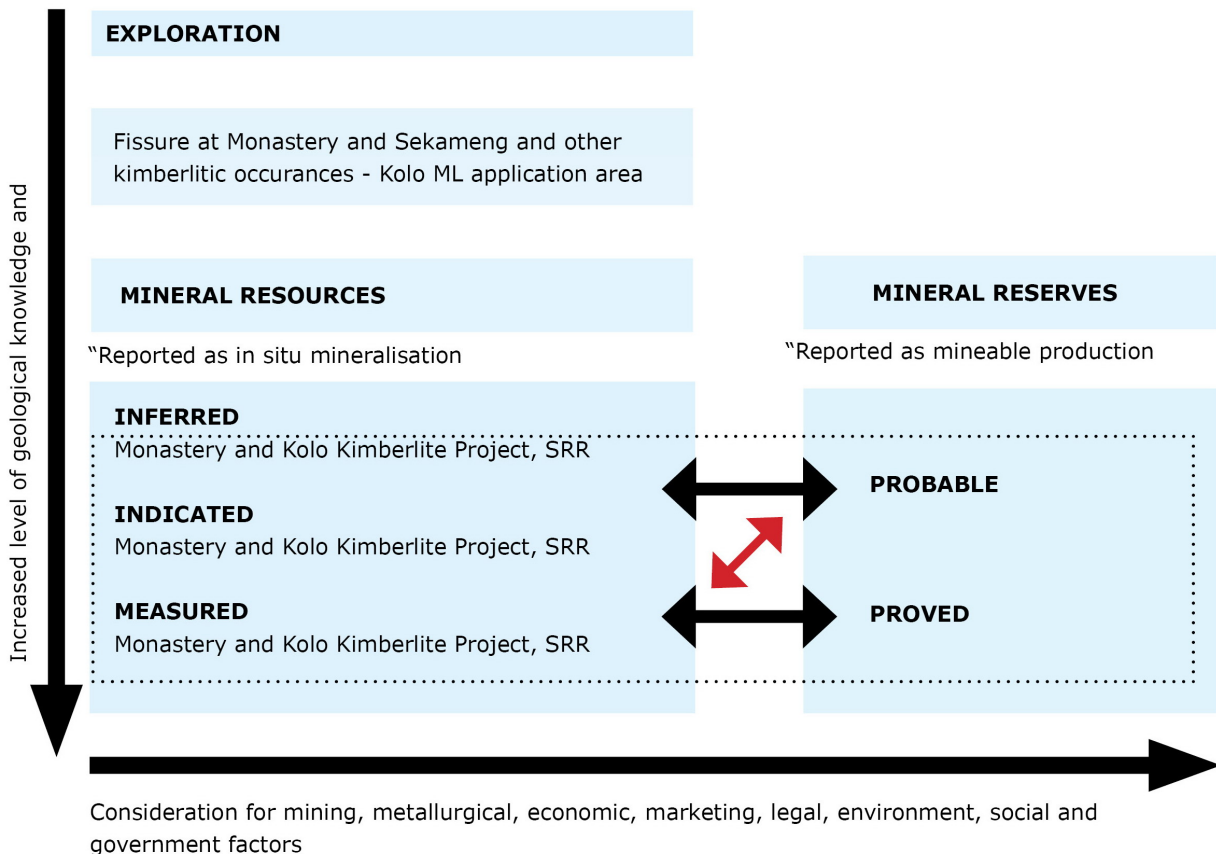
### Minnex Exploration Namibia (Pty) Ltd (“Minnex Namibia”) (an 80% subsidiary of Minnex Exploration (Pty) Ltd)

Minnex will re-evaluate the unresolved anomalies of the percussion drilling results reported by Namdeb prior to the prospecting rights to the two Exclusive Prospecting License areas expiring in July 2011.

### Framework for classifying tonnage and grade estimates

The estimates for tonnage and grade for the above projects have been compiled by Competent Person (“CP”), Mr M Welthagen, details of his qualifications are listed on pages 3 and 7, who is registered with ECSA and has the experience and knowledge to act as a CP to Thabex. Furthermore, the summary of the Group’s Mineral Reserves and Resources on page 8 has been compiled in terms of the SAMREC and SAMVAL Codes as well as the JSE Listings Requirements. His interest in Thabex is stated on page 58 as required in Section 12 of the Listings Requirements.

Framework for classifying tonnage and grade estimates reflecting different degrees of geoscientific confidence and technical and economic evaluation as defined by the SAMREC Code.



# THABEX LIMITED

## Glossary

### Definitions and terms

**“Assay”** – To determine the mineral content;

**“Azimuth”** – Azimuth and elevation are angles used to define the apparent position of an object in the earth, relative to a specific observation point. The observer is usually (but not necessarily) located on the earth’s surface;

**“ct”** – carat;

**“cpht”** – carat per hundred tons;

**“Competent Person”** – A person who, is registered with anyone of SACNASP, ECSA, PLATO, or any other statutory South African or international body that is recognised by SAMREC and, has a minimum of five years experience to the style of mineralisation and type of deposit under consideration and to the activity which that person is undertaking, as defined under the SAMREC Code for reporting of mineral resources and reserves;

**“cut-off grade”** – The grade at which the ore body is mined with no profit or loss, i.e. breakeven grade;

**“deposits”** – A continuous mass of material of sufficient mineral content to warrant investigation;

**“depletion”** – The decrease in the quantity of ore in a deposit or property resulting from extraction or production;

**“dilution”** – Waste which is mixed with ore in the mining process;

**“discount rate”** – A rate of return used to convert a future monetary sum into present value;

**“DMR”** – Department of Minerals and Resources;

**“DMS”** – Dense medium separation recovery equipment;

**“EPL”** – Exclusive Prospecting Licence;

**“estimation”** – Quantitative judgement of value (e.g. grade, costs, revenue);

**“exploration”** – Exploration encompassing prospecting, mapping, geological surveys, percussion drilling and other work employed in the search for diamond and other mineralisation;

**“dip”** – The angle that a structural surface makes with the horizontal, measured perpendicular to the strike of the structure;

**“faulting”** – The process of fracturing that produces a displacement of rock;

**“footwall”** – The underlying side of a fault or orebody;

**“Feasibility study”** – A comprehensive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed. The study is used to define the technical and economic viability of a project and to support the search for project financing;

**“in situ”** – Within the unbroken rock or in place;

**“Indicated Mineral Resource”** – That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed;

## THABEX LIMITED

**“Inferred Mineral Resource”** – That part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability.;

**“Measured Mineral Resource”** – A Measured Mineral Resource is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity;

**“metallurgical plant”** – The comminution of ore, although the term has come to also cover the broad range of machinery inside the treatment plant where the mineral is separated from the ore;

**“mineable”** – The portion of the mineralised deposit for which extraction is technically and economically feasible;

**“Minerals Act”** – The Minerals Act No 50 of 1991, as amended;

**“Mineral Reserve”** – The economically mineable material derived from a Measured and/or Indicated Mineral Resource. It is estimated with a lower level of confidence than a Proved Mineral Reserve. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified;

**“Mineral Resource”** – The concentration or occurrence of material of economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable and realistic prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, estimated from specific geological evidence and knowledge, or interpreted from a well constrained and portrayed geological model. Mineral Resources are subdivided, in order of increasing confidence in respect of geoscientific evidence, into Inferred, Indicated and Measured categories;

**“Measured Resource”** – That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity;

**“mineralisation”** – The presence of a target mineral in a mass of host rock;

**“New Minerals Act”** – The Minerals and Petroleum Resources Development Act (No 28 of 2002);

**“open cast mine”** – A mining operation that is operating on surface and does not make use of shafts to mine the ore;

**“ore”** – A mixture of mineralised material from which at least one of the contained minerals can be mined and processed at an economic profit;

**“outcrop”** – The truncation of a stratigraphic unit or ore body on surface;

**“pay limit”** – The breakeven grade at which the ore body can be mined without a profit or loss, calculated using forecast commodity prices, working costs and recovery factors;

**“present value”** – The value, as of a specified date, of future economic benefits and or proceeds from sale, calculated using an appropriate discount rate; of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified;

**“production”** – The day-to-day activities (including extraction and processing prior to sale) directed

## THABEX LIMITED

to obtaining saleable product from the mineral resource on a commercial scale;

**“prospecting permit”** – An authorisation issued by the department of Minerals and Energy in terms of section 6 of the Minerals Act 50 of 1991 to the holder of a mineral right or to a person who has obtained a consent from the mineral rights holder to prospect, allowing such person to prospect on the land to which the permit relates;

**“Proved Mineral Reserve”** – The economically mineable material derived from a Measured Mineral Resource. It is estimated with a high level of confidence. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified;

**“recovery grade”** – The actual grade of ore realised after the mining and treatment process;

**“reef”** – A mineralised horizon containing economic levels of metal;

**“refining”** – The final stage of metal production in which final impurities are removed from the molten metal by introducing air and fluxes;

**“rehabilitation”** – The process of restoring mined land to a condition approximating its original state;

**“stripping ratio”** – The amount of overburden to ore mined;

**“strike”** – The direction in which a horizontal line can be drawn on a plane;

**“sub outcrop”** – The unconformable truncation of one stratigraphic unit against another below the ground;

**“rehabilitation”** – The process of restoring mined land to a condition approximating its original state;

**“stripping ratio”** – The amount of overburden to ore mined;

**“strike”** – The direction in which a horizontal line can be drawn on a plane;

**“sub outcrop”** – The unconformable truncation of one stratigraphic unit against another below the ground;

### Units

g – a gram;

g/t – grams per ton;

ha – a hectare;

kg – a kilogram;

km – a kilometre;

m – a metre;

“ounce” or “oz” – one troy ounce (1 troy ounce equals 31,1035 grams);

% - Percentage;

lb – a pound;

R – South African Rand;

ton – metric ton;

“ton” or “t” – one ton is equal to 1 000 kilograms (a metric ton); and

US\$ - United States Dollar.

# THABEX LIMITED

## Abbreviations

“**Capex**” – Capital expenditure;

“**CPI**” – Consumer Price Index for South Africa;

“**CP**” – Competent Person;

“**CPR**” – Competent Persons’ Report;

“**DCF**” – Discounted Cash Flow;

“**EMPR**” – Environmental Management Programme, a document setting out plans to rehabilitate the surface of land disturbed during prospecting operations, as required by the New Minerals Act;

“**LOM**” – Life of mine, the estimated period of production;

“**LQS**” – Lower Quartile Solutions (Pty) Ltd, (Registration number 1999/03229/07) Unit 120, 1<sup>st</sup> Floor, Phase 4, Momentum Business Park, 563, Main Road, Midrand, 1685;

“**IRR**” – Internal Rate of Return, a discount rate at which the present value of the future cash flows of the investment equals the cost of investment;

“**Mt**” – million tons;

“**Mintek**” – Council for Mineral Technology, 200 Hans Strijdom Drive, Randburg, 2125;

“**NPV**” – Net present value;

“**SACNASP**” – The South African Council for Natural Scientific Professions;

“**SAMREC**” – The South African Mineral Resource Committee;

“**SAMREC Code**” – The South African Code for Reporting Mineral Resources and Mineral Reserves;

“**SAMVAL Code**” – South African Code for Valuation of Mineral Assets;

“**SG**” – specific gravity;

“**tpa**” – tons per annum;

“**tpm**” – tons per month;

“**tph**” – tons per hour

## Chemical symbols

Au – Gold;

Ag – Silver;

Cd – Cadmium;

Co – Cobalt;

Cu – Copper;

Ni – Nickel;

Pb – Lead;

Ti – Titanium

# THABEX LIMITED

## Financial Director's report

### Operating results

The Group incurred a loss for the year of R2.93 million (2009: loss of R8.81 million). The headline loss per share decreased from 4.18 cents per share to 2.21 cents per share and the net asset value of the Group increased from 4.16 cents per share in 2009 to 4.72 cents per share. The net tangible asset value the Group increased from (2.09) cents per share to (1.22) cents per share.

The decrease in the headline loss of the Group from R9.16 million in 2009 to R5.03 million in 2010 is due mainly to the sale of the 13.33% of the Company's interest in Angel Diamonds (Pty) Ltd ("Angel Diamonds") to a related party Mantle Diamonds Ltd and the sale of a 2% interest in Salt River Resources Limited ("SRR") to a related party CAJ Trust, of which JA Cruise is a trustee and he is also a director of SRR.

Short term loans decreased from R5.88 million in 2009 to R3.37 million as a result of the capitalisation of directors and shareholders loans in Angel Diamonds on 26 February 2010, as approved by the board of Angel Diamonds on 17 December 2009. The shareholders, represented in person and by proxy, also approved the special resolution to increase the authorised share capital of Angel Diamonds on 27 January 2010 during the Annual General Meeting. The remaining short term loan has been advanced by Dr JA Cruise, a related party (Non-executive Chairman of SRR, a subsidiary of Thabex), who has undertaken not to request repayment for a period of twelve months from the date of the publication of these financial results or until such date that the Group's current assets reasonably exceed its current liabilities.

Thabex issued 12 million ordinary shares at 7 cents per share for the acquisition of Monastery Holdings (Pty) Ltd for a total consideration of R840 000, effective 28 February 2010. This was not a business combination but an acquisition of assets and therefore IFRS 3 is not applicable.

On 23 April 2010 the Company's shares were sub-divided in 1 to 10 as per the special resolution approved on 10 February 2010. A form of surrender for non-dematerialised shareholders to exchange their present share certificates for the new sub-divided share certificate is enclosed in the annual report.

### Going concern

The Group incurred a net loss of R2.93 million (2009: loss of R8.81 million) for the year ended 28 February 2010. At that date, the Group's current liabilities exceeded its current assets by R5.20 million (2009: current liabilities exceeded current assets by R7.96 million).

The board has considered the ability of the Company and its subsidiaries to continue as going concerns and based on reasonable and supportable assumptions, have concluded that the forecast levels of production and the future benefits of the continuing prospecting operations of Monastery Mine (Pty) Ltd, an indirect subsidiary of Thabex, will produce sufficient cash flows to allow the Company and its subsidiaries to meet their obligations in the normal course of business for the foreseeable future.

Should the operations of the subsidiary fail to achieve forecast cash flows, there will be a material uncertainty that may cast doubt on the ability of the Company and its subsidiaries to continue as going concerns. The cash flow assumptions are based on a production rate of 10 000 tons per month at an average grade of 25cph (carats per hundred tons) and a conservatively modelled rough diamond price of US\$150/ct and an exchange rate of R7 : US\$1.

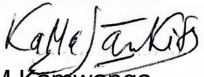
### Contingent liabilities

During the period ended 28 February 2009, the Company reported a contingent liability of R5.81 million against possible legal action from Mantle Diamonds Ltd ("Mantle Diamonds") for expenditure incurred by that company for their own account and risk on the Kolo Kimberlite project in Angel Diamonds. Since Mantle Diamonds withdrew from the Kolo Kimberlite project on 14 November 2009 and also declined to respond to the legal disputes between the major and minority shareholders of Angel Diamonds in which they were cited as respondents, the possibility for a liability has diminished to such an extent that Thabex's board do not consider there to be a likelihood of success by Mantle Diamonds should they institute a claim especially as Mantle Diamonds did not oppose the liquidation application of Angel Diamonds.

As approved by the board of Angel Diamonds on 17 December 2009, the company was re-capitalised utilising loan account balances and other amounts owing to the shareholders of Angel Diamonds by both Angel

## THABEX LIMITED

Diamonds and Thabex. Certain of the minorities representing R1.3 million of the amounts capitalised are disputing the re-capitalisation.



M. Kamwanga  
Financial Director

19 May 2011

# THABEX LIMITED

## CORPORATE GOVERNANCE STATEMENT

The board of directors remains fully committed to the principles of corporate governance as advocated by the King Committee reports and endorses the code of conducting the business of the Group with the highest degree of integrity and in accordance with generally accepted corporate practice.

### BOARD OF DIRECTORS

The board presently consists of three executive and four non-executive directors who ensure full and effective control over the Group. Directors are carefully selected to ensure a wide variety of expertise, skills and experience which allow independent judgment and opinions. The board of directors and management follow the unitary structure; meet on a quarterly basis to review the operational performance of the Group, strategic issues and stakeholder reporting. The board is responsible for the management of the Company and its subsidiaries. The Company's chairman is JR Rapoo and as a non-executive ensures division of responsibility, in compliance with JSE Listings Requirements, between the Chairman and the Executive responsible for the running of the Group's business (the Chief Executive Officer).

The following principles are adhered to with regard to the board of directors:

- All decisions and conclusions in discharging the duties and responsibilities of directors are clearly recorded in the minutes of the meetings.
- The directors are entitled to take independent professional advice if necessary, at the Company's expense.
- All directors have access to the advice and services of the Company Secretary.
- Directors are timeously supplied with information and have unrestricted access to all Company information, records, documents and property.

## CORPORATE GOVERNANCE STATEMENT

The board has delegated certain of its duties, as further set out below. Directors were briefed on the requirements of the Code of Corporate Practice and Conduct during the year under review.

### INTERNAL CONTROLS

All financial and related matters vest in a cash flow budget committee whose primary responsibility is to maintain adequate control and to authorise all capital, operating and non-operating expenditure. The adequacy and effectiveness of the accounting systems and controls are undertaken by management.

### INSIDER TRADING

All directors have been informed about the new JSE Listings Requirements regarding closed periods for trading in Thabex shares, prior to the publication of the Annual Financial Statements and the Interim Results, respectively.

### BOARD COMMITTEES

The board has established two standing committees to enable it to discharge its duties adequately and to ensure the economic viability and sustainability of the Company:

These are:

- Audit Committee; and
- Remuneration Committee.

#### Audit committee

The board recognises the importance of a strong audit committee with responsibility for ensuring the overall effectiveness of corporate governance within the Company. The audit committee comprises of JR Rapoo as chairman and Dr JW Kruger as independent non-executive director.

In order to ensure the independence of the Group's Auditors, the Audit Committee do not use KPMG Inc. for any non-audit functions, and should these be required and are not available within the expertise pool of the executive directors, independent advisors are consulted.

#### Internal financial and operating controls

The board is ultimately responsible for the internal and operating systems of the Group and for monitoring their effectiveness. These systems are designed to provide reasonable assurance against material

## THABEX LIMITED

misstatement and loss. The established audit committee monitors these systems and advises the board on any adaptations that may be required in order to meet changing business circumstances. The committee is responsible for assisting the board in the implementation and monitoring of reasonable safeguards in respect of the unauthorised use or disposal of Group assets, compliance with relevant legislation and regulations and the maintaining of proper accounting records, as well as for advising the board on the appointment of external auditors. The Audit Committee may recommend the appointment internal auditors and/or consultants to perform non-audit functions to the Group if required.

### Remuneration committee

JR Rapoo as chairman of the remuneration committee and Dr JW Kruger as independent non-executive director constitute this committee.

The committee determines the remuneration, incentive arrangement, profit participation and benefits of the executive directors and executive management. The committee is responsible for ensuring that the levels of remuneration are sufficient to attract, retain and motivate executives of the caliber required for high level management as well as key personnel positions. It is also responsible for measuring the performance of the executive directors in discharging their functions and responsibilities.

Remuneration is performance related and is designed to provide incentives for directors and staff to perform at the highest operational levels.

### Internal audit

Due to the present size of the Group, an internal audit function has not been established yet. This will be remedied as soon as the Group has grown sufficiently according to the long-term development policy.

Attendance registers of board and board committee meetings:

Director	Audit Committee	Remuneration Committee	Directors Meetings
<b>JR Rapoo</b>	4/4	4/4	4/4
<b>JL Bosch</b> Resigned 23 June 2009			
<b>CJ Engelbrecht</b> Appointed 23 June 2009 and resigned 15 April 2010	1/4 by invitation		2/4
<b>M Kamwanga</b> Appointed 29 June 2009			2/4
<b>Dr JW Kruger</b>	4/4	4/4	4/4
<b>MJ Ratshedi</b> Appointed 23 June 2010	3/4 by invitation		3/3
<b>Prof DL Reid</b>			C/4
<b>AP Roux</b>			C/4
<b>M Welthagen</b>	4/4 by invitation		4/4

C = Circulated Agenda and minutes

Mr Kamwanga has been in the Democratic Republic of the Congo for a major part of the year under review, Professor Reid and Mr Roux are based in Cape Town and to ensure maximum cost savings communications with them and the board were through e-mail and telephone.

### Non-compliance with generally accepted corporate governance practice

During the year under review an executive director of Thabex, Mr CJ Engelbrecht and executive directors of Angel Diamonds (Pty) Ltd ("Angel Diamonds") Messrs CJ Engelbrecht and TP Mosebo, launched several High Court cases in the Kingdom of Lesotho against Thabex, other interested parties and Angel Diamonds. The court cases were preceded by several instances of non-compliance by the above directors to Thabex's Standard Procedures and Corporate Governance practice. The main result of these actions was the failure of Messrs Engelbrecht and Mosebo to procure an audit of Angel Diamonds. The resulting consequence of the non-compliance was that Thabex failed to timeously publish its Annual Financial Statements for the period ended 28 February 2010 as required by the Companies Act and the Listings Requirements of the JSE.

## **THABEX LIMITED**

### **DEMATERIALISATION**

Strate is an electronic settlement environment for transactions to be settled and transfer of ownership to be recorded electronically, which will be managed by Strate Limited (registration number 1998/022242/06). As at 28 February 2010 91.61% (2009: 91.61%) of Thabex's ordinary shares were dematerialised.

### **SAMREC AND SAMVAL CODES**

Whilst the annual report has been prepared for the benefit of the shareholders, sufficient information is disclosed for any interested party to make an informed judgement about the merits of the Group's exploration projects.

The JSE Listings Requirements have also been met, which incorporate the South African Code for Reporting of Mineral Resources and Mineral Reserves ("SAMREC Code") as defined by the South African Institute of Mining and Metallurgy. The financial statements itemise detailed exploration information such as individual borehole results, assays and modeling criteria. On page 8 an analysis of the Group's exploration and near mining projects are tabled. Furthermore, the SAMVAL Code (South African Code for Valuation of Mineral Assets) has also been complied with regards to the valuation of the Groups exploration projects.

### **EMPLOYMENT EQUITY**

Thabex recognises the importance of employment equity and is continuing in its efforts to appoint Black, Coloured or Asian managers and employees, through recruitment and training.

### **BLACK ECONOMIC EMPOWERMENT**

Thabex is 18.4% (2009: 21.72%) directly owned by Black Economic Empowered persons.

### **ENVIRONMENTAL COMPLIANCE**

The Group's Environmental Rehabilitation Programs in the Northern Cape for the Salt River Base Mineral Project and the Monastery Kimberlite project in the Free State Province have been approved by the Department of Minerals and Resources. The Ministry of Mines and Energy in Namibia approved the environmental program for the Minnex Kimberlite Project. Angel Diamonds (Pty) Ltd has been prospecting in compliance with the EMP approved by the National Environmental Secretariat of Lesotho and was compiled by Golder and Associates. Angel Diamonds (Pty) Ltd has also completed an EIA which is a requirement for the granting of a Mining License.

### **SUSTAINABLE DEVELOPMENT**

The Company's future growth will be from the development of Thabex's own exploration projects and acquisitions, such as Monastery Mine (Pty) Ltd and Minnex Exploration (Pty) Ltd into mining projects. The acquisition of Monastery Mine (Pty) Ltd and Minnex Exploration (Pty) Ltd will ensure the long-term growth of Thabex into a fully fledged Junior Mining and Exploration Company.

### **RISK MANAGEMENT AND INSURANCE**

The objective of the Company's risk management policy established by the board is to minimise its business risk by safeguarding Company assets and income earning capacity. The procedures adopted in compliance with this policy are augmented by the procurement of insurance for those events that are beyond the control of management.

### **CODE OF ETHICS**

All employees, officers and directors of Thabex and its subsidiaries are required to maintain the highest ethical standards ensuring business practices are conducted in a manner beyond reproach.

# **THABEX LIMITED**

## **CONTENTS OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS**

**Thabex Limited**

**Annual Report for the year ended 28 February 2010**

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# THABEX LIMITED

## DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Thabex Limited, comprising the statement of financial position at 28 February 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

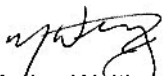
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

### Approval of annual financial statements

The annual financial statements of Thabex Limited, as identified in the first paragraph, were approved by the board of directors on 19 May 2011 and signed on their behalf by



Marius Welthagen  
Chief Executive



Jeffrèy Raymond Rapoo  
Chairman

## COMPANY SECRETARIES' CERTIFICATE

In terms of the Companies Act 1973 (as amended), we hereby certify that the Company has lodged, with the Registrar of Companies all such returns as are required of a public Company in terms of the Act, and that all such returns are true, correct and up to date.

SA Mineral Investments (Pty) Ltd  
Company Secretaries  
19 May 2011

# THABEX LIMITED

## Independent Auditor's Report

To the Members of Thabex Limited

We were engaged to audit the group annual financial statements and the annual financial statements of Thabex Limited, which comprise the statements of financial position at 28 February 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 24 to 61.

### *Directors' Responsibility for the Financial Statements*

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### *Basis for Disclaimer of Opinion*

The going concern note in the director's report indicates that the board has considered the ability of the company and its subsidiaries to continue as going concerns and, based on reasonable and supportable assumptions, have concluded that the forecast level of production and future benefits of the continuing prospecting operations of Monastery Mine (Pty) Ltd, a subsidiary, will produce sufficient cash flows to allow the company and its subsidiaries to meet their obligations in the normal course of business for the foreseeable future. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the assumptions applied by the board in preparing the going concern assessment are reasonable and supportable. The possible effects of this matter are considered material and pervasive to the financial position, financial performance and cash flows of the company and its subsidiaries reflected in these financial statements.

### *Disclaimer of Opinion*

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

KPMG Inc.  
Registered Auditor



Per Shaun van den Boogaard  
Chartered Accountant (SA)  
Registered Auditor  
Director  
19 May 2011

1226 Schoeman Street  
Hatfield  
0028

# **THABEX LIMITED**

## **DIRECTORS' REPORT**

The Directors have the pleasure in presenting their report for the year ended 28 February 2010.

## **NATURE OF BUSINESS**

Thabex Limited ("Thabex") (Registration number 1988/000763/06) is a Junior Mining and Exploration Company listed on the JSE Ltd ("JSE") in the "Basic Resources; Mining - Diamonds and Gemstones" sector of the list under the abbreviated name "Thabex" (ISN code: ZAE000013686 JSE code: TBX).

Thabex and its subsidiaries explore for diamonds, coal, gold, platinum and base minerals and Thabex also trades in polished diamonds. The Group's exploration projects are located in Africa. The projects range from grassroots exploration and green fields projects to drill-defined deposits. The focus of Thabex's future mining and exploration activities is on diamonds through Angel Diamonds (Pty) Ltd, Diamex JV (Pty) Ltd, Alliance Afric Mining (Pty) Ltd, Minnex Namibia (Pty) Ltd, Thabex Diamonds (Pty) Ltd and BEE subsidiaries - Taung Diamond Mines (Pty) Ltd and Monastery Mine (Pty) Ltd. The Salt River Resources Ltd is a poly-metallic base mineral project in the Northern Cape Province ensures a sufficient diversification to the Group's commodity and exploration projects..

## **SHARE CAPITAL**

The authorised share capital of the Company is 1 000 000 000 (2009: 1 000 000 000) ordinary shares of 1 cent each). This is the result of the Company's shares being sub-divided on 10 February 2010 in 1 to 10 as per the Special resolution approved on 10 February 2010.

As at 28 February 2010 the issued share capital of the Company comprised 239 868 870 (2009: 227 868 870) ordinary shares of 1 cent each.

## **DIVIDENDS**

No dividends are proposed in respect of the 2010 financial year (2009: nil).

## **SUBSIDIARIES**

Details of the Company's subsidiaries are set out in note 3.

## **GOING CONCERN**

The Group incurred a net loss of R2 933 713 (2009: R8 8 811 068) and the Company incurred a net loss for the year of R1 971 729 (2009: R7 480 029) for the year ended 28 February 2010. At that date, the group's current liabilities exceeded its current assets by R5 198 433 (2009: R7 957 198) and the Company's current liabilities exceeded its current assets by R5 092 991 (2009: R7 734 745).

The board has considered the ability of the Company and its subsidiaries to continue as going concerns and, based on reasonable and supportable assumptions, have concluded that the forecast levels of production and the future benefits of the continuing prospecting operations of Monastery Mine (Pty) Ltd, a subsidiary, will produce sufficient cash flows to allow the Company and its subsidiaries to meet their obligations in the normal course of business for the foreseeable future.

Should the operations of the subsidiary fail to achieve forecast levels of production, there will be a material uncertainty that may cast significant doubt on the ability of the Company and its subsidiaries to continue as going concerns.

## **MANAGEMENT**

The Group has not entered into any management agreement with its directors or any other company.

## **THABEX LIMITED**

### **SECRETARIAL SERVICE**

SA Mineral Investments (Pty) Ltd, a company indirectly controlled by Marius Welthagen, acts as Company Secretary to Thabex.

### **MINERAL AND PROSPECTING RIGHTS**

The board has considered the current modifying and risk factors influencing the value of the Group's mineral and prospecting rights. These include the expected medium to long-term increase in rough diamond demand. Although significant increases in precious and base metal prices occurred during the year under review, base metal prices declined to a more sustainable level at the time of this report. The long-term market conditions for these commodities are factors which caused positive changes to the development of the Group's mining assets.

Thabex has acquired 100% of Monastery Holdings (Pty) Ltd and have been investigating financial alternatives to bring the 100tph DMS plant into production.

After the issue of the 12 million consideration shares for the acquisition of the Monastery Holdings (Pty) Ltd, the Group's direct BEE shareholding decreased to 18.4% from 21.72% at 28 February 2010.

Angel Diamonds (Pty) Ltd ("Angel Diamonds") submitted an application for a Mining Lease in terms of the Mines and Minerals Act of Lesotho over an area containing six kimberlitic occurrences, including the Kolo Kimberlite pipe, to the office of the Commissioner of Mines on 12 December 2008. The Mining Lease has not been granted to date. As a result of this delay, Thabex has reprioritised its project development with the development of the Monastery Kimberlite project being pursued.

### **SUBSEQUENT EVENTS**

On 28 November 2010 Mr CV du Plessis, a diamantaire, brought an application for the winding-up of Thabex mainly for an amount of US\$25 000, being his 13.33% of the proceeds of the disposal of Angel Diamonds to Mantle Diamonds. The said amount was capitalised into ordinary shares of Angel Diamonds (Pty) Ltd on 26 February 2010. The board believes that this application has little prospect of success and is being defended. The final outcome of the application is expected to be heard during June 2011.

#### **Monastery Mine (Pty) Ltd**

On 15 February 2011 Monastery Mine (Pty) Ltd entered into a subcontract agreement with Dry Harts Diamonds CC to process an oxidised kimberlite dump situated next to the Monastery Kimberlite pipe at a minimum rate of 10 000 tons per month.

At present the Company is trading under Cautionary Announcement, while negotiations are continuing with regards to the funding of the Company's Monastery Mine (Pty) Ltd, subject to the JSE Listings Requirements, and shareholders should continue to exercise caution when dealing with their Thabex shares until a further announcement is made.

#### **Angel Diamonds (Pty) Ltd**

As a result of an interdict brought by two minority shareholders of Angel Diamonds, which was defended, but granted on 21 June 2010, a very voluminous and acrimonious litigation process followed and is summarised below.

The application for the liquidation by Mr TP Mosebo, a director of Angel Diamonds at the time, was opposed by Thabex and other minority shareholders of Angel Diamonds, was discharged with costs on 19 May 2011. Thabex has informed the Commissioner of Mines and Geology that the Company has the financial backing of an institution for the development of the Kolo Kimberlite project and of the positive outcomes of both the Appeal in the Main application and the Liquidation application (Refer to the SENS announcements relating to these Appeal and High Court cases in the Kingdom of Lesotho).

### **LITIGATION**

The Thabex group is involved in the following litigation and potential litigation.

## THABEX LIMITED

In the High Court of Lesotho:

- Case No CIV/APN/333/2010 - Main Application and the Counter Application;
- Case No CCA/08/2010 - Liquidation of Angel Diamonds, having been heard argued on 23 March 2011 and discharged with costs on 19 May 2011;
- Case No CIV/APN/664/2010 - Interdict against the Commissioner of Mines and others to be heard on 27 June 2011, but is largely academic as the Appeal against the Judgment of 17 November 2010 in and interlocutory application for costs, subject to certain conditions, was upheld on 20 April 2011.

In the North Gauteng High Court:

- Case No 67885/10 – Application by Mr CV Visser, a diamantaire, for the winding-up of Thabex.
- Baka Plant (Pty) Ltd was liquidated during the year under review and a claim against Thabex for R184 641 is not being pursued by the liquidators.

Save for the litigation and potential litigation referred to above, there are no material legal or arbitration proceedings of which the directors of Thabex are aware of and which may have or have had, from 1 March 2010 to the date of signature of these annual financial statements, a material effect on the financial position of the Thabex group or influence any of the Thabex group's rights to explore for minerals.

### SPECIAL RESOLUTIONS

On 23 April 2010 the Company's shares were subdivided in 1 to 10 in Thabex authorised share capital. The Special Resolution to effect this subdivision was approved at the Annual General Meeting of the Company on 10 February 2010.

On 26 February 2010, Angel Diamonds, registered a special resolution approved at the company's annual general meeting on 27 January 2010 to increase the authorised share capital from 1 000 ordinary shares of M1 each to 2 000 ordinary shares of M1 each.

Other than mentioned above there are no other events of a material nature that have occurred between the balance sheet date and the date of this report.

### DIRECTORS' INTEREST IN THE SHAREHOLDING OF THE COMPANY

The change in the directors' interest in the shares of the Company is presented on page 58.

### DIRECTORATE AND ADMINISTRATION

The executive directors in office at the date of this report are M Kamwanga, JM Ratshedi and M Welthagen. The non-executive directors were Dr JW Kruger, JR Rapoo (Chairman), AP Roux and Prof DL Reid. In accordance with Article 93 of the Company's Articles of Association, Prof DL Reid will retire from office at the annual general meeting to be held on Wednesday, 25 July 2011, but being eligible, offers himself for re-election. CJ Engelbrecht resigned on 15 April 2010.

Mr JM Ratshedi was appointed to the board of Thabex as executive director on 14 May 2010. Details of directors' emoluments are set out in note 23.

#### Abridged biography of director seeking election

Name:	Joseph Mamadimo Ratshedi
Date of birth:	17 August 1961
Academic qualifications:	B Law
Occupation:	Business Consultant
Experience:	(See page 7)
Other current directorships:	Jurran Properties (Pty) Ltd

#### Abridged biography of director seeking re-election

Name:	David Louis Reid
Date of birth:	12 December 1948
Academic qualifications:	DPhil (Geochemistry) MSc (Geology) BSc Hons (Geology)
Occupation:	Associate Professor in the Department of Geological Sciences
Experience:	(See page 7)
Other current directorships:	None

## **THABEX LIMITED**

### **Audit Committee's report**

The Audit Committee comprises of two independent non-executive directors namely, Mr JR Rapoo and Dr JW Kruger. The terms of reference of the Audit Committee are reviewed on an annual basis. The Audit Committee held four formal meetings during the financial year to consider various financial issues. The Audit Committee advises the board on matters of importance such as corporate governance practices, internal control policies and procedures.

The Audit Committee has recommended that KPMG Inc. be re-appointed as the auditors for the year ended 28 February 2011.

The board has determined that the Audit Committee fulfilled its responsibilities for the year under review, and as required reports that it is satisfied with the appropriateness of the expertise and experience of the financial director, Masankisi Kamwanga for the period under review and the independence of KPMG Inc.

# THABEX LIMITED

## STATEMENTS OF FINANCIAL POSITION

At 28 February 2010

	Notes	Group	2009	Company	2009
		2010	R	2010	R
<b>Assets</b>					
<b>Non-current assets</b>		<b>18 447 939</b>	19 403 057	<b>14 762 538</b>	18 540 500
Property plant and equipment	2	4 208 911	5 164 029	128 476	367 624
Exploration and evaluation assets	4	14 239 028	14 239 028	-	-
Interest in subsidiaries	3	-	-	14 634 062	18 172 876
<b>Current assets</b>		<b>2 088 211</b>	1 853 576	<b>1 614 812</b>	2 118 449
Inventories	5	1 515 982	1 214 570	968 982	1 158 570
Short term investments	6	32 654	65 101	32 654	65 101
Trade and other receivables	7	486 306	493 454	613 176	853 326
Short-term loans	8	-	-	-	-
Cash and cash equivalents	9	53 269	80 451	-	41 452
<b>Total assets</b>		<b>20 536 150</b>	21 256 633	<b>16 377 350</b>	20 658 949
<b>Equity and liabilities</b>					
<b>Capital and reserves</b>					
Share capital	10	2 398 689	2 278 689	2 398 689	2 278 689
Share premium		27 975 112	27 259 591	27 975 112	27 259 591
Accumulated loss		(21 492 149)	(20 060 685)	(20 704 254)	(18 732 525)
<b>Total equity attributable to the equity holders of the parent</b>		<b>8 881 652</b>	9 477 595	<b>9 669 547</b>	10 805 755
<b>Non-controlling interest</b>		<b>2 430 751</b>	-	-	-
<b>Total equity</b>		<b>11 312 403</b>	9 477 595	<b>9 669 547</b>	10 805 755
<b>Non-current liabilities</b>		<b>1 937 103</b>	1 968 264	-	-
<b>Loans and borrowings</b>	11	<b>1 937 103</b>	1 968 264	-	-
<b>Current liabilities</b>		<b>7 286 644</b>	9 810 774	<b>6 707 803</b>	9 853 194
Bank overdraft	9	-	32 168	2 109	32 168
Trade and other payables	12	3 441 271	3 029 273	2 627 512	2 128 026
Loans from group companies	3	-	-	708 182	3 746 430
Short-term loans	13	3 370 000	5 877 289	3 370 000	3 946 570
Taxation payable		475 373	872 044	-	-
<b>Total equity and liabilities</b>		<b>20 536 150</b>	21 256 633	<b>16 377 350</b>	20 658 949

# THABEX LIMITED

## STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 28 February 2010

	Notes	Group	2009	Company	2009
		2010		2010	
		R	R	R	R
Revenue	15	<b>420 995</b>	282 136	<b>420 995</b>	282 136
Cost of sales		<b>(292 896)</b>	(300 822)	<b>(292 896)</b>	(270 822)
<b>Gross profit/(loss)</b>		<b>128 099</b>	(18 686)	<b>128 099</b>	11 314
Other operating income		<b>4 490 054</b>	1 069 876	<b>4 208 844</b>	2 209 908
Administration expenses		<b>(2 579 411)</b>	(1 291 237)	<b>(1 396 514)</b>	(704 862)
Other operating expenses		<b>(5 714 847)</b>	(8 028 855)	<b>(5 259 715)</b>	(8 438 353)
<b>(Loss)/profit from operating activities</b>	16	<b>(3 676 105)</b>	(8 268 902)	<b>(2 319 286)</b>	(6 921 993)
Finance income	17	<b>463 391</b>	5 384	<b>352 832</b>	1 564
Finance expense	18	<b>(6 014)</b>	(547 550)	<b>(5 275)</b>	(559 600)
<b>(Loss)/profit before taxation</b>	19	<b>(3 218 728)</b>	(8 811 068)	<b>(1 971 729)</b>	(7 480 029)
Taxation	20	<b>285 015</b>	-	-	-
<b>(Loss)/profit for the year</b>		<b>(2 933 713)</b>	(8 811 068)	<b>(1 971 729)</b>	(7 480 029)
<b>Other comprehensive income</b>					
Net change in fair value of available for sale financial assets		<b>82 444</b>	499 800	<b>82 444</b>	499 800
Net change in fair value of available for sale financial assets reclassified to profit or loss		<b>(82 444)</b>	(499 800)	<b>(82 444)</b>	(499 800)
Other comprehensive income for the year		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>(2 933 713)</b>	(8 811 068)	<b>(1 971 729)</b>	(7 480 029)
<b>Loss and total comprehensive income attributable to:</b>					
Equity holders of the parent		<b>(1 431 464)</b>	(8 811 068)	<b>(1 971 729)</b>	(7 480 029)
Non-controlling interest		<b>(1 502 249)</b>	-	-	-
Basic loss per share (cents)	19	<b>(0.63)</b>	(4.02)	<b>(0.87)</b>	(3.41)
Diluted loss per share (cents)	19	<b>(0.63)</b>	(4.02)	<b>(0.87)</b>	(3.41)

# THABEX LIMITED

## STATEMENTS OF CASH FLOWS

For the year ended 28 February 2010

	Notes	Group 2010 R	2009 R	Company 2010 R	2009 R
<b>Cash (utilised in)/generated by operating activities</b>					
Cash (utilised in)/generated by operating activities	22	(8 193 861)	(517 306)	(1 495 588)	1 556 425
Interest received		273 683	5 384	270 388	1 564
Interest paid		(6 014)	(20 679)	(5 275)	(20 324)
Taxation paid	22.1	(4 392)	-	-	-
<b>Net cash(outflow)/inflow from operating activities</b>		<b>(7 930 584)</b>	<b>(532 601)</b>	<b>(1 230 475)</b>	<b>1 537 665</b>
<b>Cash flow from investing activities</b>					
Additions to property, plant and equipment to expand operations		(10 589)	(270 035)	(10 595)	(257 480)
Acquisition of subsidiary	22.2	(572)	(283 677)	(4 479)	(284 042)
Proceeds on disposal of property, plant and equipment		251 858	3 039	155 944	3 484 104
Proceeds from disposal of shares in subsidiary		3 646 982	-	3 646 982	-
Funding advanced to subsidiaries		-	-	(2 556 773)	(5 385 343)
Repayment of loan from subsidiary		-	-	(126 888)	-
Proceeds on disposal of short term investments		114 891	-	114 891	-
Increase in unlisted investments		-	(7 673)	-	(7 673)
Proceeds from disposal of unlisted investments		-	500 000	-	500 000
<b>Net cash inflow/(outflow) from investing activities</b>		<b>4 002 570</b>	<b>(58 346)</b>	<b>1 219 082</b>	<b>(1 950 434)</b>
<b>Cash flow from financing activities</b>					
Issue of shares		-	780 000	-	780 000
Issue of shares in subsidiary to minorities		3 933 000	-	-	-
Share issue expenses		-	(3 000)	-	(3 000)
<b>Net cash outflow flow from financing activities</b>		<b>3 933 000</b>	<b>777 000</b>	<b>-</b>	<b>777 000</b>
<b>Decrease in cash and cash equivalents</b>		<b>4 986</b>	<b>186 053</b>	<b>(11 393)</b>	<b>364 231</b>
Cash and cash equivalents at beginning of year		48 283	(137 770)	9 284	(354 947)
<b>Cash and cash equivalents at end of year</b>	9	<b>53 269</b>	<b>48 283</b>	<b>(2 109)</b>	<b>9 284</b>

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## STATEMENTS OF CHANGES IN EQUITY

For the year ended 28 February 2010

	Notes	Share Capital R	Share Premium R	Fair Value Reserve R	Accumulated Loss R	Total* R	Non-controlling Interest R	Total Equity R
<b>Group</b>								
<b>Balance at 29 February 2008</b>		<b>2 100 689</b>	<b>24 664 633</b>	-	<b>(11 249 617)</b>	<b>15 515 705</b>	-	<b>15 515 705</b>
<b>Transactions with owners of the company recognised directly in equity</b>								
Issue of ordinary shares		178 000	2 602 000	-	-	2 780 000	-	2 780 000
Share issue expenses		-	(7 042)	-	-	(7 042)	-	(7 042)
<b>Contributions by owners of the company</b>		<b>178 000</b>	<b>2 594 958</b>	-	-	<b>2 772 958</b>	-	<b>2 772 958</b>
<b>Total comprehensive income for the year</b>								
(Loss)/profit for the year		-	-	-	(8 811 068)	(8 811 068)	-	(8 811 068)
Total other comprehensive income for the year		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	(8 811 068)	(8 811 068)	-	(8 811 068)
<b>Balance at 28 February 2009</b>		<b>2 278 689</b>	<b>27 259 591</b>	-	<b>(20 060 685)</b>	<b>9 477 595</b>	-	<b>9 477 595</b>
<b>Transactions with owners of the company recognised directly in equity</b>								
Issue of ordinary shares	10	120 000	720 000	-	-	840 000	-	840 000
Share issue expenses		-	(4 479)	-	-	(4 479)	-	(4 479)
Non-controlling interest arising from capitalisation issue in subsidiary		-	-	-	-	-	3 933 000	3 933 000
<b>Contributions by owners of the company</b>		<b>120 000</b>	<b>715 521</b>	-	-	<b>835 521</b>	<b>3 933 000</b>	<b>4 768 521</b>
<b>Total comprehensive income for the year</b>								
(Loss)/profit for the year		-	-	-	(1 431 464)	(1 431 464)	(1 502 249)	(2 933 713)
Total other comprehensive income for the year		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	(1 431 464)	(1 431 464)	(1 502 249)	(2 933 713)
<b>Balance at 28 February 2010</b>		<b>2 398 689</b>	<b>27 975 112</b>	-	<b>(21 492 149)</b>	<b>8 881 652</b>	<b>2 430 751</b>	<b>11 312 403</b>

\*Total equity attributable to the equity holders of the parent

# THABEX LIMITED

## STATEMENTS OF CHANGES IN EQUITY (Continued)

For the year ended 28 February 2010

	Notes	Share Capital R	Share Premium R	Fair Value Reserve R	Accumulated Loss R	Total* R	Non-controlling Interest R	Total Equity R
<b>Company</b>								-
<b>Balance at 29 February 2008</b>		<b>2 100 689</b>	<b>24 664 633</b>	-	<b>(11 252 496)</b>	<b>15 512 826</b>	-	<b>15 512 826</b>
<b>Transactions with owners of the company recognised directly in equity</b>								
Issue of ordinary shares		178 000	2 602 000	-	-	2 780 000	-	2 780 000
Share issue expenses		-	(7 042)	-	-	(7 042)	-	(7 042)
<b>Contributions by owners of the company</b>		<b>178 000</b>	<b>2 594 958</b>	-	-	<b>2 772 958</b>	-	<b>2 772 958</b>
<b>Total comprehensive income for the year</b>								-
(Loss)/profit for the year		-	-	-	(7 480 029)	(7 480 029)	-	(7 480 029)
Total other comprehensive income for the year		-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(7 480 029)</b>	<b>(7 480 029)</b>	<b>-</b>	<b>(7 480 029)</b>
<b>Balance at 28 February 2009</b>		<b>2 278 689</b>	<b>27 259 591</b>	-	<b>(18 732 525)</b>	<b>10 805 755</b>	-	<b>10 805 755</b>
<b>Transactions with owners of the company recognised directly in equity</b>								
Issue of ordinary shares	10	120 000	720 000	-	-	840 000	-	840 000
Share issue expenses		-	(4 479)	-	-	(4 479)	-	(4 479)
<b>Contributions by owners of the company</b>		<b>120 000</b>	<b>715 521</b>	-	-	<b>835 521</b>	-	<b>835 521</b>
<b>Total comprehensive income for the year</b>								-
(Loss)/profit for the year		-	-	-	(1 971 729)	(1 971 729)	-	(1 971 729)
Total other comprehensive income for the year		-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 971 729)</b>	<b>(1 971 729)</b>	<b>-</b>	<b>(1 971 729)</b>
<b>Balance at 28 February 2010</b>		<b>2 398 689</b>	<b>27 975 112</b>	-	<b>(20 704 254)</b>	<b>9 669 547</b>	-	<b>9 669 547</b>

\*Total equity attributable to the equity holders of the parent

# THABEX LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 28 February 2010

### 1. Reporting entity

Thabex Limited ("the Company") is a Company domiciled in the Republic of South Africa. The consolidated financial statements of the Company as at and for the year ended 28 February 2010 comprise the Company and its subsidiaries (together referred to as the "Group") (see page 28). The Group is primarily involved in mining and exploration and is listed on the JSE.

### 1.2. Basis of preparation

#### 1.2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act. The financial statements were approved by the board of directors on 19 May 2011.

#### 1.2.2. Basis of measurement

Except for financial instruments at fair value through profit and loss that are measured at fair value, the financial statements and the consolidated financial statements have been prepared on the historical cost basis.

#### 1.2.3. Functional and presentation currency

These financial statements are presented in South African Rand, which is the Company's functional currency.

#### 1.2.4. Use of estimates and judgements

The preparation of the consolidated annual financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carry values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Note 6 - Valuation of financial instruments

Note 3 - Impairment of loans in subsidiaries

Note 14 - Deferred tax

### 1.3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Company and Group annual financial statements:

#### 1.3.1. Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. When a group of assets that does not constitute a business is acquired, the cost of the acquisitions allocated between the individual identifiable assets and liabilities in the group based on their relative values at the acquisition date.

#### 1.3.2. Investment in subsidiaries

Investment in Subsidiaries is carried at cost less impairment losses in the Company annual financial

## THABEX LIMITED

statements. Profit or loss on the sale of an investment in a subsidiary is accounted for through profit or loss.

### 1.3.3. Foreign currency

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 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 the effective interest and payments for 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 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.

### 1.3.4. Property, plant and equipment

#### Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. These costs include costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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 property, plant and equipment, and are recognised net within "other income" in profit or loss.

#### Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

#### Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	20 years
Furniture and office equipment	5 years
Computer equipment	3 years
Vehicles	5 years
Exploration equipment	5 years

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

### 1.3.5. Intangible assets

#### Exploration and evaluation expenditure

The costs of acquiring prospecting rights are capitalised as intangible exploration and evaluation assets on a

## THABEX LIMITED

project-by-project basis, pending determination of the technical feasibility and commercial viability. Costs incurred on exploration activities after initial recognition is expensed in profit or loss in the period incurred. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist in terms of the South African Code for Reporting Mineral Resources and Mineral Reserves (SAMREC code) and the South African Code for Valuation of Mineral Assets (SAMVAL code). Upon determination of proven reserves intangible exploration and evaluation assets attributable to those reserves are first assessed for impairment and then reclassified from intangible exploration and evaluation assets to other appropriate categories of non-current assets. Amortisation of these assets commences once these assets are appropriately classified and are available for commercial production.

However, additional guidance as provided by IFRS 6 is used to determine indicators of impairment. These include:

- The period to explore granted in terms of the prospecting rights acquired has expired during the period; or will expire in the near future; or is not expected to be renewed;
- Further exploration on the projects is neither budgeted nor planned in the near future;
- A decision was made not to develop a project; and
- There is an indication that the carrying amount of the intangible exploration and evaluation asset is unlikely to be recovered in full from a successful development or sale of the project.

If a project is abandoned the related costs are expensed in profit or loss immediately.

As per IFRS 6 Exploration for Evaluation of Mineral Resources, the Group and Company have elected to keep the current policy to recognise expenditure on exploration and evaluation in profit or loss in the year in which it is incurred.

### 1.3.6. Impairment

#### 1.3.6.1. Impairment of non-financial assets:

The carrying amounts of the Group's assets, except for inventories (see accounting policy 1.3.7.) and deferred tax assets (see accounting policy 1.3.13.), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the expected future cash flows from the asset 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 asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets and groups of assets (the "cash-generating unit").

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed 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 not impairment loss had been recognised.

#### 1.3.6.2. Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is reclassified to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the

## THABEX LIMITED

impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

### 1.3.7. Inventories

Inventories comprising polished and rough diamonds are carried at the lower of cost and net realisable value. Costs are determined using the specific cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

### 1.3.8. Provisions

Provisions are recognised when the Company and the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### 1.3.9. Financial instruments

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other assets are recognised initially on the trade date, which is the date the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire, or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amount and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables.

#### Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value, in accordance with the Group's documented risk management and investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. These investments include investments in investment fund.

#### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

#### Financial liabilities

The Group initially recognises financial liabilities initially on trade date, which is the date that the Group becomes a party to the contractual provision of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies financial liabilities into the other financial liabilities category. Such financial liabilities are

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recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### **1.3.9.3. Determination of fair values Investments in equity and debt securities**

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted closing bid price at the reporting date.

### **1.3.10. Share capital**

#### **Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

#### **Treasury shares**

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effect, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

### **1.3.11. Revenue**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable net of returns, trade discounts and volume rebates. Revenue comprises diamond and commodity sales exclusive of value-added tax. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have transferred to the customer, recovery of the consideration is probable, the associated costs are possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measure reliably, then the discount is treated as a reduction of revenue as the sales are recognised.

### **1.3.12. Finance income and expenses**

Finance income comprises interest income on funds invested and changes in fair value of financial assets at fair value through profit or loss. Finance income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provision and changes in fair value of financial assets at fair value through profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether the foreign currency movements are in a net gain or net loss position.

### **1.3.13. Income tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using the tax rate enacted or substantively enacted at the reporting date, and any adjustment of tax payable for previous years.

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items directly in equity or in other comprehensive income.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is not provided for the following temporary differences: the initial recognition of goodwill, the initial recognition of

## THABEX LIMITED

assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rate that is expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

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 taxable entities, but they intend to settle current tax liabilities and assets on a net basis on their tax assets and liabilities will realise simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences 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.

### 1.3.14. Earnings per share

The Group presents basic and diluted earnings per share (EPS) date for its ordinary shares. Basic EPS 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, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### 1.3.15. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components.

The Company and Group's risks and rates of return are predominantly affected by the activities that the Company and the Group are engaged in. At present the Company and the Group are only engaged in exploration activities and therefore all activities fall within a single business segment.

The Company and Group's risks and rates of return are furthermore affected by the geographical areas in which the activities are performed. Although all the activities the Company and the Group are engaged in are performed in different geographical areas, the risks and rates of return would not significantly differ between the areas during the exploration phase.

### 1.3.16. Employee benefits

The Company and Group do not contribute to any defined contribution or benefit plans.

#### Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

### 1.3.17. Other Income

Other income comprised of management fees and consulting fees and is recorded in the period when the service is rendered.

### 1.3.18. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 28 February 2010, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Group, except for the following:

- IFRS 3 (Revised): Business Combinations (effective for financial periods beginning on/after 1 July 2009) – will be applicable from the financial period starting 1 March 2010. It may have a significant impact on the way the Group accounts for future business combinations based on the changes as set out. The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of the net assets or it may include goodwill related to the minority

## **THABEX LIMITED**

interest. All transaction costs will be expensed whereas the Group's current policy is to capitalise all transaction cost as part of the investment.

- Amendments to IAS 27: Consolidated and Separate Financial Statements (effective for financial periods beginning on/after 1 July 2009) – The amendments have, amongst others, the following implication for the group:

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (ie. Transactions with owners in their capacity as owners). In such circumstances the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent.

# THABEX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 February 2010

### 2. Property, plant and equipment

Group	Buildings R	Plant and Equipment R	Furniture and office equipment R	Computer equipment R	Vehicles R	Exploration equipment R	TOTAL R
<b>Cost Group</b>							
<b>Balance at 29 February 2008</b>	-	-	<b>441 764</b>	<b>270 938</b>	<b>625 815</b>	<b>5 095 909</b>	<b>6 434 426</b>
Disposals	-	-	-	-	-	(130 756)	(130 756)
Reclassification - Cost	-	-	-	-	(625 815)	625 815	-
Additions	-	-	9	5 613	251 858	12 555	270 035
Acquisition of subsidiary	<b>1 710 000</b>	-	-	-	-	-	1 710 000
<b>Balance at 28 February 2009</b>	<b>1 710 000</b>	-	<b>441 773</b>	<b>276 551</b>	<b>251 858</b>	<b>5 603 523</b>	<b>8 283 705</b>
Additions	-	-	288	10 301	-	-	10 589
Acquisition of subsidiary	-	804 932	-	-	-	-	804 932
Disposals	-	-	-	(5 050)	-	(465 765)	(470 815)
Impairments	-	-	-	-	-	-	-
<b>Balance at 28 February 2010</b>	<b>1 710 000</b>	<b>804 932</b>	<b>442 061</b>	<b>281 802</b>	<b>251 858</b>	<b>5 137 758</b>	<b>8 628 411</b>
<b>DEPRECIATION AND IMPAIRMENT</b>							
<b>Balance at 28 February 2008</b>	-	-	<b>(300 216)</b>	<b>(143 652)</b>	<b>(109 810)</b>	<b>(1 243 810)</b>	<b>(1 797 488)</b>
Depreciation for the year	(100 588)	-	(12 127)	(107 988)	(193 587)	(986 490)	(1 400 780)
Disposals - Accumulated depreciation	-	-	-	-	-	78 592	78 592
Reclassification - Accumulated depreciation	-	-	-	-	148 141	(148 141)	-
<b>Balance at 28 February 2009</b>	<b>(100 588)</b>	-	<b>(312 343)</b>	<b>(251 640)</b>	<b>(155 256)</b>	<b>(2 299 849)</b>	<b>(3 119 676)</b>
Depreciation for the year	(85 500)	-	(62 985)	(19 687)	(50 370)	(788 321)	(1 006 863)
Disposals - Accumulated depreciation	-	-	-	5 050	-	168 789	173 839
Impairment of exploration equipment	-	-	-	-	-	(466 800)	(466 800)
<b>Balance at 28 February 2010</b>	<b>(186 088)</b>	-	<b>(375 328)</b>	<b>(266 277)</b>	<b>(205 626)</b>	<b>(3 386 181)</b>	<b>(4 419 500)</b>
<b>CARRYING AMOUNTS</b>							
<b>Balance at 28 February 2009</b>	<b>1 609 412</b>	-	<b>129 430</b>	<b>24 911</b>	<b>96 602</b>	<b>3 303 674</b>	<b>5 164 029</b>
<b>Balance at 28 February 2010</b>	<b>1 523 912</b>	<b>804 932</b>	<b>66 733</b>	<b>15 525</b>	<b>46 232</b>	<b>1 751 577</b>	<b>4 208 911</b>

# THABEX LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 February 2010

### 2. Property, plant and equipment (continued)

Company	Buildings R	Plant and Equipment R	Furniture and office equipment R	Computer equipment R	Vehicles R	Exploration equipment R	TOTAL R
<b>Cost Company</b>							
Balance at 29 February 2008	-	-	448 772	263 911	625 815	3 063 086	4 401 584
Disposals	-	-	-	-	(625 815)	(2 907 142)	(3 532 957)
Additions	-	-	9	5 613	251 858	-	257 480
Balance at 28 February 2009	-	-	448 781	269 524	251 858	155 944	1 126 107
Additions	-	-	300	10 295	-	-	10 595
Disposals	-	-	-	(5 050)	-	(155 944)	(160 994)
Reclassification	-	-	-	-	-	-	-
Balance at 28 February 2010	-	-	449 081	274 769	251 858	-	975 708
<b>DEPRECIATION AND IMPAIRMENT</b>							
Balance at 28 February 2008	-	-	(300 215)	(143 652)	(109 810)	(691 099)	(1 244 776)
Depreciation for the year	-	-	(12 128)	(107 988)	(193 587)	(608 965)	(922 668)
Disposals - Accumulated Depreciation	-	-	-	-	148 142	1 260 819	1 408 961
Impairments	-	-	-	-	-	-	-
Balance at 28 February 2009	-	-	(312 343)	(251 640)	(155 255)	(39 245)	(758 483)
Depreciation for the year	-	-	(62 990)	(19 682)	(50 372)	(31 189)	(164 233)
Disposals - Accumulated Depreciation	-	-	-	5 050	-	70 434	75 484
Impairments	-	-	-	-	-	-	-
Balance at 28 February 2010	-	-	(375 333)	(266 272)	(205 627)	-	(847 232)
<b>CARRYING AMOUNTS</b>							
Balance at 28 February 2009	-	-	136 438	17 884	96 603	116 699	367 624
Balance at 28 February 2010	-	-	73 748	8 497	46 231	-	128 476

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

### 3. Interest in subsidiaries and associates

Subsidiaries	Number of shares in issue	Effective interest in issued share capital		Shares at cost		Loan Accounts	
		2010	2009	2010	2009	2010	2009
		%	%	R	R	R	R
Angel Diamonds (Pty) Ltd (Incorporated in the Republic of Lesotho - Registration number 1992/269)	1 000	60.67	70	6 070 807	700	2 213 652	7 826 779
Diamex JX (Pty) Ltd (Registration number 1997/014096/07)	10 000	100	100	67 601	67 601	1 905 388	1 878 758
Minnex Exploration (Pty) Ltd (Registration number 1999/0265578/06)	72 784 000	100	100	5 442 868	8 354 228		-
Alliance Afric Mining (Pty) Ltd (Registration number 2003/011927/07)* with a year end of 31 July.	120	83	83				
Makgabana Mine (Pty) Ltd (Registration number 2001/026430/07)*	100	75	75				
Minnex Exploration Namibia (Pty) Ltd (Incorporated in Republic of Namibia - Registration number 2003/0566)*	100	80	80				
Pilanesberg Gold Holdings (Pty) Ltd (Registration number 1987/000711/07)	9 400	100	100	46 551	46 551	273 322	134 631
Taung Diamond Mines (Pty) Ltd (Registration number 1995/001724/06)	4 000 000	50	50	900 000	900 000	582 673	535 423
Salt River Resources Ltd (Registration number 1994/008806/06)	27 000 000	98	100	8 269 178	8 400 000	8 622 153	6 936 097
Tradepest 121 (Pty) Ltd (Registration number 1997/010926/07)	500	100	100	3 540 000	2	29 162	2 528 087
Monastery Holdings (Pty) Ltd (1983/001095/07)**	100	100	-				
Monastery Mine (Pty) Ltd (1983/001095/07)**	100	94	94				
Cost of interest in subsidiaries				24 337 005	17 769 082	13 626 350	19 839 775
Deduct: Impairment losses				(16 956 711)	(10 253 364)	(6 372 582)	(9 182 617)
Net investment in subsidiaries				7 380 294	7 515 718	7 253 768	10 657 158

\*Indirectly held by Thabex Ltd through Minnex Exploration (Pty) Ltd

\*\*Indirectly held by Thabex Ltd through Tradepest 121 (Pty) Ltd

Unless otherwise stated all subsidiaries are Incorporated In the Republic of South Africa and have a year end of February.

During the year ended 28 February 2010 Thabex disposed of a 2% interest in Salt River Resources Ltd to CAJ Trust - refer note 23.2.

Thabex also disposed of 13.33% of its interest in Angel Diamonds (Pty) Limited to Mantle Diamonds Ltd in the current year - refer note 23.2.

The loans to subsidiaries are unsecured, interest free and at year-end no terms and conditions have been negotiated between the Group companies. The loans to subsidiaries have been subordinated in favour of other creditors until the assets of the subsidiaries, fairly valued, exceed their liabilities.

Impairment losses arose due to doubtful recoveries of the investment in and loans to subsidiaries.

The attributable interest in the aggregate net losses of subsidiaries is R1 625 425 (2009 : R5 466 267).

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>R</b>	R	<b>R</b>	R
<b>3. Interest in subsidiaries (continued)</b>				
Cost	-	-	<b>24 337 005</b>	17 769 082
Less: Impairment losses	-	-	<b>(16 956 711)</b>	(10 253 364)
<b>Net cost</b>	-	-	<b>7 380 294</b>	7 515 718
Loans subsidiaries at year end	-	-	<b>13 626 350</b>	19 839 775
Less: Impairment of loans to subsidiaries	-	-	<b>(6 372 582)</b>	(9 182 617)
<b>Carrying value of loans to subsidiaries</b>	-	-	<b>7 253 768</b>	10 657 158
<b>Total interest in subsidiaries</b>			<b>14 634 062</b>	18 172 876
<b>Amount owing to subsidiaries</b>				
Minnex Exploration (Pty) Ltd	-	-	<b>708 182</b>	3 746 430
<b>4. Exploration and evaluation assets</b>				
Mineral and prospecting rights:				
Opening balance - cost	<b>14 239 028</b>	11 868 323	-	-
Acquisition of Monastery Holdings (Pty) Ltd	-	-	-	-
Acquisition of Monastery Mine (Pty) Ltd	-	2 370 705	-	-
<b>Closing balance - cost</b>	<b>14 239 028</b>	14 239 028	-	-
<b>5. Inventories</b>				
Merchandise - at cost	<b>1 515 982</b>	1 214 570	<b>968 982</b>	1 158 570
Consumables	-	-	-	-
	<b>1 515 982</b>	1 214 570	<b>968 982</b>	1 158 570
Merchandise consists of polished and rough diamonds.				
<b>6. Short term investments</b>				
Financial assets at fair value through profit or loss:				
Sage Sinking Fund policies	<b>32 654</b>	65 101	<b>32 654</b>	65 101
Shares in unlisted companies	-	-	-	-
	<b>32 654</b>	65 101	<b>32 654</b>	65 101
Fair value of the Sinking Fund policies is indicated at surrender value at year-end. Unlisted investments have been impaired to the amount R103 100 as the future economic benefits to flow to the Group are uncertain. Refer note 21.4 for market risk.				
<b>7. Trade and other receivables</b>				
Trade receivables due from related parties	-	-	<b>239 400</b>	828 703
Other trade receivables	<b>305 450</b>	328 130	<b>359 995</b>	24 373
Deposits	<b>180 856</b>	165 324	<b>13 782</b>	250
	<b>486 306</b>	493 454	<b>613 177</b>	853 326

The Group's exposure to credit risk has been disclosed in Note 21.2.

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

	<b>Group 2010 R</b>	2009 R	<b>Company 2010 R</b>	2009 R
<b>8. Short term loans receivable</b>				
The loans are unsecured, interest free and repayable on demand.	1 003 805	-	-	-
Impairment of short term loans receivable	(1 003 805)	-	-	-
	-	-	-	-

At year end the recoverability of the short term loans was regarded as doubtful and these amounts have been impaired in full (See Note 16).

<b>9. Cash and cash equivalents</b>				
Current bank account/(Bank overdraft)	14 785	9 210	(2 109)	3 722
Cash on call and on hand	38 484	36 659	-	35 673
RMB Money Market Fund	-	2 057	-	2 057
Fixed deposit	-	32 525	-	-
Credit facilities	-	(32 168)	-	(32 168)
	<b>53 269</b>	48 283	<b>(2 109)</b>	9 284

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 21.3.

R30 000 of the above group funds serve as security for guarantees issued by the bank on behalf of Salt River Resources (Pty) Limited.

### 10. Share capital

#### Authorised

1 000 000 000 (2009:1000 000 000) ordinary shares of 1 cents each

<b>10 000 000</b>	10 000 000	<b>10 000 000</b>	10 000 000
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#### Issued ordinary shares

239 868 870 (2009: 227 868 870 ) ordinary shares of 1 cents each

<b>2 398 689</b>	2 278 689	<b>2 398 689</b>	2 278 689
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Share premium

<b>27 979 591</b>	27 266 633	<b>27 979 591</b>	27 266 633
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Share issue costs written off against share premium

<b>(4 479)</b>	(7 042)	<b>(4 479)</b>	(7 042)
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<b>30 373 801</b>	29 538 280	<b>30 373 801</b>	29 538 280
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#### Reconciliation of number of number of ordinary shares in issue:

	<b>Number of shares</b>	Number of shares	<b>Number of shares</b>	Number of shares
Opening balance	227 868 870	210 068 870	227 868 870	210 068 870
Issue of shares: Acquisition of Monastery Holdings (Pty) Ltd (Refer note 22.2)	12 000 000	-	12 000 000	-
Issue of shares: Acquisition of Monastery Mine (Pty) Ltd (Refer note 22.2)	-	10 000 000	-	10 000 000
Issue of shares for cash	-	7 800 000	-	7 800 000
Closing balance	<b>239 868 870</b>	227 868 870	<b>239 868 870</b>	227 868 870

The unissued share capital is under the control of the directors, subject to the Companies Act and the Listing Requirements of the JSE, until the next annual general meeting.

On 10 February 2010 the share capital of the Company was subdivided by a factor of 10, resulting in the increase of the authorised share capital from 100 000 000 ordinary shares of 10 cents per share to 1 000 000 000 ordinary shares of 1 cents per share.

An issue of ordinary shares took place with effect from 28 February 2010 for the acquisition of Monastery Holdings (Pty) Limited.

Thabex issued 12 million ordinary shares of 1 cents per share at a premium of 6 cents per share for a total consideration of R840 000.

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
<b>11. Loans and borrowings</b>				
Long term loans	1 937 103	1 968 264	-	-
The long term liability arose on the acquisition of Monastery Mine (Pty) Ltd. The loans are interest free and are repayable on commencement of mining operations at Monastery Mine (Pty) Limited.				
<b>12. Trade and other payables</b>				
Trade payables	3 441 271	3 029 273	2 627 512	2 128 026
	<b>3 441 271</b>	<b>3 029 273</b>	<b>2 627 512</b>	<b>2 128 026</b>

The increase in the trade and other payables resulted from the increased short term requirements of the Group and the Company during the year under review. Refer note 21.2.

### 13. Short term loans payable

The loans are unsecured, interest free and repayable on demand.

From:

Directors: CJ Engelbrecht	-	513 692	-	-
M Welthagen	-	497 789	-	25 166
CAJ Trust	3 370 000	2 250 000	3 370 000	1 750 000
SA Mineral Investments (Pty) Ltd a related party.	-	124 809	-	174 404
Mantle Diamonds Ltd	-	2 490 999	-	1 997 000
<b>Total short term loans</b>	<b>3 370 000</b>	<b>5 877 289</b>	<b>3 370 000</b>	<b>3 946 570</b>

The decrease in short term loans did not influence the loss or headline loss of the Group as these loans did not bear interest and had no fixed period of repayment.

### 14. Deferred taxation

#### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Unredeemed capital expenditure	2 291 515	3 293 734	-	591 739
Tax losses	7 217 731	5 518 054	3 249 726	3 288 497
	<b>9 509 246</b>	<b>8 811 788</b>	<b>3 249 726</b>	<b>3 880 236</b>

A deferred tax asset has not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
<b>15. Revenue</b>				
Sale of polished diamonds	420 995	282 136	420 995	282 136
<b>16. Loss from operating activities is arrived at after taking into account</b>				
<b>Income:</b>				
Management fees received	-	-	274 598	350 000
Consulting fees received	163 878	-	-	-
Surplus on disposal of unlisted investment	-	499 800	-	499 800
Surplus on disposal of interest in subsidiaries	3 646 982	-	3 516 067	-
Surplus on disposal of plant and equipment	-	-	70 434	1 360 108
<b>Expenditure:</b>				
Auditors remuneration	789 576	693 848	740 000	227 397
Audit fees	789 576	663 125	740 000	208 325
Other services	-	30 723	-	19 072
Depreciation	1 006 863	1 087 078	164 232	608 965
Impairment of plant and equipment	466 800	-	-	-
Directors' emoluments for managerial services (note 23)	489 483	882 150	282 404	420 414
Directors' emoluments for other services (note 23)	112 860	466 450	-	-
Loss on disposal of plant and equipment	45 118	-	-	-
Impairment of interest in subsidiaries	-	-	3 893 312	5 773 747
Reversal of losses in subsidiaries	-	-	-	(467 790)
Impairment of short term loans receivable	1 003 805	-	-	-
Exploration expenditure	283 828	2 260 323	-	47 956
Secretarial fees	96 007	62 960	31 792	25 998
Personnel expenses	501 700	1 362 099	-	444 980
Wages and salaries	501 700	1 362 099	-	444 980
Legal expenses	180 974	103 774	33 372	4 406
Unrealised foreign exchange loss	-	272 816	-	272 816
<b>17. Finance income</b>				
Fair value adjustment to sinking fund policies	82 444	-	82 444	-
Foreign exchange gain	269 993	-	269 993	-
Over provision for interest payable to SARS	107 264	-	-	-
Interest received - bank account	3 690	5 384	395	1 564
	463 391	5 384	352 832	1 564
The fair value adjustment for unlisted investments relates to the surrender value of the sinking fund policies held by the Company				
<b>18. Finance expenses</b>				
Fair value adjustment to sinking fund policies	-	112 683	-	112 683
Interest and penalties on taxation	3 436	246 993	-	-
Interest - Minnex Exploration (Pty) Ltd	-	-	-	426 593
Interest - Monastery Holdings (Pty) Ltd	-	167 194	-	-
Interest - bank overdraft	2 578	20 680	5 275	20 324
	6 014	547 550	5 275	559 600
The fair value adjustment for unlisted investments relates to the surrender value of the sinking fund policies held by the Company				

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>

### 19. Basic loss per share

The calculation of basic and diluted loss per share is based on the loss for the period (attributable to equity holders of the parent) of R1 431 464 (2009: loss of R8 811 067) and a weighted average of 227 901 747 (2009: 219 303 938) ordinary shares in issue during the period.

The headline loss is determined by adding back the profit on disposal of the Group's and the Company's interests in subsidiaries and unlisted investments, the profit or the loss on the disposal of plant, property and equipment, the impairment losses of investments in unlisted investments and the provisions for losses in subsidiaries to the basic loss for the year.

Basic and diluted loss per share and the headline loss and diluted headline loss per share for both the Group and the Company are the same as there are no dilutive instruments.

### Reconciliation between loss and headline loss

Basic loss for the year	<b>(1 431 464)</b>	(8 811 068)	<b>(1 971 729)</b>	(7 480 029)
Disposal of interest in unlisted investments	-	(499 800)	-	(499 800)
Disposal of interest in subsidiaries	<b>(3 646 982)</b>	-	<b>(3 516 068)</b>	-
Loss/(profit) on disposal of plant and equipment	<b>45 118</b>	49 123	<b>(70 434)</b>	(1 360 108)
Impairment losses in subsidiaries	-	-	<b>3 893 312</b>	5 773 747
Impairment of investment in unlisted investments	-	103 100	-	103 100
Provisions for losses in subsidiaries	-	-	-	(467 790)
Headline loss for the year	<b>(5 033 328)</b>	(9 158 645)	<b>(1 664 919)</b>	(3 930 880)
Weighted average ordinary shares in issue	<b>227 901 747</b>	219 303 938	<b>227 901 747</b>	219 303 938
Basic loss per share (cents)	<b>(0.63)</b>	(4.02)	<b>(0.87)</b>	(3.41)
Diluted loss per share (cents)	<b>(0.63)</b>	(4.02)	<b>(0.87)</b>	(3.41)
Headline loss per share (cents)	<b>(2.21)</b>	(4.18)	<b>(0.73)</b>	(1.79)
Diluted headline loss per share (cents)	<b>(2.21)</b>	(4.18)	<b>(0.73)</b>	(1.79)

The Group has no share options or preference shares in issue resulting in the diluted loss per share and diluted headline loss per share being the same as the basic loss per share and headline loss per share.

### 20. Taxation

South African normal taxation

- Current	-	-	-	-
Overprovision prior years	<b>285 015</b>	-	-	-
- Deferred	-	-	-	-
Total	<b>285 015</b>	-	-	-

The Group has estimated tax losses of R25 776 611 (2009 : R19 707 336) and the company has an estimated tax loss of R11 606 164 (2009 : R11 744 632) for offset against future taxable income.

### Reconciliation of statutory taxation rate

	%	%	%	%
Effective tax rate	<b>(8.85)</b>	-	-	-
Overprovision prior years	<b>8.85</b>	-	-	-
Non-deductible expenditure	-	(19.98)	<b>54.93</b>	(1.19)
Less capital gains tax effect	<b>15.29</b>	0.94	<b>(24.97)</b>	-
Unrecognised deferred tax asset	<b>12.71</b>	(1.71)	-	9.62
Unused assessed loss arising during current year	-	(7.25)	<b>(1.96)</b>	19.57
Statutory taxation rate	<b>28.00</b>	28.00	<b>28.00</b>	28.00

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS For the year ended 28 February 2010

### 21. Financial risk management

Exposure to currency, interest rate, liquidity risk and credit risk arises in the normal course of the Group's business.

#### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Group's receivables from customers and investment securities.

The Group transacts only with recognised, creditworthy third parties. The Group's exposure to credit risk is influenced by the individual characteristics of each counter party. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. As credit risk currently arises from non-trade related financial assets of the Group, cash equivalents, trade and non-trade receivables, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

#### **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. 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. The Group has a temporary bank overdraft facility to meet obligations as and when it falls due.

The Group monitors its risk to a shortage of funds by using cash flow forecasting tools. The cash flow forecasting tool determines cash requirements over the foreseeable future, as well as evaluating expected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, intercompany loans, trade payables and trade receivables.

#### **Market risk**

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures with acceptable parameters, while optimising the return.

As a limited number of transactions expose the Group to market risk, the risk is not actively managed on an ongoing basis.

#### **Interest rate risk**

The Group's exposure to changes in interest rates relates primarily to the Group's holdings of cash and cash equivalents and loans and borrowings.

#### **Foreign currency risk**

The Group is exposed to currency risk on borrowings that are denominated in a currency other than the functional currency of the Group entities, primarily the South African Rand (ZAR). The currency in which these transactions primarily are denominated is USD.

#### **Capital management**

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and adjusts this in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to objectives, policies and processes during the years ended 28 February 2010 and 28 February 2009. The Group's policy is to obtain the needed capital through share capital or the generation of cash from operations.

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

### 21. Financial risk management (continued)

#### 21.1 Categories and fair values

The fair values of the following financial instruments (grouped by IAS 39 class) are substantially identical to the carrying values as reflected in the statement of financial position because of their short term nature.

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>R</b>	R	<b>R</b>	R
<b>Financial assets</b>				
Loans and receivables	<b>539 574</b>	408 581	<b>613 176</b>	894 529
Available for sale financial assets	<b>32 654</b>	65 101	<b>32 654</b>	65 101
	<b>572 228</b>	473 682	<b>645 830</b>	959 630
<b>Financial liabilities at amortised cost</b>				
Loans and borrowings	<b>6 811 271</b>	8 938 730	5 999 621	9 853 192
	<b>6 811 271</b>	8 938 730	<b>5 999 621</b>	9 853 192

Basis for determining fair values:

Fair value of the Sinking Fund policies is indicated at surrender value at year-end. Except for the former the fair value of all other financial assets and financial liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest on the reporting date.

Unlisted investments with a cost of R103 100 (2009: R103 100) are included in financial assets, but have been fully impaired.

#### 21.2 Credit risk

##### Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk at reporting date was:

	<b>Group</b>	Group	<b>Company</b>	Company
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>R</b>	R	<b>R</b>	R
Trade and other receivables	<b>486 305</b>	493 454	<b>613 176</b>	853 326
Cash and cash equivalents	<b>53 269</b>	48 283	<b>(2 109)</b>	9 285
Available for sale financial assets	<b>32 654</b>	65 101	<b>32 654</b>	65 101
Total maximum exposure to credit risk	<b>572 228</b>	606 838	<b>643 721</b>	927 712

##### Concentrations of credit risk by geographic location

The exposure to credit risk is mainly within the Common Monetary Area.

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

21.2 Credit risk (continued)	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
Inter group receivables	-	-	239 400	828 703
Third party receivables	305 450	328 130	359 995	24 373
Total maximum exposure to credit risk	305 450	328 130	599 395	853 076

The ageing of receivables at reporting date is as follows:

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
Receivables not past due:				
Current	180 532	71 786	314 622	399 000
31 - 60 days	6 796	84 857	6 796	-
61 - 90 days	78 222	1 525	78 221	-
Total receivables not past due	265 550	158 168	399 639	399 000

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
Receivables past due:				
90 - 120 days	-	335 286	-	-
121 - 150 days	-	-	-	40 337
Over 150 days	220 756	-	213 538	413 989
Total receivables past due	220 756	335 286	213 538	454 326
Total receivables	486 306	493 454	613 177	853 326

At Company level, management has provided for the impairment of long-term loans to subsidiaries (refer to note 3).

Allowances for impairment of receivables is recognised when management assesses that there is a low probability of recovering the amounts due based on payment history and legal cost assessment to recover past due receivables.

The group believes that the unimpaired amounts that are past due by more than 30 days are still collectable, based on historic payment behaviour and extensive analysis of the underlying customer's credit ratings.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Opening balance	-	-	-	-
Impairment loss reversed	-	-	-	-
Closing balance	-	-	-	-

### 21.3 Market risk

#### 21.3.1 Interest rate risk

	Group		Company	
	2010	2009	2010	2009
	R	R	R	R
<b>Variable interest rate</b>				
<b>Financial liabilities</b>				
Short term liabilities	-	-	-	3 746 430
Loans and borrowings	1 937 103	1 968 264	-	-
Total financial liabilities	1 937 103	1 968 264	-	3 746 430

#### Sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) the profit or loss by the amount shown below. The analysis is performed on the same basis for 2009.

100 basis points increase	-	19 683	-	37 464
100 basis points decrease	-	(19 683)	-	(37 464)

The Group's interest rate risk arises from long term borrowings, resulting from the acquisition of Monastery Holdings (Pty) Ltd.

The borrowings risk the Group is exposed to is a variable interest rate to the fair value of the long term borrowings at current interest rates.

#### 21.3.2 Foreign exchange risk

##### Sensitivity analysis

At the year end the Group had no financial liability (2009: US\$200 000 for 2009 at R:US\$ 9.98 or R1 996 000) in foreign currency.

A change of 10% in the R:US\$ exchange rate would have (decreased)/increased the profit or loss by the amount shown below.

10% strengthening of the R:US\$ exchange rate	-	(198 000)	-	(198 000)
10% weakening of the R:US\$ exchange rate	-	198 000	-	198 000

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

### 21.4 Liquidity risk

The following tables represent the contractual maturities including interest for all financial liabilities of the Group and the Company at the reporting date:

Group	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
2010	R	R	R	R
Trade and other payables	3 441 271	-	-	-
Short term loans	3 370 000	-	-	-
<b>Total financial liabilities</b>	<b>6 811 271</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
2009	R	R	R	R
Trade and other payables	3 029 272	-	-	-
Bank overdraft	32 168	-	-	-
Short term loans	5 877 289	-	-	-
<b>Total financial liabilities</b>	<b>8 938 729</b>	<b>-</b>	<b>-</b>	<b>-</b>

Company	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
2010	R	R	R	R
Trade and other payables	2 627 512	-	-	-
Bank overdraft	2 109	-	-	-
Short term loans	3 370 000	-	-	-
<b>Total financial liabilities</b>	<b>5 999 621</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
2009	R	R	R	R
Loans from Group companies	3 746 430	-	-	-
Trade and other payables	2 128 026	-	-	-
Bank overdraft	32 168	-	-	-
<b>Total financial liabilities</b>	<b>5 906 624</b>	<b>-</b>	<b>-</b>	<b>-</b>

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

	Group 2010	2009	Company 2010	2009
	R	R	R	R
<b>22. Cash (utilised in)/generated by operating activities</b>				
(Loss)/profit before taxation	<b>(3 218 728)</b>	(8 811 067)	<b>(1 971 729)</b>	(7 480 029)
Adjusted for:				
Depreciation and impairment of plant and equipment	<b>1 473 663</b>	1 400 780	<b>164 233</b>	922 668
Loss/(profit) on disposal of plant and equipment	<b>45 118</b>	49 125	<b>(70 434)</b>	(1 360 108)
Surplus on disposal of shares in subsidiaries	<b>(3 646 982)</b>	-	<b>(3 516 067)</b>	-
Surplus on disposal of unlisted investments	-	(499 800)	-	(499 800)
Foreign exchange loss	-	272 816	-	272 816
Impairment of investment in subsidiaries	-	-	<b>3 893 312</b>	5 773 747
Reversal of provision for losses in subsidiaries	-	-	-	(467 790)
Impairment of investment in unlisted investments	-	103 100	-	103 100
Impairment of short term loans	<b>1 003 805</b>	-	-	-
Change in fair value of investments	<b>(82 444)</b>	112 683	<b>(82 444)</b>	112 683
Finance income	<b>(380 947)</b>	(5 384)	<b>(270 388)</b>	(1 564)
Finance expense	<b>6 014</b>	434 867	<b>5 275</b>	446 917
<b>Cash outflow before working capital changes</b>	<b>(4 800 501)</b>	(6 942 880)	<b>(1 848 242)</b>	(2 177 360)
<b>Changes in working capital</b>				
Inventories	<b>(301 412)</b>	61 419	<b>189 588</b>	117 419
Trade and other receivables	<b>7 148</b>	(149 256)	<b>240 150</b>	(252 647)
Short-term loans receivable	<b>(1 003 805)</b>	-	-	-
Short-term loans payable	<b>(2 507 289)</b>	5 483 417	<b>(576 570)</b>	3 702 123
Trade and other payables	<b>411 998</b>	1 029 994	<b>499 486</b>	185 473
Loan from subsidiary	-	-	-	(18 583)
<b>Cash (utilised in)/generated by operations</b>	<b>(8 193 861)</b>	<b>(517 306)</b>	<b>(1 495 588)</b>	1 556 425
<b>22.1 Taxation paid</b>				
Balance owing beginning of the year	<b>872 044</b>	625 051	-	-
Overprovision prior years	<b>(285 015)</b>	-	-	-
(Overprovision of)/interest provided interest prior years	<b>(107 264)</b>	246 993	-	-
Balance owing end of the year	<b>(475 373)</b>	(872 044)	-	-
<b>Taxation paid</b>	<b>4 392</b>	-	-	-

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

### 22.2 Acquisition of subsidiary

On 28 February 2010 Tradepost121 (Pty) Ltd purchased the entire issued share capital of Monastery Holdings (Pty) Ltd. The assets acquired consisted mainly of plant and equipment. The acquisition was settled through the issue of 12 million Thabex ordinary shares. The total cost of the acquisition amounted to R840 000.

Monastery Mine (Pty) Ltd is a mining and exploration company and its applications for the renewal of its prospecting permits on the Farms Remaining Extent of The Moanstery 269 and Laura 267 in the district of Marquard in the Free State Province, were approved.

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

<b>Assets and liabilities acquired</b>	<b>R</b>	<b>R</b>
	<b>2010</b>	<b>2009</b>
	<b>Monastery Holdings (Pty) Ltd</b>	<b>Monastery Mine (Pty) Ltd</b>
Prospecting rights	-	2 370 705
Exploration and evaluation assets	-	-
Property plant and equipment	<b>804 932</b>	1 710 000
Trade and other receivables	-	-
Amount owing by Thabex	-	-
Cash and cash equivalents	<b>3 907</b>	365
Trade and other payables	-	-
Income tax liability	-	-
Long term loan	<b>31 161</b>	(1 801 070)
<b>Net assets acquired</b>	<b>840 000</b>	<b>2 280 000</b>
Settled through the issue of Thabex shares	<b>840 000</b>	2 000 000
Settled with cash	-	280 000
Acquisition costs settled in cash	<b>4 479</b>	4 042
<b>Total</b>	<b>844 479</b>	<b>2 284 042</b>
Cash and cash equivalents acquired	<b>3 907</b>	365
Cash acquisition costs	<b>(4 479)</b>	(284 042)
<b>Net cash outflow</b>	<b>(572)</b>	<b>(283 677)</b>

Tradepost 121 (Pty) Ltd acquired the entire issued share capital of Monastery Holdings (Pty) Ltd for R840 000 against the issue of 12 million Thabex shares at 7 cents per share. The acquisition was effective from 28 February 2010.

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

### 23. Identities of related parties

The related parties are subsidiaries, directors, key personnel and management of subsidiaries. All transactions with related parties are transacted at arms length at market related values.

#### 23.1 Directors and key management personnel

Dr JW Kruger is an independent non-executive director of Afrika Yaruna Investment Holding (Pty) Ltd a BEE held Company not controlled by Thabex.

JR Rapoo, the Chairman, holds directorships in the following companies not controlled by Thabex:

Royal Bafokeng Investments (Pty) Ltd  
Bophirima Industrial Holdings (Pty) Ltd  
Saminco Ltd

M Welthagen, the Chief Executive of Thabex Ltd has shareholdings in the following companies not controlled by Thabex:

Maxzon Fusion (Pty) Ltd  
Maxzon Investments (Pty) Ltd  
Miningweb (Pty) Ltd  
Pure Diamonds Ltd  
Saminco Ltd  
Rossal No 92 (Pty) Ltd  
SA Mineral Investments (Pty) Ltd (Group Secretaries)  
Southern Mineral Brokers (Pty) Ltd

AP Roux holds a directorship in and companies not controlled by Thabex:

SA Mineral Investments (Pty) Ltd  
Saminco Ltd

Dr JA Cruise as non-executive Chairman of Salt River Resources Ltd, is a shareholder of John Cruise Mining (Pty) Limited

#### 23.2 Transactions with related parties

<b>Group</b>	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>Material related party transactions</b>		
Loan from CAJ Trust to Thabex Ltd	<b>3 370 000</b>	2 250 000
Loan from John Cruise Mining (Pty) Ltd to Salt River Resources Ltd	-	500 000
Proceeds on disposal of Salt River Resources Ltd ordinary shares to CAJ Trust	<b>841 000</b>	
Loan from SA Mineral Investments (Pty) Ltd to Angel Diamonds (Pty) Ltd	-	124 809
Loan from SA Mineral Investments (Pty) Ltd to Salt River Resources Ltd	-	9 192
Loan from M Welthagen to Angel Diamonds (Pty) Ltd	-	497 788
Loan from CJ Engelbrecht to Angel Diamonds (Pty) Ltd	-	513 692
Loan from Angel Diamonds (Pty) Ltd to CJ Engelbrecht	<b>271 431</b>	-
Impairment of loan to CJ Engelbrecht	<b>(271 431)</b>	-
Profit on disposal of 13.33% in Angel Diamonds (Pty) Ltd to Mantle Diamonds Ltd	<b>2 805 890</b>	
Loan from Angel Diamonds (Pty) Ltd to Mantle Diamonds Ltd	<b>732 374</b>	-
Impairment of loan to Mantle Diamonds Ltd	<b>(732 374)</b>	-
John Cruise Mining (Pty) Ltd: Consulting fees to Salt River Resources Ltd	<b>112 860</b>	114 000
SA Mineral Investments (Pty) Ltd: Secretarial fees	<b>96 007</b>	62 960
Competent Persons Report by SA Mineral Investments (Pty) Ltd for Angel Diamonds (Pty) Ltd	-	200 000
Sale of diamonds to Southern Mineral Brokers (Pty) Ltd	<b>135 245</b>	155 000

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

### 23.3 Directors' emoluments - paid by Company

	Basic Salary R	Total R
<b>2010</b>		
<b>Executive directors:</b>		
M Welthagen	282 404	282 404
M Kamwanga	-	-
RM Ratshidi	-	-
<b>Non executive directors:</b>		
CJ Engelbrecht	-	-
JR Rapoo	-	-
Prof. DL Reid	-	-
AP Roux	-	-
<b>Total</b>	<b>282 404</b>	<b>282 404</b>
<b>2009</b>		
<b>Executive directors:</b>		
DS Cowie	-	-
M Welthagen	420 414	420 414
<b>Non executive directors:</b>		
JR Rapoo	-	-
JL Bosch	-	-
Prof. DL Reid	-	-
AP Roux	-	-
<b>Total</b>	<b>420 414</b>	<b>420 414</b>

The Company has not awarded share options to directors (2009: nil). Other than stated above the directors of the Company have not received any bonuses and performance based payments, retirement benefits, commissions or profit-share arrangements.

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

### 23.4 Directors' emoluments - paid by subsidiaries to their own directors

	Basic salary	Total
<b>2010</b>		
<b>Executive directors:</b>		
MM Zondi		
<b>Pilanesberg Gold Holdings (Pty) Ltd</b>	7 800	7 800
M Welthagen	207 079	207 079
<b>Angel Diamonds (Pty) Ltd</b>	142 126	142 126
<b>Diamex JV (Pty) Ltd</b>	-	-
<b>Pilanesberg Gold Holdings (Pty) Ltd</b>	5 000	5 000
<b>Minnex Exploration (Pty) Ltd</b>	10 800	10 800
<b>Salt River Resources Ltd</b>	39 153	39 153
<b>Taung Diamond Mines (Pty) Ltd</b>		-
<b>Tradepost 121 (Pty) Ltd</b>	10 000	10 000
DS Cowie		
<b>Minnex Exploration (Pty) Ltd</b>	-	-
TP Mosebo		
<b>Angel Diamonds (Pty) Ltd</b>	37 125	37 125
CJ Engelbrecht		
<b>Angel Diamonds (Pty) Ltd</b>	225 000	225 000
<b>Total</b>	<b>477 004</b>	<b>477 004</b>

Other than stated above the directors of the Company have not received any bonuses and performance based payments, retirement benefits, commissions or profit-share arrangements.

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

### 23.5 Directors' Emoluments - paid by Company and subsidiaries to their own directors

	Basic Salary	Total
<b>2009</b>		
<b>Executive directors:</b>		
CJ Engelbrecht		
<b>Angel Diamonds (Pty) Ltd</b>	390 000	390 000
PT Mosebo		
<b>Angel Diamonds (Pty) Ltd</b>	45 700	45 700
M Welthagen	882 150	882 150
<b>Angel Diamonds (Pty) Ltd</b>	153 000	153 000
<b>Diamex JV (Pty) Ltd</b>	23 500	23 500
<b>Pilanesberg Gold Holdings (Pty) Ltd</b>	490	490
<b>Minnex Exploration (Pty) Ltd</b>	235 070	235 070
<b>Salt River Resources Ltd</b>	48 800	48 800
<b>Taung Diamond Mines (Pty) Ltd</b>	876	876
<b>Thabex Ltd</b>	420 414	420 414
DS Cowie		
<b>Minnex Exploration (Pty) Ltd</b>	24 000	24 000
AB Takang		
<b>Tradeport 121 (Pty) Ltd</b>	4 300	4 300
MM Zondi		
<b>Pilanesberg Gold Holdings (Pty) Ltd</b>	2 450	2 450
<b>Total</b>	<b>1 348 600</b>	<b>1 348 600</b>

Other than stated above the directors of the Company have not received any bonuses and performance based payments, retirement benefits, commissions or profit-share arrangements.

### 23.6 Fees paid by Salt River Resources for services other than as a director

<b>2010</b>		
Dr JA Cruise (Paid to John Cruise Mining (Pty) Limited)	112 860	112 860
Dr CR McClung	-	-
<b>Total</b>	<b>112 860</b>	<b>112 860</b>
<b>2009</b>		
Dr JA Cruise	114 000	114 000
Dr CR McClung	116 447	116 447
<b>Total</b>	<b>230 447</b>	<b>230 447</b>

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
	R	R	R	R
<b>26. Contingent liabilities</b>				
Angel Diamonds (Pty) Ltd	<b>5 810 000</b>	5 810 000	-	-
Angel Diamonds (Pty) Ltd	<b>1 297 000</b>	-	<b>1 297 000</b>	-
Litigation - Thabex Ltd	-	250 000	-	250 000
<b>Total contingent liabilities</b>	<b>7 107 000</b>	6 060 000	<b>1 297 000</b>	250 000

### 26.1. Angel Diamonds (Pty) Ltd

During the period ended 28 February 2009, the company reported a contingent liability of R5 810 000 against possible legal action from Mantle Diamonds Limited ("Mantle Diamonds") for expenditure incurred by that company for their own account and risk on the Kolo Kimberlite project. Since Mantle Diamonds withdrew from the Kolo Kimberlite project on 14 November 2009 and also declined to respond to the legal disputes between the major and minority shareholders of Angel Diamonds in which they were sited as respondents, the possibility for a contingent liability has diminished to such an extent that Thabex's board do not consider it necessary to provide for the same anymore. Specifically due to Mantle Diamonds' failure to oppose the urgent application to liquidate Angel Diamonds.

### 26.2. Angel Diamonds (Pty) Ltd

As approved by the board of directors of Angel Diamonds on 17 December 2009, the company was re-capitalised utilising loan account balances and other amounts owing to shareholders of Angel Diamonds by both Angel Diamonds and Thabex. Certain of the minorities representing R1,3 million of the amounts capitalised are disputing the re-capitalisation.

26.3. The Company was involved in litigation with Baka Plant Sales CC and the estimated possible loss which Thabex may have incurred was R250 000. Baka Plant Sales CC was liquidated during the period under review and the liquidators are not pursuing the litigation.

## 27. Events after the reporting date

Refer to the directors report.

## 28. Directors' interest in the ordinary share capital of Thabex was:

### As at 28 February 2010

	<b>Directly</b>	<b>Non</b>	<b>Indirectly</b>	<b>Non</b>	<b>%</b>
	<b>Beneficial</b>	<b>Beneficial</b>	<b>Beneficial</b>	<b>Beneficial</b>	
Dr JA Cruise (non-executive Chairman of subsidiary - Salt River Resources Ltd)	20 645 740	-	-	-	8.61
CJ Engelbrecht*	2 429 900	-	-	-	1.01
Dr JW Kruger	173 100	-	-	-	0.07
JR Rapoo	200 000	-	-	-	0.08
MJ Ratshedi**	-	-	-	-	-
Prof. DL Reid	166 000	-	-	-	0.07
AP Roux	160 000	-	-	1 700 000	0.78
M Welthagen	10 000	-	17 859 670	-	7.45
<b>Total</b>	<b>23 784 740</b>	-	<b>17 859 670</b>	<b>1 700 000</b>	<b>18.07</b>

\* Resigned 15 April 2010

\*\* Appointed 14 May 2010

M Welthagen has a 9.19% (2009: 9.67%) indirect interest in the Company held through The Marius Welthagen Trust's direct 54.59% interest in Saminco Limited or 17 585 920 shares (2009: 17 585 920 shares) and 273 750 shares (2009: 273 750 shares) held through SA Mineral Investments (Pty) Ltd (which company is 96% held by Saminco Limited).

AP Roux has a direct interest of 160 000 and an indirect interest of 1 700 000 ordinary shares in the Company or 0.78%.

No material change in the above interests occurred since year-end to the date of this report.

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

### 28. Directors' interest in the ordinary share capital of Thabex (continued)

As at 28 February 2009

	Directly Beneficial	Non Beneficial	Indirectly Beneficial	Non Beneficial	%
JL Bosch	160 000	-	-	-	0.07
Dr JA Cruise (non-executive Chairman of Salt River Resources Ltd)	-	-	20 155 740	-	8.85
Dr JW Kruger	173 100	-	-	-	0.08
JR Rapoo	200 000	-	-	-	0.09
Prof. DL Reid	166 000	-	-	-	0.07
AP Roux	160 000	-	-	1 700 000	0.82
M Welthagen	10 000	-	22 026 620	-	9.67
<b>Total</b>	<b>869 100</b>	<b>-</b>	<b>42 182 360</b>	<b>1 700 000</b>	<b>19.65</b>

### 29. Segmental information

#### Group

The Group has five reportable operating segments, as described below, which are the group's strategic operating segments. For each of the segments, the group's CE who is the Chief Operating Decision Maker (CODM) reviews internal management reports on at least a monthly basis.

The five segments are listed in order of priority for the group's overall operations.

1. Thabex Ltd: Includes exploration and management services to the Group's companies.
2. Tradepost 121 (Pty) Ltd includes Monastery Mine (Pty) Ltd and Monastery Holdings (Pty) Ltd and these companies are involved in the prospecting and development of Monastery Kimberlite pipe in the district of Marquard in the Free State Province.
3. Salt River Resources Ltd: Includes the Salt River base mineral project in the Northern Cape Province.
4. Angel Diamonds (Pty) Ltd (In liquidation): Includes the Kolo Kimberlite project in the Mafateng district of the Kingdom of Lesotho.
5. Minnex Exploration (Pty) Ltd: Includes the Middelwater alluvial diamonds project, with a 2,5% royalty agreement on commencement of mining operations, and the search for primary kimberlite deposits in Northern Namibia.

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

### 29. Segmental information (continued)

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>R</b>	<b>R</b>
<b>Total segment assets</b>		
Thabex Limited	16 377 351	20 658 949
Tradepost 121 (Pty) Limited - Monastery Mine	4 791 216	4 063 234
Salt River Resources (Pty) Limited	7 355 991	7 343 702
Angel Diamonds (Pty) Limited	1 823 841	4 725 982
Minnex Exploration (Pty) Limited	4 711 840	4 708 761
<b>Reportable assets</b>	<b>35 060 239</b>	<b>41 500 628</b>
Assets not allocated to segments	109 973	284 050
Consolidation adjustments and inter-company eliminations	(14 634 062)	(20 528 045)
<b>Total assets</b>	<b>20 536 150</b>	<b>21 256 633</b>
<b>Total segment liabilities</b>		
Thabex Limited	6 707 803	9 853 194
Tradepost 121 (Pty) Limited - Monastery Mine	2 348 831	4 616 035
Salt River Resources (Pty) Limited	159 358	8 302 356
Angel Diamonds (Pty) Limited	412 669	10 202 655
Minnex Exploration (Pty) Limited	564 274	916 439
<b>Reportable liabilities</b>	<b>10 192 935</b>	<b>33 890 679</b>
Liabilities not allocated to segments	134 339	2 676 260
Consolidation adjustments and inter-company eliminations	(1 103 527)	(24 787 902)
<b>Total liabilities</b>	<b>9 223 747</b>	<b>11 779 037</b>
<b>External revenue</b>		
Thabex Limited	420 995	282 136
<b>Finance income</b>		
Thabex Limited	352 832	1 564
Salt River Resources (Pty) Limited	3 295	1 703
Minnex Exploration (Pty) Limited	107 264	2 117
	463 391	5 384
<b>Finance expense</b>		
Thabex Limited	5 275	559 600
Tradepost 121 (Pty) Limited	-	167 194
Angel Diamonds (Pty) Limited	739	-
Minnex Exploration (Pty) Limited	-	247 349
Inter-company elimination	-	(426 593)
	6 014	547 550
<b>Segment profit/(loss)</b>		
Thabex Limited	(2 319 286)	(7 480 029)
Tradepost 121 (Pty) Limited - Monastery Mine	(530 381)	(516 351)
Salt River Resources (Pty) Limited	(663 832)	(787 831)
Angel Diamonds (Pty) Limited	(3 819 601)	(3 242 021)
Minnex Exploration (Pty) Limited	(125 299)	(113 079)
<b>Reportable loss</b>	<b>(7 458 399)</b>	<b>(12 139 311)</b>
Other subsidiaries	(341 956)	(644 989)
Consolidation adjustments and inter-company eliminations	4 124 250	3 973 232
<b>Loss before interest and taxation</b>	<b>(3 676 105)</b>	<b>(8 811 068)</b>

# THABEX LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 28 February 2010

### 30. Shareholders analysis

	Number of Holders	Percentage of total share holders	Number of shares***	Percentage of total issued share capital
<b>Shareholder spread</b>				
1 - 50 000	431	73.42%	4 845 350	2.02%
50 001 - 100 000	44	7.50%	3 809 700	1.59%
100 001 - 500 000	61	10.39%	14 060 480	5.86%
500 001 - 1 000 000	17	2.90%	12 901 820	5.38%
1 000 001 - 10 000 000	27	4.60%	72 159 710	30.08%
10 000 001 - AND MORE	7	1.19%	132 091 810	55.07%
<b>Totals</b>	<b>587</b>	<b>100.00%</b>	<b>239 868 870</b>	<b>100.00%</b>
<b>Shareholder Spread</b>				
<b>PUBLIC</b>	578	98.47%	160 582 510	66.95%
<b>NON-PUBLIC:</b>	9	1.53%	79 286 360	33.05%
Directors	6	1.02%	3 139 000	1.30%
Director of subsidiary	1	0.17%	20 645 740	8.61%
10% of issued capital or more*	2	0.34%	55 501 620	23.14%
<b>Totals</b>	<b>587</b>	<b>100.00%</b>	<b>239 868 870</b>	<b>100.00%</b>
<b>Distribution of Shareholders</b>				
Individuals**	514	87.56%	175 115 940	73.00%
Private companies	12	2.04%	1 461 890	0.61%
Public companies	4	0.68%	47 575 460	19.83%
Nominees and trusts	25	4.26%	4 976 040	2.07%
Close corporations	10	1.70%	3 911 190	1.63%
Other corporate bodies	5	0.85%	21 110	0.01%
Banks	3	0.51%	2 029 500	0.85%
Collective investment schemes and mutual funds	14	2.40%	4 777 740	2.00%
<b>Totals</b>	<b>587</b>	<b>100.00%</b>	<b>239 868 870</b>	<b>100.00%</b>

\* Includes the shareholding of Saminco Limited effectively controlled by M Welthagen (see note 28)

\*\* Includes the issue of 12 000 000 ordinary shares for the acquisition of Monastery Holdings (Pty) Ltd effective from 28 February 2010.

\*\*\* Reflects the splitting of the Thabex ordinary shares in 1 to 10.

### SUBSTANTIAL SHAREHOLDERS

According to the register of members of the Company at 28 February 2010, the following shareholders were the only members holding 5% or more of the ordinary issued share capital of the Company.

Shareholder	Number of shares	Percentage of total issued share capital
EV Ahmed	44 132 700	18.40%
Samenco Ltd	32 214 560	13.43%
Dr JA Cruise	20 645 740	8.61%
AP van Jaarsveld	19 054 020	7.94%
BBH Collins Stewert Ltd	15 270 890	6.37%
<b>Total</b>	<b>131 317 910</b>	<b>54.75%</b>

# THABEX LIMITED

## NOTICE OF ANNUAL GENERAL MEETING

### This document is important and requires your immediate attention

If you are in any doubt about what action you should take, consult your Central Securities Depository Participant ("CSDP"), broker, attorney, banker, financial adviser, accountant or other professional adviser immediately.

If you have disposed of all your shares in Thabex Limited you should pass this document and the enclosed proxy form to the purchaser of such shares or the stockbroker, banker or other agent through whom the disposal was affected for transmission to the purchaser.



("Thabex or the Company")  
Registration No 1988/000763/06  
(Incorporated in the Republic of South Africa)  
JSE share code: TBX  
ISIN Code: ZAE000013686  
www.thabex.com  
email: info@thabex.com  
Telephone number: +27 (0)11 678 0791

Notice is hereby given that the Annual General Meeting of shareholders of Thabex will be held at the boardroom, KPMG Forum, 1226 Schoeman Street, Hatfield, Pretoria, 0028 on Wednesday, 27 July 2011, at 10:00 to consider and, if deemed fit, pass with or without modifications, the following ordinary and special resolutions:

### Ordinary resolutions

1. To authorise any Director or Alternate Director of the Company to sign all such documents and to do all such things as may be necessary for or incidental to the implementation of the following ordinary and special resolutions to be proposed at the Annual General Meeting.
2. To receive, consider and adopt the audited annual financial statements of the Company for the year ended 28 February 2010.
3. To authorise the directors to determine and pay the auditors remuneration for the year ended 28 February 2010, including the directors' report and the auditors report contained therein.
4. To confirm the re-appointment of KPMG Incorporated as the independent auditors of the Company with Mr Shaun van den Boogaard, being the individual registered auditor who has undertaken the audit of the Company for the ensuing financial year and to authorise the directors to determine the auditors' remuneration.
5. To re-elect Prof DL Reid as director in accordance with the provisions of the Company's articles of association. An abridged CV of Prof DL Reid is provided on page 7.
6. To approve the election of Mr JM Ratshedi as executive director in accordance with the provisions of the Company's articles of association. An abridged CV of Mr MJ Ratshedi is provided on page 7.
7. To approve, in terms of articles 88 and 89 of the Company's articles of association, the directors' remuneration as disclosed in note 23 to the annual financial statements for the year ended 28 February 2010.
8. To renew the general authority of the directors to allot and issue all or any portion, subject to the provisions of the Companies Act, 1973, as amended, and the Listing Requirements of the JSE Limited ("JSE"), of the remaining shares in the authorised but unissued share capital of the Company upon such terms and conditions as they may determine.

## THABEX LIMITED

9. Resolved that, subject to ordinary resolution number 8 being passed, and subject to not less than 75% of the votes cast by those shareholders of the Company present in person or represented by proxy and entitled to vote at this meeting at which this resolution is proposed, voting in favour of this resolution, the directors of the Company be and they are hereby authorised by way of a general authority to issue all or any of the authorised but unissued ordinary shares in the capital of the Company for cash, as and when they in their discretion deem fit, subject to the Companies Act, 1973, as amended, the articles of association of the Company and the Listings Requirements of the JSE, provided that:
- 9.1. this authority is valid until the Company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter;
- 9.2. any such issue will only be securities of a class already in issue, or limited to such securities or rights that are convertible into a class already in issue;
- 9.3. the shares will be issued only to the public shareholders as defined in the Listings Requirements of the JSE and not to related parties;
- 9.4. the number of shares issued for cash shall not in the aggregate in any one financial year exceed 10% (ten percent) of the Company's issued share capital. The number of shares which may be issued shall be based on the number of shares in issue at the date of such application less any shares issued during the current financial year, provided that any shares to be issued pursuant to a rights issue (announced, irrevocable and underwritten) or acquisition (concluded up to the date of application) may be included as though they were shares in issue at the date of application;
- 9.5. in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares measured over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the issuer. The JSE will be consulted for a ruling if the Company's securities have not traded in such 30 business day period;
- 9.6 a paid press announcement giving full details including the impact on net asset value and earnings per share will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to the issue.

In terms of the Listings Requirements on the JSE a 75% (seventy five percent) majority of the votes cast by shareholders present or represented by proxy at the general meeting must be cast in favour of Ordinary Resolution Number 9 for it to be approved.

10. To transact any other business that may be transacted at an annual general meeting.

### **Special resolution**

As special resolution number 1

Resolved that the directors of the Company be and are hereby authorised, by way of renewal general authority to approve the repurchase of its own shares by the Company, or to approve the purchase of ordinary shares in the Company by any subsidiary of the Company, provided that:

- this general authority shall be valid until the Company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter;
- the ordinary shares be repurchased through the order book of the JSE trading system and done without any prior understanding or arrangement between the Company and/or the relevant subsidiary and the counter party;
- an announcement complying with 11.27 of the Listings Requirements of the JSE be published by the Company when the Company and/ or its subsidiaries has cumulatively repurchased 3% of the ordinary shares in issue as at the time when the general authority was given ("the initial number") and for each 3% in the aggregate of the initial number of the ordinary shares acquired thereafter by the Company and/or its subsidiaries;

## THABEX LIMITED

- the repurchase by the Company and its subsidiaries of its own ordinary shares shall not in the aggregate in any one financial year exceed 20% of the Company's issued share capital of that class, provided that the acquisition of ordinary shares as treasury stock by a subsidiary of the Company shall not exceed 10% in the aggregate of the number of issued shares of the Company;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the ordinary shares for the five business days immediately proceeding the date on which the transaction is effected;
- at any point in time the Company may only appoint one agent to effect any repurchase on the Company's behalf or on behalf of any subsidiary of the Company;
- the Company will after a repurchase of shares comply with the provisions of the Listings Requirements regarding shareholder spread;
- the Company and the subsidiary will not repurchase ordinary shares during a prohibited period (as defined in the Listings Requirements);
- such repurchases will be subject to the Companies Act.
- the Company's articles of association and the Listings Requirements of the JSE; and
- if the Company purchases its own shares from any wholly owned subsidiary of the Company for the purposes of cancelling such treasury shares pursuant to this general authority, the provision of bullet point no. 2 above will not be applicable to such purchase transaction.

It is the intention of the Board of Directors to use this general authority should prevailing circumstances (including the tax dispensation and market conditions) warrant it in their opinion.

The Company's directors undertake that they will not implement any such repurchases while this general authority is valid, unless:

- the Company and its subsidiaries will be, in the ordinary course of business, able to pay its debts for a period of 12 months after the date of the notice of the annual general meeting at which this resolution is proposed ("the annual general meeting");
- the assets of the Company and its subsidiaries will exceed the liabilities of the Company and its subsidiaries for a period of 12 months after the date of the notice of the annual general meeting. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the Company's latest audited annual group financial statements;
- the Company and its subsidiaries will have adequate share capital and reserves for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting;
- the working capital of the Company and its subsidiaries will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
- upon entering the market to proceed with the repurchase, the Company's sponsor has confirmed the adequacy of the Company's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE.

### **Reason for and effect of Special Resolution Number 1**

The reason for and the effect of the special resolution is to grant the Company's directors a general authority to approve the Company's repurchase of its own shares and to permit a subsidiary of the Company to purchase shares in the Company.

For the purposes of considering Special Resolution Number 1 in compliance with 11.26 of the Listings Requirements, the information listed below has been included in the Annual Report, in which this notice of annual general meeting is included, at the places indicated:

## **THABEX LIMITED**

Directors and management (pages 7, 26);  
Substantial shareholders (page 61);  
Material changes (page 25);  
Directors' interests in securities (page 58);  
Share capital of the Company (page 44);  
and Litigation statement (page 25)

The directors, whose names are set out on pages 7, and page 26 of this report, collectively and individually accept full responsibility for the accuracy of the information contained in Special Resolution Number 1 and certify, to the best of their knowledge and belief, that there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable queries in this regard and that the resolution contains all information required by law and the Listings Requirements;

A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and speak and vote in his stead. A proxy need not be a member of the Company. Proxy forms must reach the transfer secretaries, Link Market Services South Africa (Pty) Ltd, 13th Floor, 19 Ameshoff Street, Braamfontein, 2000 (PO Box 4844, Johannesburg, 2000) of the Company at least 48 hours before the time of holding the meeting excluding Saturdays, Sundays and Public Holidays.

Dematerialised shareholders, other than own name registered dematerialised shareholders, who wish to attend the annual general meeting or to vote by way of proxy, must contact their CSDP or broker who will furnish them with the necessary written authority to attend the annual general meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the member and his/her CSDP or broker in the manner and cut-off time stipulated therein.

By order of the board

**SA Mineral Investments (Pty) Ltd**  
Company Secretaries

Johannesburg

19 May 2011

**THABEX LIMITED**

**FORM OF PROXY**

**TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH OWN NAME REGISTRATION ONLY.**



("Thabex or the Company")  
 Registration No 1988/000763/06  
 (Incorporated in the Republic of South Africa)  
 JSE share code: TBX  
 ISIN Code: ZAE000013686  
 www.thabex.com  
 email:info@thabex.com  
 Telephone number: 0860 THABEX (0860 842239)

For use at the annual general meeting be held at the boardroom, KPMG Forum, 1226 Schoeman Street, Hatfield, Pretoria, 0083 on Wednesday, 27 July 2011. If shareholders have dematerialised their shares with a CSDP or broker, other than with own name registration, they must arrange with the CSDP or broker concerned to provide them with the necessary letter of representation to attend the general meeting or the shareholders concerned must instruct them as to how they wish to vote in this regard. This must be done in terms of the custody agreement. I/We (Please print name in full) \_\_\_\_\_ of (address)

\_\_\_\_\_ being a holder of \_\_\_\_\_ ordinary shares issued by Thabex, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ and failing him/her \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ and failing him/her the chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf on a show of hands and/or on a poll at the general meeting of Thabex shareholders to be held at the be held at the boardroom, KPMG Forum, 1226 Schoeman Street, Hatfield, Pretoria, 0083 on Wednesday, 27 July 2011 at 10:00 and at any adjournment thereof, as follows:

	Number of votes (one vote per share)		
	In favour	Against	Abstain
<b>Ordinary resolutions</b>			
Number 1 - To authorise signature of documents			
Number 2 - Adoption of financial statements for the year ended 28 February 2010			
Number 3 - To approve Auditors remuneration for the year ended 28 February 2010			
Number 4 - To confirm the re-appointment of KPMG Incorporated as the independent auditors of the Company for the ensuing financial year			
Number 5 - Re-election of director: Professor DL Reid			
Number 6 - Election of director: Mr JM Ratshedi			
Number 7 - To approve directors' remuneration for the year ended 28 February 2010			
Number 8 - To place the unissued shares under control of the directors			
Number 9 - General approval to issue shares for cash			
Number 10 - Transact other business			
<b>Special resolution</b>			
Number 1 - Purchase of own shares			

SIGNED at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2011

\_\_\_\_\_(Signature)

A shareholder entitled to attend and vote at the abovementioned meeting is entitled to appoint one or more proxies (none of whom need be a shareholder of Thabex) to attend and speak and vote at the abovementioned meeting in place of that shareholder.

**Please read notes on the reverse hereof.**

## THABEX LIMITED

### NOTES TO PROXY

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairman of the general meeting", but any such deletion must be initialed by the member. The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of ordinary shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the members' votes exercisable thereat. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.
3. Forms of proxy must be received at the Company's transfer secretaries, Link Market Services South Africa (Pty) Ltd, 13th Floor, 19 Ameshoff Street, Braamfontein, 2000 (PO Box 4844, Johannesburg, 2000) by no later than 10:00 on Monday, 25 July 2011.
4. The completion and lodging of this form of proxy will not preclude the relevant member from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairman of the general meeting.
6. The signatories must initial any alteration or correction made to this form of proxy.
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.
8. The chairman of the general meeting may reject or accept a form of proxy which is completed and/or received other than in accordance with these notes if he is satisfied as to the manner in which the member wishes to vote.
9. Dematerialised shareholders who wish to attend the general meeting or to vote by way of proxy must contact their CSDP or broker who will furnish them with the necessary letter of representation to attend the general meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the member and his/her CSDP or broker in the manner and cut-off time stipulated therein.

# THABEX LIMITED

## FORM OF SURRENDER

### Instructions to certified shareholders regarding the surrender of their share certificates for replacement



("Thabex or the Company")  
Registration No 1988/000763/06  
(Incorporated in the Republic of South Africa)  
JSE share code: TBX  
ISIN Code: ZAE000013686  
www.thabex.com  
email:info@thabex.com

---

### For use only by ordinary shareholders who hold their Thabex shares in certificated form in relation to the subdivision of each ordinary share of 10 cents each into ten ordinary shares of 1 cent each ("the subdivision")

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This form of surrender should be read in conjunction with the subdivision of shares contained in this annual report dated 19 May 2011.

This form of surrender is attached for the convenience of certificated shareholders of Thabex shares who are required to surrender their documents of title in order to receive replacement documents of the title reflecting the subdivision ("the replacement share certificates").

Replacement share certificates will be posted by registered post to those shareholders who have surrendered their documents of title by 12:00, Friday, 29 July 2011. Alternatively, if received after this date, replacement share certificates will be posted within five business days of receipt of the documents of title by the transfer secretaries.

#### Instructions:

A separate form of surrender is required for each certificated shareholder. Part A must be completed by all shareholders who return this form of surrender.

Part B must be completed by shareholders who are emigrants from the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho ("the common monetary area"). Non-residents of the common monetary area who wish their replacement share certificate to be sent to an authorised dealer in South Africa should also complete Part B (See Notes 1 and 2 below).

<b>To: The transfer secretaries</b>
-------------------------------------

Link Market Services South Africa (Pty) Ltd PO Box 4844, Johannesburg, 2000
--

I/We hereby surrender and enclose the share certificates/s, certified transfer deed/s and/or other documents of the title, details of which have been completed below in respect of my/our holding of shares in Thabex.

### **PART A – All certificated shareholders must please complete all the blocks below (in BLOCK CAPITALS).**

Surname or Name of corporate body	
First names (in full)	
Title	
Surname or Name of corporate body	
Postal address to which the replacement share certificates should be sent (if different from registered postal address)	
Postal Code	Country

Share certificates and/or other document of title surrendered

## THABEX LIMITED

Name of registered holder	Certificate number(s) (in numerical order)	Number of shares covered by each certificate
	Total	

Please also read notes below

Signature of Thabex ordinary shareholder	Stamp and postal address of agent lodging this form (if any)
Assisted by me (if applicable)	
(State full name and capacity)	
Date	
Telephone number (Home) (     )	
Telephone number (Work ) (     )	

Signatories may be called upon for evidence of their authority or capacity to sign this form of surrender.:

**PART B – To be completed by all certificated shareholders who are emigrants from the common monetary area. Non-resident of the common monetary area who wish their replacement share certificates to be sent to an authorised dealer in South Africa**

The replacement share certificates will be forwarded to the authorised dealer nominated below for its control.

Name of authorised dealer	
Account number	
Postal address	
	Postal code

If no nomination is made above by an emigrant, the replacement share certificates will be held in trust by the transfer secretaries.

If no nomination is made by a non-resident, the replacement share certificates will be posted to such non-resident's postal address specified in the Company's share register.

**PART C – To be completed by those shareholders who are resident of the common monetary area and who wish to specify a postal address to which their replacement share certificates should be posted.**

Name of shareholder	
Postal address	
	Postal code

If Part C is not completed by residents of the common monetary area, replacement share certificates will be posted to such shareholders at the postal address specified in the company's share register.

# THABEX LIMITED

## Notes

1. Emigrants from the common monetary area must complete Part B.
2. All other non-residents of the common monetary area must complete Part B if they wish their replacement share certificates to be sent to an authorised dealer in South Africa.
3. If Part B is not properly completed in the case of emigrants, the replacement share certificates will be held in trust by the transfer secretaries pending receipt of the necessary nomination or instructions.
4. If this form of surrender is returned with the relevant documents of title, it will be treated as a conditional surrender which is made subject to the subdivision becoming effective. Documents surrendered in anticipation of the subdivision becoming effective will be held in trust by the transfer secretaries until the subdivision becomes effective.
5. The replacement share certificates will not be sent to the relevant shareholders unless and until documents of title in respect of the shares held by such shareholders have been surrendered to the transfer secretaries.
6. If a shareholder produces evidence to the satisfaction of Thabex that the documents of title in respect of Thabex shares have been lost or destroyed, Thabex may waive the surrender of such documents of title against delivery of an indemnity in a form and, on terms and conditions approved by the company, it may, at its discretion, waive such indemnity forms. These indemnity forms are available from the transfer secretaries.
7. Persons who have acquired shares in Thabex after 27 May 2011, the date of posting of the annual report to which this form of surrender is attached, can obtain copies of the form of surrender and the annual report from Link Market Services South Africa (Pty) Ltd, 13th Floor, 19 Ameshoff Street, Braamfontein, 2000 (PO Box 4844, Johannesburg, 2000). No receipts will be issued for documents lodged, unless specifically requested. In compliance with the requirements of the JSE Limited (JSE), lodging agents are requested to prepare special transaction receipts. Signatories may be called upon for evidence of their authority or capacity to sign this form of surrender.
8. No receipts will be issued for documents lodged, unless specifically requested. In compliance with the requirements of JSE Limited ("the JSE"), lodging agents are requested to prepare special transaction receipts. Signatories may be called upon for evidence of their authority or capacity to sign this form of surrender.
9. Any alteration to this form of surrender must be signed in full and not initialled.
10. If this form of surrender is signed under a power of attorney, then such power of attorney, or a notarially certified copy hereof, must be sent with this form of surrender for noting (unless it has already been noted by Thabex or its transfer secretaries).
11. Where the shareholder is a company or a close corporation, unless it has already been registered by Thabex or its transfer secretaries, a certified copy of the directors' or members' resolution authorising the signing of this form of surrender must be submitted if so requested by Thabex.
12. Note 8 above do not apply in the event of this form bearing the stamp of a broking member of the JSE.
13. Where there are joint holders of any shares, only that holder whose name stands first in the register in respect of such shares need sign this form of surrender.
14. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced to or have been registered by the transfer secretaries of Thabex.

**THABEX LIMITED**

**SHAREHOLDERS' NOTES**

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