

# REVIEWED CONDENSED RESULTS OF SACMH AND ITS SUBSIDIARIES ("THE GROUP") FOR THE SIX MONTHS ENDED 30 JUNE 2015

## CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

R'000	Notes	Reviewed As at 30 June 2015	Audited As at 31 December 2014
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>303 430</b>	320 638
Property, plant and equipment		72 022	74 682
Intangible assets	12	180 908	180 908
Deferred tax	9	-	14 548
Investments in subsidiaries		50 500	50 500
<b>Current assets</b>		<b>1 579</b>	8 190
Trade and other receivables	11	320	4 845
Cash and cash equivalents		1 259	3 345
<b>Total assets</b>		<b>305 009</b>	328 828
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>		<b>(289 786)</b>	(228 473)
Issued capital and premium		233 885	233 885
Accumulated loss		(523 671)	(462 358)
<b>Non-current liabilities</b>		<b>592 341</b>	553 940
Shareholders' loan		537 152	498 693
Non-current provisions		46 576	46 576
Deferred taxation	10	8 613	8 613
Other liability	9	-	58
<b>Current liabilities</b>		<b>2 453</b>	3 361
Trade and other payables		2 453	3 361
<b>Total equity and liabilities</b>		<b>305 009</b>	328 828

## CONSOLIDATED CONDENSED STATEMENTS OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

R'000	Notes	Reviewed six months to 30 June 2015	Reviewed six months to 30 June 2014
Revenue	3	3 490	11 328
Cost of sales		(5 203)	(6 879)
<b>Gross profit/(loss)</b>		<b>(1 713)</b>	4 449
Foreign exchange loss		(31 379)	(30 497)
Depreciation	4	(2 663)	(3 638)
Operating expenses		(3 633)	(4 470)
<b>Operating (loss) before finance costs and taxation</b>		<b>(39 388)</b>	(34 156)
Finance costs	7	(7 380)	(5 095)
<b>(Loss) before taxation</b>		<b>(46 767)</b>	(39 251)
Taxation	9	(14 545)	-
<b>(Loss) for the year</b>		<b>(61 313)</b>	(39 251)
<b>Other comprehensive income</b>		<b>-</b>	-
<b>Total comprehensive loss attributable to ordinary shareholders</b>		<b>(61 313)</b>	(39 251)
Loss attributable to ordinary shareholders		(61 313)	(39 251)
Loss attributable to minority shareholders		(20 070)	(2 642)
Loss attributable to majority shareholders		(41 243)	(36 609)
<b>Loss per share (cents)</b>		<b>(13.55)</b>	(8.67)
<b>Diluted loss per share (cents)</b>		<b>(13.55)</b>	(8.67)

## STATEMENTS OF CASH FLOWS

R'000	Note	Reviewed six months to 30 June 2015	Reviewed six months to 30 June 2014
<b>Cash flows generated from operations</b>	5	<b>(2 086)</b>	(2 434)
<b>Net cash from operating activities</b>		<b>(2 086)</b>	(2 434)
<b>Cash from financing activities</b>		<b>-</b>	-
<b>Net decrease in cash and cash equivalents</b>		<b>(2 086)</b>	(2 434)
Cash and cash equivalents at the beginning of the period		3 345	3 952
<b>Cash and cash equivalents at the end of the period</b>		<b>1 259</b>	1 518

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital	Share premium	Accumulated loss	Total
<b>Balance at 31 December 2013</b>	<b>45 246</b>	<b>188 639</b>	<b>(383 104)</b>	<b>(149 219)</b>
Total comprehensive loss	-	-	(39 251)	(39 251)
<b>Balance at 30 June 2014</b>	<b>45 246</b>	<b>188 639</b>	<b>(422 354)</b>	<b>(188 469)</b>
<b>Balance at 31 December 2014</b>	<b>45 246</b>	<b>188 639</b>	<b>(462 358)</b>	<b>(228 473)</b>
Total comprehensive loss	-	-	(61 313)	(61 313)
<b>Balance at 30 June 2015</b>	<b>45 246</b>	<b>188 639</b>	<b>(523 671)</b>	<b>(289 786)</b>

## NOTE TO THE STATEMENT OF COMPREHENSIVE INCOME

	30 June 2015 Reviewed	30 June 2014 Reviewed
Ordinary shares ('000)		
- In issue	452 454	452 454
- Weighted average	452 454	452 454
- Diluted weighted average	452 454	452 454
	<b>R'000</b>	<b>R'000</b>
Determinations of headline loss:		
Loss attributable to ordinary shareholders	(61 313)	(39 251)
Less: Tax effect	14 545	-
<b>Headline loss</b>	<b>(46 768)</b>	(39 251)
Headline and diluted loss per share (cents)	<b>(10.34)</b>	(8.67)

## Statement of compliance and basis of preparation

"The condensed consolidated interim results have been prepared, under the supervision of the Chief Financial Officer Chandraprakash Tated CA. The directors take full responsibility for the preparation of this report, in accordance with and containing the information required by International Accounting Standard (IAS) 34, Financial Reporting Guides as issued by the Accounting Practices Committee, the Listings Requirements of the JSE and in compliance with the requirements of the South African Companies Act, No 71 of 2008. The accounting policies used are in terms of IFRS and are consistent with those of the Annual Financial Statements as at 31 December 2014. The Directors take full responsibility for the preparation of this report.

The condensed consolidated financial report has been prepared in accordance with the historical cost convention except for certain investments which are stated at fair value, and is presented in Rands, which is SACMH's functional and presentation currency.

The interim results have been reviewed by the group's auditors, Nkonki Inc. Their unqualified review conclusion with an emphasis of matter on SACMH's ability to continue as a going concern with the details as disclosed in commentary point 13, is available for inspection at the company's registered office. Their review was conducted in accordance with ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity."

These financial results have been prepared on the going-concern basis taking into account that JSW Energy Limited (a company listed on the Indian stock exchanges and operating through its subsidiary, JSW Energy Natural Resources South Africa Proprietary Limited), continues to support SACMH as reflected in its annual report for the year ended 31 December 2014 issued in August 2015.

## COMMENTARY

### 1. Performance for the six months to 30 June 2015

Operations at the Group's Umlabu Colliery continue to be suspended pending the finalisation of the Water Use License Application (WULA) by the Department of Minerals and Resources (DMR). All assets and infrastructure are being maintained under a "Care and Maintenance" programme.

The group is utilising its logistical and infrastructural assets to generate rental income to offset the costs incurred while operations remain suspended.

### 2. Foreign exchange loss

The decline of the US\$/ZAR rate from R11.57 to R12.27 during the reporting period resulted in an unrealised loss of R31.379 million (2014: R30.497 million) on the shareholders' loan.

### 3. Revenue

Revenue has been reduced to R 3.490 million (2014: R 11.328 million) due to less income from renting of logistic assets.

### 4. Depreciation

Depreciation charges of R2.6 million (2014: R3.6 million) are lower than the previous year as a result of assets having been fully depreciated in prior years.

### 5. Cash flow statement generated from operation for Interim review period: (R'000)

	30 June 2015 Reviewed	30 June 2014 Reviewed
Net profit per income statement	(61 313)	(39 251)
Adjustments for non-cash items		
Deferred tax	14 545	-
Forex losses	31 379	30 497
Interest (not yet paid)	7 080	4 659
Depreciation	2 663	3 638
Changes in working capital		
Accounts receivable	4 525	(12)
Accounts payable	(966)	2 903
<b>Cash flow from operations</b>	<b>(2 086)</b>	2 434

### 6. Statement of reserves and resources and prospects

The resources of 10.0mt of coal classified as proven and probable reserves in the integrated annual report for the year ended 31 December 2013 and provisional results released on 18 June 2015 have been reclassified and the measured and indicated coal resources that were previously converted to reserves, have been reclassified as resources as the coal could not be economically extracted as a result of the downturn in the economy and the drop in world coal prices. No material changes have taken place since the last reporting period. The reserves and resources statement has been approved by the JSE, a copy of which is available on the company's website.

### 7. Financing activities

Finance costs of R7.38 million (2014: R5.1 million) are as a result of the shareholders' loan value being inflated by the Forex Rate and subsequently greater interest charges on the increased value being charged.

### 8. Asset management

Working capital has reduced by 118% due to trading volumes with suppliers and customers being reduced at Umlabu Colliery.

### 9. Income and deferred Tax

	30 June 2015 R'000	31 December 2014 R'000
Deferred tax was raised on the following items		
(a) Mineral rights	-	-
(b) Rehabilitation provision	-	13 041
(c) Gain on loans acquired from subsidiaries	(8 613)	(8 613)
(d) Bad debts provision	-	1 504
	<b>(8 613)</b>	5 935

Due to uncertainty over realisation of deferred tax asset balance resulting from the rehabilitation costs and bad debts provision, it was decided to charge off the deferred tax asset in the current year through the income statement as follows:

Description	R'000
Reversal of deferred tax assets due to uncertainty of realisation	14 545
<b>Total</b>	<b>14 545</b>

### 10. Non-current provisions

This pertains to rehabilitation provision of R46 576 (2014: R46 576) in the current year. There has been no movement as the mine is under care and maintenance.

### 11. Trade and other receivable

Movement of Trade and other receivables during interim period:

	Reviewed As at 30 June 2015	Audited As at 31 December 2014
Gross trade and other receivables	7 927	12 104
Less: provision for doubtful debts	(7 607)	(7 259)
<b>Net trade and other receivables</b>	<b>320</b>	4 845

### 12. Mining Rights

The carrying value of Mining Rights is tested against expected economic benefit based on expected cash flows discounted to their present value to determine whether there is any impairment of the value of the Mineral Rights at year-end. No impairment was considered necessary as management has already impaired the mining rights by R 168.860 million and as per management internal working no further impairment is required.

The following significant assumptions have been made in determining the economic value of mineral rights:

- Selling prices – the API4 index as quoted by McCloskeys.
- Foreign exchange – the forecast as quoted by The Standard Bank of South Africa.
- Discount rate – expected future cash flows have been discounted to their present value based on a Weighted Average Cost of Capital (WACC) of 13.01% (2014: 20.7%).

### 13. Going concern

The Group incurred a loss of R61.3 million (2014: R39.25 million) during the 6 months ended 30 June 2015. The Group's interim financial statements have been prepared on a going concern basis as there is no intention to close the company. The Group's going concern is based on the conditional support of JSW Energy (a company listed on the Indian Stock Exchanges) which operates through its subsidiary JSW Energy Natural Resources South Africa Proprietary Limited ("JSWENRSAL") supporting SACMH. JSW Energy has confirmed its support in writing of their intention to continue financial support of SACMH. Subject to the following:

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

In terms of the loan agreements JSW Energy has undertaken not to accept repayment of its loan accounts until such stage as SACMH's assets, fairly valued, exceed its liabilities.

### 14. Events after the reporting period

At the end of June 2015, Comogen Proprietary Limited, a historically disadvantaged South African Company that is 100% black-owned and controlled, acquired 26% of the shareholding of SACMH thereby rectifying the Company Broad-Based Black Economic Empowerment status to comply with legislative requirements.

On 15 October 2016 the Company published a SENS announcement to the effect that it proposed delisting and that JSWSA, which currently held 67.27% of the issued shares, were offering to purchase the remaining shares for a consideration equal to 9 cents per share. A copy of the announcement can be viewed on the company's website. The circular is expected to be released at the end of March.

In November 2015 a contract was signed with Destrindex Proprietary Limited ("Destrindex") for the utilisation of the Coal Processing Plant at Umlabu Colliery. Negotiations are currently being finalised with Destrindex for the use of the Voorslag Rail Siding. It is anticipated that Destrindex will commence production during April 2016.

### 15. Composition of the Audit and Remuneration Committees

Messrs MCH Dhlamini (Chairman) and JM Mokgokong and His Excellency K Ashraff, being independent non-executive directors, were appointed as members of the Audit and Risk Committee on 19 May 2015.

His Excellency K Ashraff (Chairman) and Messrs MCH Dhlamini and JM Mokgokong were appointed members of the Remuneration and Nominations Committee on 19 May 2015.

### 16. Capital expenditure commitments

The group has no capital expenditure commitments.

### 17. Contingencies and commitments

There are no contingencies and commitments at reporting date.

### 18. Prospects

Until such stage as approval of the WULA for the Voorslag reserve at Umlabu Colliery is received, operations will remain suspended. The group is actively pursuing opportunities to lease its logistical as well as its infrastructure to third parties in the interim to offset the costs of "Care and Maintenance".

No commitment has been received from the DWAF with regard to finalisation of the WULA.

### 19. Related party transactions

During the period under review, group entities entered into the following trading transactions with related parties that are not members of the group.

	2015 R'000	2014 R'000
<b>Finance cost in</b>		
- Mainsail Trading	1 024	908
- JSW Natural Energy Resources South Africa Proprietary Limited	6 055	3 932
<b>Loans balance with related parties</b>		
- Mainsail Trading	22 746	21 722
- JSW Natural Energy Resources South Africa Proprietary Limited	514 405	476 971

### 20. Changes to directorate

The following directors have been appointed to/resigned from the board during the period under review:

His Excellency K Ashraff (appointed as independent non-executive)	30 January 2015
Mr KG Harris (appointed as Chief Executive Officer)	2 February 2015
Mr MCH Dhlamini (appointed as independent non-executive)	18 May 2015
M Mokgokong (appointed as independent non-executive)	18 May 2015
Mr QMSM Mokoetle resigned as chairman and a director of the Company on	15 February 2016

A chairman has not yet been appointed to replace Mr Mokoetle and this will be discussed at the next board meeting which has yet to be scheduled.

### KG Harris

Chief Executive Officer

9 March 2016

### CP Tated

Chief Financial Officer

### Directors:

KG Harris (CEO), CP Tated (CFO)\*, K Ashraff (Independent non-executive)\*\*, MCH Dhlamini (Independent non-executive), LR Mamba (Non-executive), JM Mokgokong (Independent non-executive), PP Menon (Non-executive)\*

\*India \*\* Swaziland

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### Registered office:

### Company secretary:

### Transfer secretary:

### Sponsor:

### Auditors:

### Website:

Mrs PF Smit

Computershare Investor Services Proprietary Limited

Exchange Sponsors

Nkonki Incorporated

www.sacmh.co.za