

# REVIEWED CONSOLIDATED CONDENSED RESULTS OF SACMH AND ITS SUBSIDIARIES ("THE GROUP") FOR THE SIX MONTHS ENDED 30 JUNE 2016

## CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

R'000	Notes	Reviewed As at 30 June 2016	Restated As at 31 December 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	289 527	294 040
Intangible assets		58 119	62 404
Loans to shareholders		180 908	180 908
Investment in subsidiaries		-	228
		50 500	50 500
<b>Current assets</b>			
Trade and other receivables	11	2 650	342
Cash and cash equivalents		2 309	66
		341	276
<b>Total assets</b>		<b>292 177</b>	<b>294 382</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital and premium		(426 943)	(429 512)
Accumulated loss		233 885	233 885
Revaluation reserve		(396 293)	(398 862)
		(264 535)	(264 535)
<b>Non-current liabilities</b>			
Shareholders' loan		708 270	715 215
Non-current provisions	10	645 652	659 962
Deferred taxation	9	53 751	46 576
Other liability		8 867	8 677
		-	-
<b>Current liabilities</b>			
Trade and other payables		10 850	8 679
Current provisions		4 603	3 101
Other liability		3 202	2 672
		3 045	2 906
<b>Total equity and liabilities</b>		<b>292 177</b>	<b>294 382</b>

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

R'000	Notes	Reviewed six months to 30 June 2016	Restated six months to 30 June 2015
Revenue	3	4 098	3 490
Cost of sales		-	(5 222)
<b>Gross profit/(Loss)</b>		<b>4 098</b>	<b>(1 732)</b>
Foreign exchange gain/(loss)		28 762	(31 379)
Other income		82	-
Depreciation	4	(4 202)	(2 663)
Operating expenses		(15 627)	(3 633)
<b>Operating profit/(loss) before finance costs and taxation</b>		<b>13 113</b>	<b>(39 407)</b>
Finance costs	7	(10 355)	(7 380)
<b>Profit/(Loss) before taxation</b>		<b>2 758</b>	<b>(46 787)</b>
Taxation	9	(189)	(14 545)
<b>Profit/(loss) for the year</b>		<b>2 569</b>	<b>(61 332)</b>
<b>Other comprehensive income</b>			
<b>Total comprehensive loss attributable to ordinary shareholders</b>		<b>2 569</b>	<b>(61 332)</b>
Profit/(loss) attributable to ordinary shareholders		2 569	(61 332)
Profit/(loss) attributable to Minority shareholders		841	(20 076)
Profit/(loss) attributable to Majority shareholders		1 728	(41 256)
<b>Earnings/(loss) per share in (cents)</b>		<b>0.57</b>	<b>(13.56)</b>
<b>Diluted earnings/(loss) per share (cents)</b>		<b>0.57</b>	<b>(13.56)</b>

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

R'000	Reviewed six months to 30 June 2016	Restated six months to 30 June 2015
<b>Cash flows generated from operations</b>	<b>(5 049)</b>	<b>(2 086)</b>
<b>Net cash from operating activities</b>	<b>(5 049)</b>	<b>(2 086)</b>
<b>Cash flows from financing activities</b>	<b>120</b>	<b>-</b>
Sale of property, plant and equipment	120	-
<b>Net cash from operating activities</b>	<b>120</b>	<b>-</b>
<b>Cash flows from financing activities</b>	<b>4 855</b>	<b>-</b>
Increase in shareholders' loans	4 855	-
RBCI loan movement	139	-
<b>Cash from financing activities</b>	<b>4 994</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>65</b>	<b>(2 086)</b>
Cash and cash equivalents at the beginning of the period	276	3 345
<b>Cash and cash equivalents at the end of the period</b>	<b>341</b>	<b>1 259</b>

## CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital	Share premium	Revaluation reserve	Accumulated loss	Total
<b>Balance at 31 December 2014</b>	<b>45 246</b>	<b>188 639</b>	<b>(264 535)</b>	<b>(199 141)</b>	<b>(229 791)</b>
Total comprehensive loss	-	-	-	(61 332)	(61 332)
<b>Balance at 30 June 2015</b>	<b>45 246</b>	<b>188 639</b>	<b>(264 535)</b>	<b>(260 473)</b>	<b>(291 123)</b>
<b>Balance at 31 December 2015</b>	<b>45 246</b>	<b>188 639</b>	<b>(264 535)</b>	<b>(398 862)</b>	<b>(429 512)</b>
Total comprehensive income	-	-	-	2 569	2 569
<b>Balance at 30 June 2016</b>	<b>45 246</b>	<b>188 639</b>	<b>(264 535)</b>	<b>(396 293)</b>	<b>(426 942)</b>

## NOTE TO THE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

R'000	30 June 2016 Reviewed	30 June 2015 Restated
<b>Basic earnings profit/(loss)</b>	<b>2 569</b>	<b>(61 332)</b>
<b>Diluted earnings profit/(loss)</b>	<b>2 569</b>	<b>(61 332)</b>
<b>Headline earnings reconciliation:</b>		
Basic earnings profit/(loss)	2 569	(61 332)
Adjusted for:		
Tax effect	-	14 545
<b>Headline profit/(loss)</b>	<b>2 569</b>	<b>(46 787)</b>
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 earnings/(loss):		
Profit/(loss) attributable to ordinary shareholders	2 569	(61 332)
Less: Tax effect	-	14 545
<b>Headline profit/(loss)</b>	<b>2 569</b>	<b>(46 787)</b>
Headline and diluted profit/(loss) per share(cents)	0.57	(10.34)

## Statement of compliance and basis of preparation

The condensed consolidated interim financial statements have been prepared under the supervision of the Chief Financial Officer, Chandra Prakash 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 2015. 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 thousand Rand (R'000) denomination, 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 2015 issued in September 2016.

## COMMENTARY

### 1. Performance for the six months to 30 June 2016

Operations at the Groups Umlabu Colliery continue to be suspended pending the finalisation of the Water Use Licence 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 gain

The decrease of the US\$/ZAR rate from R15.56 to R14.86 during the reporting period resulted in an unrealised gain of R28.762 million (2015: loss of R31.379 million) on the shareholders loan.

### 3. Revenue

Revenue has increased to R4.098 million (2015: R3.490 million) due to more income from renting of logistic assets.

### 4. Depreciation

Depreciation charges of R4.2 million (2015: R2.7 million) are higher than the previous year as a result of assets that had depreciation against them reversed as a result of a prior period error.

## 5. Cash flow statement generated from operations for interim review period

R'000	30 June 2016 Reviewed	30 June 2015 Restated
Net profit/(loss) per income statement	2 569	(61 332)
<b>Adjustments for non-cash items</b>	<b>4 202</b>	<b>2 663</b>
Depreciation	(37)	-
Profit on sale of assets	(28 762)	31 379
(Profit)/loss on foreign exchange	10 355	7 080
Finance costs (not yet paid)	7 176	-
Movements in provisions	189	14 545
Deferred tax	-	-
<b>Changes in working capital</b>	<b>(2 243)</b>	<b>4 545</b>
Accounts receivable	1 502	(966)
Accounts payable	(5 049)	(2 086)
<b>Cash flow from operations</b>	<b>(5 049)</b>	<b>(2 086)</b>

## 6. Statement of reserves and resources and prospects

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 R10.4 million (2015: R7.4 million) are as a result of the Shareholders' loan value being increased by an additional loan being granted by JSW to Umlabu during the period.

## 8. Asset management

Working capital has increased by 24% due to trading volumes with suppliers and customers being reduced at Umlabu Colliery.

## 9. Income and deferred tax

	30 June 2016 R'000	31 December 2015 R'000
Deferred tax was raised on the following items:		
a) Gain on loans acquired from subsidiaries	(8 613)	(8 613)
b) Bad debts provision	(253)	-
c) Prepayments	-	(64)
	<b>(8 866)</b>	<b>(8 677)</b>

Prepayments made on behalf of JSW fell due during the period. As a result, the deferred tax liability attached thereto was recognised through the statement of profit and loss. A provision for bad debts was raised, resulting in a deferred tax liability being recognised through the statement of profit and loss. The impact of these movements in the deferred tax liability on the statement of profit and loss are summarised as follows:

Description	R'000
Reversal of deferred tax liability on prepayments	64
Raising of deferred tax liability on bad debts provision	(253)
<b>Total</b>	<b>(189)</b>

## 10. Non-current provisions

This pertains to the rehabilitation provision of R53.751 million (2015: R46.576 million) in the current year. The increase in the provision was driven mainly by inflation caused by the weakening of the exchange rate from 2015 to 2016. The mine remains under care and maintenance.

## 11. Trade and other receivables

Movement of trade and other receivables during interim period:

R'000	Reviewed As at 30 June 2016	Restated As at 31 December 2015
Gross trade and other receivables	3 566	66
Less provision for doubtful debts	(1 257)	-
Net trade and other receivables	<b>2 309</b>	<b>66</b>

## 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 during the reporting period.

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 13.1 % (2015: 13.1%).

## 13. Going concern

We draw attention to the fact that as at 30 June 2016, the Group had accumulated losses of (R396 293 000) and that the Group's total liabilities exceed its assets by (R426 943 000). The Group's going concern has been underwritten by the 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 fulfils 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

On 9 September 2016, the Company published a circular to the effect that it proposed delisting from the JSE and that JSWSA, which currently held 67.27% of the issued shares, were offering to purchase the remaining shares for a consideration equal to nine cents per share. The general meeting where the delisting is to be ratified is expected to occur on 12 October 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:

Finance cost in ("R'000")	2016	2015
Mainsail Trading	8 719	1 024
JSW Natural Energy Resources South Africa Proprietary Limited	1 104	6 055
<b>Loans Balance with Related Parties</b>	<b>24 850</b>	<b>22 746</b>
-Mainsail Trading	620 801	514 405
-JSW Natural Energy Resources South Africa Proprietary Limited	-	-

## 20. Restatement

During the current year, it was found that expenses incurred in paying one of our service providers during the 2015 year actually related to expenses paid on behalf of JSW Natural Energy Resources South Africa Proprietary Limited. As a result, trade and other receivables was reduced by R228 360 and loans to Shareholders was increased by the same amount.

An account statement was received from one of our creditors during September 2016, indicating that an amount was still outstanding to them as at 31 December 2015. As a result, trade and other payables was increased by R593 619 and accumulated loss was increased by the same amount. Of this amount, R19 224 related to the six months ending 30 June 2015, necessitating an increase of operating expenses by the said amount.

The correction of these errors have resulted in the following changes.

Statement of Financial Position	30 June 2015 R'000	Restated 31 December 2015 R'000	Difference R'000
<b>Assets</b>			
<b>Non-current assets</b>			
Loans to Shareholders	-	228	228
Trade and Other Receivables	294	66	(228)
<b>Equity and liabilities</b>			
<b>Equity</b>			
Accumulated Loss	(398 268)	(398 862)	(594)
<b>Current liabilities</b>			
Trade and Other Payables	2 507	3 101	594
	30 June 2015 R'000	Restated 30 June 2015 R'000	Difference R'000
Statement of Profit or Loss			
Operating Expenses	(3 614)	(3 633)	(19)
Basic loss per share	(13.55)	(13.56)	(0.01)
Diluted loss per share	(13.55)	(13.56)	(0.01)
Headline earning per share	(13.55)	(13.56)	(0.01)

## 21. Changes to directorate

The following directors have been appointed to, or resigned from (as the case may be) the board during the period under review:

His Excellency K Ashraff (appointed as independent non-executive)	3 February 2015
Mr KH Harris (appointed as Chief Executive Officer)	3 February 2015
Mr MCH Dhlamini (appointed as independent non-executive)	19 May 2015
JM Mokgokong (appointed as independent non-executive)	19 May 2015
LR Mamba (appointed as non-executive)	21 September 2015
Mr QMSM Mokoete resigned as chairman and a director of the Company on 15 February 2016. Me LR Mamba was appointed as chairman by resolution of the board on 24 June 2016.	

**KG Harris**  
Chief Executive Officer  
30 September 2016

**CP Tated**  
Chief Financial Officer

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

\*India \*\* Swaziland

**Registered office:** Building 6, Woodmead Willows Office Park, 19B Morris Street, Woodmead, Johannesburg

**Company secretary:** Mr FJ Jansen van Rensburg

**Transfer secretary:** Computershare Investor Services Proprietary Limited

**Sponsor:** Exchange Sponsors

**Auditors:** Nkonki Incorporated