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SAH - SACMH - Reviewed Condensed Provisional Annual Results for the year ended
31 December 2011
SOUTH AFRICAN COAL MINING HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number 1994/009012/06
Share code: SAH ISIN: ZAE000102034
("SACMH" or "the company" or "the group")
REVIEWED CONDENSED PROVISIONAL ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2011
The reviewed condensed annual results for the year ended 31 December 2011 are
presented below:
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2011	31 December 2010
R`000	Reviewed	Audited
ASSETS		
Non-current assets	525 715	537 204
Property, plant and equipment	111 360	111 003
Intangible assets	407 130	421 666
Investments	7 225	4 535
Current assets	58 731	67 717
Inventories	22 349	44 286
Trade and other receivables	35 681	17 957
Cash and cash equivalents	701	5 474
Current assets held for sale	3 242	-
Total assets	587 688	604 921
EQUITY AND LIABILITIES		
Capital and reserves	59 384	173 165
Issued capital and premium	233 885	233 885
Accumulated loss	(174 501)	(75 966)
Shareholder`s loan	-	15 246
Non-current liabilities	380 820	372 420
Shareholder`s loan	213 353	-
Interest-bearing liabilities	989	176 562
Non-interest-bearing liabilities	34 800	46 600
Non-current provisions	34 540	45 772
Deferred taxation	97 138	103 486
Current liabilities	141 324	59 336
Trade and other payables	39 419	27 067
Short-term borrowings	-	7 012
Current portion of non-interest-bearing liabilities	18 200	11 400
Current portion of interest-bearing liabilities	50 483	8 738
Current portion of provisions	15 998	5 119
Bank overdraft	17 224	-
Current liabilities held for sale	6 160	-
Total equity and liabilities	587 688	604 921
Number of shares in issue (`000)	452 454	452 454
Net asset value per share (cents)	13,12	38,22
Tangible net asset deficit value per share (cents)	(54,34)	(31,83)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 December 2011	31 December 2010
R`000	Reviewed	Audited

Revenue	347 338	18 810
Cost of sales	(341 039)	(7 444)
Gross profit	6 299	11 366
Other losses	-	(1 247)
Foreign exchange (losses)/gains	(31 481)	3 780
Net (impairment charge)/reversal of impairment	(4 226)	385
Loss on sale/scrapping of assets	(852)	(11 150)
Depreciation	(28 352)	(10 877)
Amortisation of mining rights	(11 846)	(1 340)
Rehabilitation provision	(5 809)	(296)
Operating expenses	(17 410)	(24 984)
Operating loss before finance costs and taxation	(93 677)	(34 363)
Finance costs	(12 882)	(11 683)
Finance income	1 680	-
Loss before taxation	(104 879)	(46 046)
Taxation	6 344	36 015
Total comprehensive loss attributable to ordinary shareholders	(98 535)	(10 031)
Headline loss (cents)	(20,66)	(0,53)
Weighted average number of shares in issue (`000)	452 454	452 454
Basic loss per share (cents)	(21,78)	(2,21)
Impairments per share (cents)	0,93	(0,09)
Loss on sale/scrapping of non-current assets per share (cents)	0,19	2,46
Tax effects thereon (cents)	-	(0,69)
Headline loss per share (cents)	(20,66)	(0,53)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

	Share capital R`000	Share premium R`000	Share-holder`s loan R`000
Balance at 31 December 2009	45 246	188 639	11 607
Increase in equity loans	-	-	3 639
Total comprehensive loss attributable to ordinary shareholders	-	-	-
Balance at 31 December 2010 - Audited	45 246	188 639	15 246
Equity loans transferred to non-current liabilities	-	-	(15 246)
Total comprehensive loss attributable to ordinary shareholders	-	-	-
Balance at 31 December 2011 - Reviewed	45 246	188 639	-

	Accumu-lated loss R`000	Total R`000
Balance at 31 December 2009	(65 935)	179 557
Increase in equity loans	-	3 639
Total comprehensive loss attributable to ordinary shareholders	(10 031)	(10 031)
Balance at 31 December 2010 - Audited	(75 966)	173 165
Equity loans transferred to non-current liabilities	-	(15 246)
Total comprehensive loss attributable	(98 535)	(98 535)

to ordinary shareholders
Balance at 31 December 2011 - (174 501) 59 384
Reviewed

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R`000	31 December 2011 Reviewed	31 December 2010 Audited
Cash flows generated from/(utilised in) operations	6 573	(50 165)
Net finance charges paid	(11 201)	(11 683)
Taxation refunded	-	2 083
Net cash utilised operating activities	(4 628)	(59 765)
Cash flows from investing activities		
Purchase of property, plant and equipment	(36 286)	(13 942)
Increase in investments	-	(4 535)
Net cash used in investing activities	(36 286)	(18 476)
Cash from financing activities		
Borrowings repaid	(7 304)	-
Net liabilities raised	26 221	76 734
Net cash from financing activities	18 917	76 734
Net decrease in cash and cash equivalents	(21 997)	(1 508)
Cash and cash equivalents at beginning of year	5 474	6 982
Cash and cash equivalents at end of year	(16 523)	5 474

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IAS 34: Interim Financial Reporting, and AC 500 standards as issued by the Accounting Practice Board), the Companies Act of South Africa and the Listings Requirements of the JSE Limited. The accounting policies used to prepare the financial statements have been consistently applied to all periods presented.

These financial results have been reviewed by the company`s auditors, Deloitte & Touche. They have disclaimed their review opinion on a material uncertainty on the valuation of mineral rights and the company`s ability to continue as a going concern. Their disclaimed review report is available at the registered office of the company.

The financial statements have been prepared on the going concern basis taking into account the fact that the group is dependent on JSW Energy Limited (a company listed on the Indian stock exchange and operating through its subsidiary JSW Natural Resources South Africa (Proprietary) Limited) ("JSW") which will continue to support SACMH. JSW have indicated their firm intention to continue financial support in writing, subject to the following:

- JSW obtains board approval for the additional funding at the time;
- JSW fulfils all regulatory requirements as prescribed by Indian legislation; and
- JSW remains the majority shareholder.

JSW have demonstrated their on-going support during the current financial year.

COMMENTARY

1. Performance for the 12 months to 31 December 2011

Mining operations and operational performance
The mining operations included both open cast and underground operations and resumed in the latter part of 2010 as per the decision of the board and shareholders. The mining experience in the first quarter was poor and a decision was made to implement a comprehensive resource evaluation programme (as mentioned in note 4 below).
The geological information available from the most recent Competent Person`s Report ("CPR") at the time from 2008, proved lacking or inaccurate in allowing effective and detailed mine planning to be implemented, given the nature of conditions. Additional infill drilling was undertaken (as part of the resource evaluation programme mentioned in note 4) in the open cast pit operation, to assist in managing mining operations more effectively. The benefits of this came to bear in the last five months of the financial year as more effective mining controls were able to be implemented. Production volumes reached a peak of 99 000 tons Run of Mine ("ROM") (2010: 32 000 tons) in November 2011, with an average of 77 000 tons for the second half of 2011. During the year under review, 811 000 tons (2010: 89 000 tons) of ROM was produced. The ROM has been processed to a RB1 specification (save for the inherent sulphur levels which was between 1,0% and 1,2% on average), with an expected average processing yield of 52%.
Despite improved mining controls, resulting in an improved production and cost consistency, geological losses remained high and negatively impacted on the cost per ton, in particular in respect of open cast operations.
A total of 425 000 tons (2010: Nil) of product was sold on the export market during the year, representing R337 million (2010: Nil) of turnover at an average selling price of US$109,63 per ton (2010: Nil), with a total of 362 000 tons (2010: 37 000 tons) having been produced from operations.
Logistics
The group utilised all rail entitlement to Richards Bay Coal Terminal ("RBCT") for the year. The group`s rail allocation to RBCT in terms of the Quattro allocation scheme administrated by the Department of Minerals and Resources was reduced to 157 000 tons (2010: 207 000 tons). An additional 30 000 tons of allocation was declared in terms of the Phase V agreement with RBCT at a cost of R2,7 million resulting in the total entitlement in terms of the group`s Phase V increasing to 100 000 tons p.a. (2010: 70 000 tons). The total rail allocation available to the group decreased to 257 000 tons (2010: 277 000 tons).
Foreign exchange gains/(losses)
The group continued to be financially supported by JSW during the year, inter alia, through a loan of US$22,9 million (2010: US$19,0 million) from a subsidiary of JSW. Changes in the Rand/Dollar exchange rate resulted in an unrealised loss of R30,8 million (2010: gain of R3,8 million) on this loan

outstanding at the year-end.
Exchange (losses)/gains on turnover totalled R0,7 million (2010: Nil) for the year.

Amortisation of mining right

Amortisation of the mining rights increased to R11,8 million (2010: R1,3 million) during the year as a result of the increase in mining activity and the potential reduction of mineable resource; the amortisation charge rate is consistent with prior years.

Taxation

Due to the losses incurred during the year no income tax liability was incurred. A reduction in the deferred tax liability of R6 million (2010: R36 million) was recorded as a result of the reduction in the carrying value of the mining right and changes, and changes to the rehabilitation liability.

2. Asset management

Capital expenditure

Capital expenditure of R36,3 million (2010: R13,9 million) was incurred during the year. The upgrade to the wash plant was fully commissioned to improve capacity and efficiencies at a cost of R12,0 million during the year and development of the Vlakfontein open cast reserve was completed together with the recommencement of mining operations on the Mooifontein underground section at a cost of R14,3 million.

Assets held for sale

An agreement to dispose of land and buildings with a carrying value of R3,2 million held by Ilanga Coal Mines (Pty) Limited was concluded during the year.
The rehabilitation liability of R6,1 million included in liabilities on assets held for sale, will be assumed by the purchaser. The transfer of the property is expected to take place by 30 June 2012.

Rehabilitation costs

Rehabilitation costs have been provided for and include full mine closure and the rehabilitation of previous operations. Increases in the estimate cost of rehabilitation have resulted in an increase in the estimated rehabilitation liability.

3. Going concern

The group`s going concern has been underwritten by the support of JSW. JSW has confirmed in writing its intention to continue their financial support of SACMH. This is also evidenced by the further funding made available during the year.
In terms of the loan agreements with JSW the group has undertaken not to accept repayment of its loan accounts until such stage as SACMH`s assets fairly valued exceed its liabilities. These loans were previously included with other interest-bearing liabilities.
In terms of the group`s Life of Mine ("LOM") plan, operations are expected to produce positive cash flows after servicing of all debt and capital

requirements, by 2015. The group`s major shareholder has committed to support
funding requirements necessary during this period subject to certain conditions
set out above.
Repayment of the amounts due in terms of the Phase V investment at RBCT are due
in full by 31 December 2012; In this respect, the amount of R48,2 million
(2010: R6,0 million) has been included in current interest-bearing liabilities.

4. Updated Statement of Reserves and Resources

With reference to prior communications on this issue, where the company stated
that it had embarked on a comprehensive resource evaluation and exploration
drilling programme, which commenced in April 2011, the company can now state
that the drilling programme with all related results and analysis was completed
in February 2012. Approximately 280 additional core holes were drilled with
over 70% wireline logged. All three target seams were analysed by an accredited
laboratory in Middelburg.
The updated geological information as evaluated by SRK in their Independent
Engineer`s Report ("IER") reflects a significant reduction in the Resource and
Reserve estimates in comparison to a prior CPR prepared by SRK Consulting in
2008, where Gross Tons In Situ ("GTIS") were stated as GTIS of 41 Mt and ROM
tons of 25,7 Mt. A copy of the IER is available on the company`s website.
The board together with JSW are undertaking a full evaluation of the IER
together with every aspect of the resource before confirming any potential
changes, to identify opportunities to further maximise the economical
extraction through detailed engineering and feasibility studies which will include:

- An evaluation of the appropriate mining methodology and technology, to economically exploit the C Upper and C Lower Seams in the Voorslag mine; this accounts for a meaningful portion of the future mineable reserves and higher quality coal.
- Refinement of underground pillar design and investigation of partial pillar extraction.
- Improvement of open cast mining efficiencies which could increase the opencast footprint in the Voorslag mining area.
- Evaluation of various sources of ROM material for blending purposes and other product derivatives, to mitigate higher inherent sulphur levels.

Due to the uncertainty of the value of a potential reduction in mineable
reserves, the board has decided not to effect any impairment charge at this
stage until the results of the above investigations are completed. It is
expected that these will be completed before the end of this year.
The impact of the potential reduction in the reserves could lead to an
impairment of the mining asset of up to a value of R173,2 million.

5. Financing activities

JSW

During the year a further R27,1 million (2010: R19,1 million) was advanced by
JSW to finance the upgrades to the wash plant and to supplement working capital

requirements. The shareholder continues to provide on-going financial support
to the group.
The loan from Mainsail Investments of R15,246 million was acquired by JSW during the year as part of the Put option exercised by Royal Bafokeng Holdings
on 31 October 2011. JSW has elected not to convert the loan to equity.

Post-balance sheet events

JSW has made further funds available to replace Standard Bank`s short-term facilities.
Environmental approval for the mining of the Voorslag area has been applied for
from the Department of Minerals and Resources. As indicated in the announcement
made on 18 April 2011 via SENS, the delays in the approval process, have resulted in a reduction in production levels, as the Vlakfontein opencast operations were completed during the month of March 2012. The company is embarking on cost reduction exercises to mitigate this situation.

Capital expenditure commitments

No material commitments have been approved.

Contingencies and commitments

There has been no change in the previously disclosed contingent assets and liabilities.

Prospects

The prevalent scenarios and current level of operations compels the group and
its directors to pursue a comprehensive strategic solution for the business.
This could encompass a couple of key scenarios. Potential significant reduction
in the mineable reserves and the impact on the future LOM, at this stage being
fundamentally the underground B seam with its systemic relatively poor yield
and high sulphur, compels the company and its directors to pursue a strategic
solution for the business. This could encompass a couple of key scenarios. The
company`s logistics assets and export capacity have significant value and a number of strategic options are being investigated which would leverage and unlock this value.
The impending BEE transaction comprises a set of potential investors and counterparties that could well provide a comprehensive strategic solution. The
process in this regard will commence shortly after the release of these provisional results.

Independent engineers report

As indicated in note 4, an IER has been prepared by SRK. The potential significant change in mineable reserves from the 2008 position is of concern to
the board and the company`s majority shareholder. Notwithstanding the reconciliation of the differences being presented in the IER, the company and/or its major shareholder may pursue a further investigation into this if
they deem it necessary.

Changes to directorate

Mr WN Gardyne, non-executive director of the company who represented New Africa
Mining Fund which had accepted the JSW offer to shareholders to acquire their
shares, resigned as a director on 10 January 2011.

Mr GM Scrutton resigned as a non-executive director on 1 February 2011.
Dr V Lickfold, an independent non-executive director, was due for re-election
by rotation as a director at the annual general meeting held on 18 August 2011.
Due to increased responsibilities and commitments she advised that she would
not be available for re-election at the latter meeting.
Mr LM Ndala resigned as a director on 31 August 2011 due to increased commitments at Royal Bafokeng Holdings.
Mr TV Mokgatlha resigned as chairman and as a director of the board on 2 November 2011, following the acquisition by JSW Energy Natural Resources South
Africa Limited of the entire shareholding of the Royal Bafokeng Group.
Mr PP Menon, a representative of JSW Energy Limited - the majority shareholder
in the company - was appointed as non-executive director on 16 November 2011.
Mr QMSM Mokoetle was appointed as an independent non-executive director and chairman of the board on6 February 2012.

For and on behalf of the board

QMSM Mokoetle	AJL Rayment
Chairman	Chief Executive Officer

05 June 2012
Johannesburg

Directors:
QMSM Mokoetle (Non-executive Chairman)
AJL Rayment (CEO)
DGA Miller (CFO)
VP Garg* (Non-executive)
PP Menon* (Non-executive)
*Indian

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