South African Coal Mining Holdings Limited

(Registration number 1994/009012/06)

Consolidated Annual Financial Statements for the year ended 31 December 2009

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CHAIRMAN'S REPORT

This Chairman's report is written following the worst recession in my career and has certainly tested the "metal" of business leaders in managing the actions required for their companies to survive this recession and to restructure the businesses going forward to become more effective contributors to their stakeholders.

Within the coal industry we saw export coal prices plummet from $165/ton in July 2008 to US$50/ton in March 2009 and then to continue to trade at these levels for the rest of 2009. The collapse in the export coal price was not unique in the commodities business but what was unique was the length of time it took to recover from these low levels. It was only in January 2010 that prices recovered to the $90/ton level we are still seeing at the date of writing this report.

Added to this was the strengthening of the Rand against the dollar from R9.00 to the current R7.50 levels. Based largely on these two factors the Group found that our mining costs exceeded revenue at the gross income level. The Group was forced to put the mine on care and maintenance and restructure the balance sheet to survive. A care and maintenance loan was secured to enable the Group to survive whilst finding a new "Strategic Equity Partner" to finance the capex and working capital required to reopen the mine and recommence operations.

During this 18-month restructuring period, the board of the holding company took "operational control" of the business and met at least on a monthly basis during this challenging period to ensure that "good corporate governance" standards were maintained and to ensure that there were compensating controls for the significant reduction in the number of executives left on the team. I have to give my compliments and thanks to my fellow directors who willingly stayed with and supported the Group, taking personal risk on themselves to assist me to ensure that all stakeholders were protected and equitably treated. In particular I would like to thank the CEO, Mr Grant Scrutton, for seeing us through all the operational challenges, contributing to our strategic issues and generally for taking on more responsibilities than those of a CEO to ensure that this ship remained on course.

During May 2010 JSW Energy Limited of India ("JSW") acquired a minority stake in Royal Bafokeng Capital (Pty) Ltd, the Group's controlling company. JSW has indicated that they intend to keep the Group listed and intend to provide the funding for the initial capital expenditure and working capital to recommence operations.

In the long term, I believe that coal will remain a key source of energy to fuel the economic recovery and growth and we continue to see increasing levels of demand out of India and China.

T V Mokgatlha
Chairman

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

To the Members of South African Coal Mining Holdings Limited

The directors are responsible for the preparation and fair presentation of the annual financial statements of South African Coal Mining Holdings Limited and its subsidiaries (the "Group") in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of South Africa, 1973 ("Companies Act").

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Group's and the Company's ability to continue as a going concern and have taken sufficient action subsequent to the year-end to ensure that the Group and the Company will remain a going concern in the year ahead, including securing additional shareholder loans, facilitating a compromise with creditors, putting the mine on care and maintenance and securing new equity capital. The re-opening of the operations was dependent on the improvement of the Rand price of export coal which occurred during December 2009 and influenced JSW Energy Limited (India) to invest in the Company and commit the funds to re-open the mine during 2010.

The auditors are responsible for reporting on whether the Group and Company financial statements are fairly presented in accordance with IFRS and in the manner required by the Companies Act. Their report appears on pages 4 and 5.

The Group and the Company financial statements were approved by the board of directors and are signed on its behalf by:

Thabo Mokgatlha
Non-Executive Chairman

Grant Scrutton
Director

22 June 2010

INDEPENDENT AUDITOR'S REPORT

To the Members of South African Coal Mining Holdings Limited

We have audited the Group annual financial statements and the Company annual financial statements of South African Coal Mining Holdings Limited, which comprise the consolidated and separate statements of financial position as at 31 December 2009, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 6 to 38.

Directors' Responsibility for the Financial Statements

The 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of South African Coal Mining Holdings Limited as at 31 December 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Emphasis of Matter – Going Concern

Without qualifying our opinion, we draw attention to the Directors' Report to the Group annual financial statements which indicates that the Group's mining operations were placed on care and maintenance as a result of a significant decrease in the export price of coal and difficult operating conditions. The Directors' Report also indicates that these conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and also discloses the steps the directors intend to take in an attempt to resolve the position.

Deloitte & Touche
Registered Auditors

Per Minnesh Ajoodha
Partner

Date 22 June 2010

National Executive: G G Gelink *(Chief Executive)*, A E Swiegers *(COO)*, G M Pinnock *(Audit)*, D L Kennedy *(Tax & Legal & Risk Advisory)*, L Geeringh *(Consulting)*, L Bam *(Corporate Finance)*, C R Beukman *(Finance)*, T J Brown *(Clients & Markets)*, N T Mtoba *(Chairman of the Board)*, C R Qually *(Deputy Chairman of the Board)*.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 2009.

Nature of business

The Company is a South African-registered and domiciled investment holding company with subsidiaries operating in the coal mining industry.

Financial reporting

The directors are required by the Companies Act to produce annual financial statements which fairly present the state of affairs of the Company and the Group at the end of the financial year and the profit and loss for that financial year, in conformity with IFRS and the Companies Act.

The financial statements as set out in this report have been prepared by management in accordance with IFRS and the Companies Act, and are based on appropriate accounting policies, which are supported by reasonable and prudent judgements and estimates.

During April 2009 the mines were placed on "care and maintenance" as a result of the significant decrease in the export price of coal and difficult operating conditions. The Group secured a care and maintenance funding loan of R17.5 million from Mainsail Trading 55 (Pty) Ltd ("Mainsail") (a 100% held subsidiary of Royal Bafokeng Holdings (Pty) Ltd) and embarked on a reorganisation and restructuring programme in conjunction with The Standard Bank of South Africa Limited ("Standard Bank") (the primary secured debt provider).

Formal section 311 compromises with creditors were sanctioned by the Courts on 1 October 2009 for South African Coal Mine Operations (Pty) Ltd, South African Coal Mining Equipment (Pty) Ltd and Ilanga Collieries (Pty) Ltd. Creditors in the fourth compromise at SACM (Breyten) (Pty) Ltd formally and successfully voted for the compromise, but one party (World Wide Coal Carolina) who has an unproved claim against the Group (refer note 22.2) has petitioned the Court to overturn the vote. This matter will only be heard in Court in late 2010. These financial statements have been prepared on the basis that the SACM (Breyten) (Pty) Ltd section 311 compromise has not been approved and the claim by Standard Bank has been reflected at the full R122 million and not the R70 million plus 51.7 million shares provided for in the agreement. The R114.5 million gain reflected on the face of the statement of comprehensive income represents the effect of the three approved section 311 compromises.

In total an amount of R271.5 million was compromised, comprising inter-Group balances of R154.2 million, connected parties balances of R73.5 million, SARS R11.7 million and external creditors of R32.1 million. The cash consideration paid was a net R4.1 million, amounts compromised were R52.2 million and claims ceded to SACMH R211.1 million. Once the inter-Group write-offs are eliminated, the Group gain is the R114.5 million reflected in the statement of comprehensive income. A summary of the effects of the scheme are set out in note 27 to the financial statements. These schemes are public documents and full details are available at the Gauteng North High Court (Pretoria) or available for inspection by shareholders at the registered office of the Company.

The Group has an agreement to convert the Mainsail loan account (up to a maximum of R17.5 million) into ordinary shares in the Company at the 30-day volume weighted average share price ("VWAP") 90 days after the suspension of the shares is lifted and are traded on the JSE Limited ("JSE").

During May 2010 JSW Energy Limited of India ("JSW") acquired 49% of the Group's controlling company Royal Bafokeng Capital (Pty) Ltd ("RBC") and made a mandatory offer to other minorities. In addition, JSW have committed to providing the working capital to restart the mine and to return the Group to a going concern.

Based on the JSW commitments, the directors are of the opinion that the financial statements fairly present the financial position of the Company and of the Group at 31 December 2009 and the results of their operations and cash flows for the year then ended.

The directors are satisfied that the Group has adequate resources and shareholder commitments to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going-concern basis in preparing the financial statements.

Declaration by the Audit Committee

The Audit Committee believes that it has complied with its terms of reference as established by the board of directors and is satisfied that the external auditors were independent of the Group from 1 January 2009 to the date of this report. The board of directors is responsible for the annual financial statements, accounting policies, valuations, estimates and judgements, going concern, risk management and internal control statements. The Audit Committee believes all of these have been appropriately addressed.

The JSE requires all listed companies to have a properly qualified Financial Director on the board of directors. During the care and maintenance period, the JSE provided dispensation for the CEO (who is a Chartered Accountant with 10 years' experience as a listed company financial director) to act in this capacity. A suitably qualified new Chief Financial Officer will be appointed during the course of 2010. There is an Audit Committee, refer the Corporate Governance report, but it does not compromise a majority of independent non-executive directors.

Acquisitions and disposals

There were no acquisitions or disposals of businesses during the year. On 15 December 2009, the Company signed an amended subscription agreement for Richards Bay Coal Terminals ("RBCT") Phase V export allocation for R50.5 million. This amount will be paid for as the entitlement becomes available. The awarding of the allocation is subject to several conditions precedent including maintaining our BBBEE shareholding and delivering coal to RBCT by 15 December 2010. The bulk of the additions to Property, Plant and Equipment during the year were improvements to the Blinkpan siding and the new Parnaby Plant acquired.

Subsequent events

The material subsequent events are set out in "Financial reporting" above.

Results of operations

The results of operations are dealt with in the consolidated statement of comprehensive income, segmental analysis and review of operations.

Share capital

The Company issued a total of 14 000 000 (2008: 26 644 574) ordinary shares of 10 cents each at premium of 37.0 cents (2008 premium R3.87) per share, in terms of the scheme of arrangement with a secured creditor (2008: issues were as a result of a rights issue and a specific issue for cash).

The Company's shares were suspended from trading on the JSE on 14 April 2009 as a result of the financial statements not being audited, this as a result of the directors and auditors not being able to express an opinion on 'going concern'.

Distributions

No dividends or distributions out of share premium were made during the year or subsequent to the year-end.

Payments to shareholders

The Group paid R0.5 million to Strider Holdings for executive services of the CEO, Mr Karl Gribnitz and R0.5 million for the use of Strider's infrastructure as a Head Office. Interest has been accrued on Group loans from Royal Bafokeng Capital, Mainsail and Strider but, in terms of the section 311 compromise with creditors, these loans and accrued interest were written-off in the section 311 scheme.

Special resolution

A special resolution was passed at the annual general meeting of shareholders held on 30 April 2008 with regard to a general authority to enable the Company to acquire its own shares as set out in the previous annual report.

Directorate

On 1 March 2009 Mr G M Scrutton was appointed as an executive director and Chief Executive Officer of the Group and Mr K J Gribnitz became a non-executive director of the Group. In terms of the Company's articles of association, the director who retires by rotation at the forthcoming annual general meeting is Mr T Mokgatlha, who is eligible and available for re-election. Messrs V P Garg and G M Scrutton were appointed as directors during the year and their appointments will be ratified at the next annual general meeting. The names of the directors who were in office during the period 1 January 2009 to 31 December 2009 and the number of meetings attended by each of the directors are:

Director		Main board	Audit	Risk	Renomco
Non-executive Chairman					
T Mokgatlha		14/16			2/2
Independent Director					
V Lickfold		15/16			
Non-Executive Directors					
L Ndala		16/16	2/2		
N Gardyne		15/16			2/2
Executive Directors					
K Gribnitz	(non-executive 1 March 2009) (resigned 28 March 2010)	14/16			1/2
M Steyn	(resigned 30 June 2009)	7/7			
P Kotze	(resigned 31 March 2010)	14/16	1/2		
G M Scrutton	(appointed 1 March 2009)	16/16	2/2		2/2

No Risk Committee meetings were held during the year as the directors resolved to have comprehensive monthly board meetings and manage the risks on a 'full board basis' to ensure the highest possible standards of governance were maintained. Directors' remuneration is set out in note 18 to the annual financial statements. There are no share incentive schemes in place for either directors or staff.

Directors' shareholding

The individual beneficial and non-beneficial interests declared by the current directors and officers in the Company's share capital at 31 December 2009 held, directly or indirectly, were:

	Number of shares	
	2009	**2008**
Beneficial	132 603 006	132 603 006
Non-beneficial	–	–
	132 603 006	**132 603 006**

Beneficial	2009		2008	
Director	Direct	Indirect	Direct	Indirect
T Mokgatlha	–	–	–	–
V Lickfold	–	–	–	–
L Ndala	–	–	–	–
N Gardyne	–	4 800	–	4 800
K Gribnitz	–	132 598 206	–	132 598 206
M Steyn	–	–	–	–
P Kotze	–	–	–	–
G Scrutton *	–	–	–	–
	–	**132 603 006**	**–**	**132 603 006**

* RBC has a written commitment to transfer 20 000 000 shares to G Scrutton which had, at the year-end, not yet been effected.

Secretary

The Secretary of the Company is Pat Smit (FCIS, B.Iuris) of Sylvan CSI (Pty) Ltd:

Business address: Mirkwood Estate
Plot 26
Klipkop JR396
Gauteng

Postal address: Private Bag X10
Lynnwood Ridge
Pretoria, 0040

Holding company

The company's holding company is Royal Bafokeng Capital (Pty) Ltd, incorporated in South Africa.

Ultimate holding company

The Company's ultimate holding company is Royal Bafokeng Holdings (Pty) Ltd, incorporated in South Africa.

Auditors

Deloitte & Touche
Registered Auditors

Private Bag X6
Gallo Manor
2052

Contact number: (011) 806 5100

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2009

		Group		Company	
	Notes	**31 December 2009 R'000**	31 December 2008 R'000	**31 December 2009 R'000**	31 December 2008 R'000
ASSETS					
Non-current assets		**538 102**	**521 830**	**51 376**	**770**
Property, plant and equipment	2	118 703	151 460	876	770
Intangible assets	3	419 399	370 370	50 500	–
Investment in subsidiaries	4	–	–	–	–
Current assets		**15 915**	**52 136**	**16 930**	**–**
Inventories	6	–	15 320	–	–
Trade and other receivables	7	6 850	22 106	–	–
Taxation receivables	12	2 083	–	–	–
Group loans	5	–	–	16 930	–
Cash and cash equivalents		6 982	14 710	–	–
Total assets		**554 017**	**573 966**	**68 306**	**770**
EQUITY AND LIABILITIES					
Capital and reserves		**185 308**	**198 656**	**7 356**	**(8 214)**
Issued capital and premium	8	233 885	227 784	233 885	227 784
Accumulated loss		(60 184)	(29 128)	(238 136)	(235 998)
Shareholder loan	9	11 607	–	11 607	–
Non-current liabilities		**226 490**	**254 901**	**53 613**	**8 613**
Interest bearing liabilities	10	50 289	107 273	45 000	–
Non-current provisions	11	34 431	34 431	–	–
Deferred taxation	12	141 770	113 197	8 613	8 613
Current liabilities		**142 219**	**120 409**	**7 337**	**371**
Trade and other payables	13	11 511	46 500	1 837	371
Short-term borrowings	23.2	–	32 334	–	–
Taxation liability	12	–	16 719	–	–
Current portion of non-current liabilities	14	130 708	24 856	5 500	–
Total equity and liabilities		**554 017**	**573 966**	**68 306**	**770**
Number of shares in issue ('000)		452 454	438 454		
Net asset value per share (cents)		40.96	45.31		
Tangible net asset value per share (cents)		(28.91)	(15.51)		

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 December 2009

		Group		Company	
	Notes	**31 December 2009 R'000**	31 December 2008 R'000	**31 December 2009 R'000**	31 December 2008 R'000
Revenue	15	38 520	179 177	–	–
Cost of sales		(62 248)	(148 072)	–	–
Gross (loss)/profit		(23 728)	31 105	–	–
Other gains and losses	16	114 520	(712)	–	–
Impairment losses	17	(11 781)	(63 008)	(180)	(247 862)
Depreciation	2	(10 717)	(14 297)	–	–
Amortisation of mining rights	3	(1 471)	(10 163)	–	–
Loss on sale of assets		(21 170)	–	–	–
Rehabilitation provisions		–	1 103	–	–
Operating expenses		(22 771)	(25 529)	(1 958)	(946)
Operating profit/(loss)	18	22 882	(81 501)	(2 138)	(248 808)
Finance income	24.2	–	1 397	–	–
Finance costs	24.2	(25 019)	(25 861)	–	–
Loss before taxation		(2 137)	(105 965)	(2 138)	(248 808)
Income tax (expense)/credit	12	(28 919)	7 255	–	(4 152)
Net loss for the year		**(31 056)**	**(98 710)**	**(2 138)**	**(252 960)**
Other comprehensive losses		–	–	–	–
Total comprehensive loss for the year		(31 056)	(98 710)	(2 138)	(252 960)
Net loss and total comprehensive loss attributable to equity holders of the parent		(31 056)	(98 710)	(2 138)	(252 960)
Loss per share	19				
Weighted average number of ordinary shares in issue ('000)		438 454	422 438	–	–
Basic and dilutive loss per share (cents)		(7.08)	(23.37)	–	–

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2009

Group	Share capital R'000	Share premium R'000	Shareholders loan R'000	Accumulated (loss)/profit R'000	Total R'000
Balance at 1 January 2008	**41 181**	**83 292**	**–**	**69 582**	**194 055**
Issue of ordinary shares under general authority	688	26 812	–	–	27 500
Issue of ordinary shares under rights issue	1 977	77 101	–	–	79 078
Share issue costs	–	(3 267)	–	–	(3 267)
Total comprehensive loss for the year	–	–	–	(98 710)	(98 710)
Balance at 1 January 2009	**43 846**	**183 938**	**–**	**(29 128)**	**198 656**
Issue of ordinary shares under general authority	1 400	4 758	–	–	6 158
Share issue costs	–	(57)	–	–	(57)
Increases in equity loans	–	–	11 607	–	11 607
Total comprehensive loss for the year	–	–	–	(31 056)	(31 056)
Balance at 31 December 2009	**45 246**	**188 639**	**11 607**	**(60 184)**	**185 308**

Company	Share capital R'000	Share premium R'000	Shareholders loan R'000	Accumulated profit/(loss) R'000	Total R'000
Balance at 1 January 2008	**41 181**	**83 292**	**–**	**16 962**	**141 435**
Issue of ordinary shares under general authority	688	26 812	–	–	27 500
Issue of ordinary shares under rights issue	1 977	77 101	–	–	79 078
Share issue costs	–	(3 267)	–	–	(3 267)
Total comprehensive loss for the year	–	–	–	(252 960)	(252 960)
Balance at 1 January 2009	**43 846**	**183 938**	**–**	**(235 998)**	**(8 214)**
Issue of ordinary shares under general authority	1 400	4 758	–	–	6 158
Share issue costs	–	(57)	–	–	(57)
Increases in equity loans	–	–	11 607	–	11 607
Total comprehensive loss for the year	–	–	–	(2 138)	(2 138)
Balance at 31 December 2009	**45 246**	**188 639**	**11 607**	**(238 136)**	**7 356**

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2009

		Group		Company	
	Notes	**31 December 2009 R'000**	31 December 2008 R'000	**31 December 2009 R'000**	31 December 2008 R'000
Cash flows from operating activities					
Cash generated by/(utilised in) operations	24.1	3 801	(6 657)	(492)	(674)
Net financing costs	24.2	(25 019)	(24 464)	–	–
Taxation paid	12	(9 497)	–	–	–
		(30 715)	**(31 121)**	**(492)**	**(674)**
Cash flows from investing activities					
Increase in property, plant and equipment	2	(10 083)	(98 371)	(106)	(770)
Increase in intangible assets	3	–	(2 808)	–	–
Proceeds from disposal of property, plant and equipment		–	26 735	–	–
		(10 083)	**(74 444)**	**(106)**	**(770)**
Cash flows from financing activities					
Proceeds from share issue	24.3	–	103 078	–	103 078
Payments for share issue costs	24.3	(57)	(3 267)	(57)	(3 267)
Movement in borrowings	24.4	16 133	(6 443)	11 607	–
Short-term borrowings raised/(repaid)		16 994	30 317	(10 952)	(98 367)
		33 070	**123 685**	**598**	**1 444**
Net (decrease)/increase in cash and cash equivalents		(7 728)	18 120	–	–
Cash and cash equivalents at beginning of the year		14 710	(3 410)	–	–
Cash and cash equivalents at the end of the year		**6 982**	**14 710**	**–**	**–**

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in conformity with IFRS and the Companies Act on the historic cost basis, except in the case of financial instruments which are measured using the fair value and amortised cost models.

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 25.

Adoption of new and revised standards

The following applicable standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

Effective 1 July 2009

- IAS 28: Investments in Associates (consequential amendments)
- IAS 1: Investments in Joint Ventures (consequential amendments)
- IFRIC 18: Transfers of Assets from Customers
- IAS 27 (Revised): Consolidated and Separate Financial Statements
- IAS 39 (Amendment): Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- IFRS 3 (Revised): Business Combinations
- IFRIC 17: Distribution of Non-Cash Assets

Effective 1 January 2013

- IFRS 9: Financial Instruments (classification of measurement)

Effective 1 July 2011

- IAS 24: Related Party Definition and Disclosure

Effective 1 July 2010

- IFRIC 19: Extinguishing Financial Liabilities with Equity

Effective 1 February 2010

- IAS 32: Presentation of Financial Instruments

The adoption of IAS 1: Presentation of Financial Statements and IFRS 8: Operating Segments, requires additional disclosures and this has been dealt with in the financial statements

The directors believe that none of these new or revised standards and interpretations will have an effect, other than enhanced disclosure.

Basis of consolidation

The Group annual financial statements present the consolidated financial position and changes therein, operating results and cash flow information of the Company and its subsidiaries. Subsidiaries are those entities in which the Group has an interest of more than half of the voting rights or the power to exercise control so as to obtain benefits from their activities. The results of subsidiaries are included for the duration of the period in which the Group exercises control over the subsidiary.

All inter-Company transactions and resultant profits and losses between Group companies are eliminated on consolidation. The accounting policies for subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the Group. If it is not practical to change the policies, the appropriate adjustments are made on consolidation to ensure consistency within the Group.

The results of special purpose entities that, in substance, are controlled by the Group are consolidated. The Company carries its investments in subsidiaries at cost less accumulated impairment losses.

Goodwill

Goodwill is reflected at cost less accumulated impairment losses, if any. It represents the excess of the cost of a business combination over the fair value of the Group's share of the identifiable net assets and contingent liabilities of that entity at the date of acquisition. Goodwill is assessed for impairment on an annual basis. The gain or loss on disposal of an entity includes the balance of goodwill relating to the entity. Negative goodwill arising on a business combination represents the excess of the fair value of the net identifiable assets and a contingent liability of the entity acquired over the cost of acquisition and is recognised immediately in profit or loss.

Property, plant and equipment

Land is stated at cost and is not depreciated. Buildings and all other items of property, plant and equipment are reflected at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged on a systematic basis over the estimated useful lives of the assets after taking into account the estimated residual value of the assets. Useful life is either the period of time over which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of the asset. Items of property, plant and equipment are capitalised in components where components have a different useful life to the main item of property, plant and equipment to which the component can be logically assigned.

The estimated useful life of assets and their residual values, are re-assessed periodically with any changes in such accounting estimates being adjusted in the financial year of re-assessment and applied prospectively. The estimated useful lives of items of property, plant and equipment are:

• Land	Indefinite
• Buildings	20 years
• Fixed plant and equipment	2 – 20 years
• Mobile plant and equipment	5 years
• Computer equipment	3 years
• Office equipment	4 years
• Furniture and fittings	5 years

Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are taken to profit or loss. Direct attributable expenses relating to mining and other major capital projects, site preparations and exploration are capitalised until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent that these are recognised as a provision.

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalised at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of Group borrowings was utilised. Capitalisation of borrowing costs ceases when the asset is substantially complete.

Gains and losses on the disposal of property, plant and equipment are taken to profit or loss.

Leased assets

Leases involving plant and equipment whereby the lessor provides finance to the Group with the asset as security and the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Assets acquired, in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the useful lives of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance charge is charged against income over the lease period using the effective interest rate method. For a sale and leaseback transaction that results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and recognised on the straight-line basis over the period of the lease.

Intangible assets

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the enterprise and the cost can be reliably measured. Amortisation is charged on a systematic basis (tons mined) over the estimated useful lives of the intangible assets. Subsequent expenditure on capitalised intangible assets is capitalised only if it increases the future benefits embodied in the specific asset to which it relates.

Intangible assets comprise mainly mineral rights and export allocation rights which are accounted for at original cost to the Group at acquisition.

Research, development and exploration costs

Research, development and exploration costs are charged against income until they result in projects that are evaluated as being technically or commercially feasible, the Group has sufficient resources to complete development and can demonstrate how the asset will generate future economic benefits, in which event these costs are capitalised and amortised on the straight-line basis over the estimated useful life of the project or asset. The carrying amounts are reviewed at each balance sheet date to determine whether there is any indication of impairment.

Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of the net selling price and the value in use. In assessing value in use, the expected future cash flows 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.

An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill, a recognised impairment loss is not reversed.

Inventories

Inventories are valued at the lower of cost, determined on the moving average basis, and net realisable value. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and fixed production overheads, but excludes interest charges. Fixed production overheads are allocated on the basis of normal capacity. Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

Foreign currencies

Transactions and balances

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the transaction date.

Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains or losses arising on translation are credited to or charged against income.

Revenue recognition

Revenue, which excludes value-added tax, represents the gross value of goods invoiced and rental income. Export revenues are recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenue arising from services and rentals is recognised on the accrual basis in accordance with the substance of the relevant agreements.

Interest and dividend income

Interest is recognised on the time : proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group. Dividends are recognised when the right to receive payment is established.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years in determination of taxable profit (temporary differences), and it further excludes items that are never taxable or deductible (non-temporary differences). The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Provisions

Provisions are recognised when 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 be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money and, where appropriate, the risk specific to the liability.

Decommissioning and environmental rehabilitation

Provision is made for environmental rehabilitation and decommissioning costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

Deferred taxation

Deferred taxation is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. 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. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated using taxation rates that have been enacted at balance sheet date. The effect on deferred taxation of any changes in taxation rates is charged to the statement of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Dividend

Dividends paid are recognised by the Company when the shareholder's right to receive payment is established. These dividends are recorded and disclosed as dividends paid in the statement of changes in equity. Dividends proposed or declared subsequent to the year-end are not recognised at the balance sheet date, but are disclosed in the notes to the annual financial statements.

Secondary Tax on Companies

Taxation costs incurred on dividends are included in the taxation line in the statement of comprehensive income in the year in which the related dividends are declared.

Segment reporting

The primary business segments are coal mining and equipment leasing. The basis of segment reporting is representative of the internal structure used for management reporting.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the Group unless otherwise stated. The carrying amounts of these assets approximate their fair value.

Financial instruments

Recognition

A financial instrument is recognised when the Group becomes a party to a contract which entitles it to receive contractually agreed cash flows on the instrument. All acquisitions of financial assets that require delivery within the time frame established by regulation or market convention (regular-way purchases) are recognised at trade date, which is the date on which the Group commits to acquire the asset.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in financial assets transferred that is created or retained by the Group is recognised as a separate asset or liability.

The Group may enter into transactions whereby it transfers assets recognised on its balance sheet, but retains either, all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. The rights and obligations retained in the transfer of financial instruments are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt instruments, trade and other payables, cash and cash equivalents, loans and borrowings and trade and other receivables. Non-derivative financial instruments are recognised initially at fair value plus, in the case where financial instruments are not fair valued through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management system and are included as a component of cash and cash equivalents for purposes of the cash flow statements. Cash and cash equivalents are measured at amortised cost.

Financial instruments at fair value through profit or loss

The Group has designated financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the assets or liabilities contain an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract and has to be separately disclosed and fair-valued through profit or loss.

All of the Group's financial instruments designated as at fair-value through profit or loss were designated as such as it is believed that the designation significantly reduces an accounting mismatch which would otherwise arise. Subsequent to initial recognition, financial instruments designated or classified as at fair-value through profit or loss are measured at fair value with changes in fair value recognised in profit or loss.

Available-for-sale financial assets

The Group has designated certain assets as available-for-sale financial assets. In other circumstances available-for-sale financial assets are classified as such because they do not fall within the classification of loans and receivables, held to maturity investments or financial assets at fair value through profit or loss. Gains or losses on available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses on monetary items. When the financial asset is derecognised, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Financial instruments not at fair value through profit or loss, and not available-for-sale

Receivables

Long-term receivables and trade and other receivables are measured at amortised cost using the effective interest rate method. Effective interest rate method is a method of calculating the amortised cost of a financial asset or liability (or group of financial assets or financial liabilities) and allocating the interest income or interest expense over the relevant period. Amortised cost is the amount at which the long-term receivables and trade and other receivables are measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment or uncollectibility.

Loans and borrowings

Loans and borrowings are measured at amortised cost using the effective interest rate method.

Payables

Trade and other payables are reported at amortised cost, namely original debt less principal repayments and any amortisation, using the effective interest rate method.

Investment in equity instruments

The fair value of investments is based on quoted bid prices for listed securities or valuations derived from discounted cash flow models for unlisted securities. Equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment. When equity instruments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit or loss statement as gains and losses from investment securities.

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 allowance is raised when there is an indication of impairment and a write-off is only effected when the debtor is deemed to be fully impaired and not recoverable.

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 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 transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Offset

Financial assets and liabilities are set-off and the net amount presented in the balance sheet when, and only when, the Group has a legal right to set-off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Net finance costs

Finance income comprises interest income on funds invested including available-for-sale financial assets and hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method. Finance expenses comprise interest expense on borrowings and agreements for the use of assets classified as finance leases in terms of IFRIC 4 and unwinding of the discount on provisions. All borrowing costs are recognised in profit or loss using the effective interest rate method. Foreign currency gains and losses are reported on a net basis.

2. PROPERTY, PLANT AND EQUIPMENT

	2009				2008			
	Cost R'000	Accumulated depreciation R'000	Accumulated impairment R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Accumulated impairment R'000	Carrying Value R'000
Group								
Owned assets								
Land and buildings	83 917	(3 116)	(6 048)	74 754	79 645	(425)	(6 047)	73 173
Plant and equipment	83 823	(12 873)	(40 867)	30 084	94 392	(16 166)	(35 901)	42 326
Motor vehicles	11 610	(4 447)	(3 079)	4 084	12 971	(2 353)	–	10 618
	179 350	**(20 435)**	**(49 994)**	**108 921**	**187 008**	**(18 944)**	**(41 948)**	**126 117**
Capitalised leases								
Plant and equipment	17 274	(4 584)	(2 908)	9 782	32 666	(7 322)	–	25 343
	196 624	**(25 019)**	**(52 904)**	**118 703**	**219 674**	**(26 266)**	**(41 948)**	**151 460**

The carrying amounts of property, plant and equipment can be reconciled as follows:

Group 2009	Carrying value at start of year R'000	Additions R'000	Disposals R'000	Impairments R'000	Reclassifications R'000	Depreciation R'000	Carrying value at end of year R'000
Owned assets							
Land and buildings	73 173	4 272	–	–	–	(2 691)	74 754
Plant and equipment	42 326	5 172	(10 412)	(4 966)	–	(2 036)	30 084
Motor vehicles	10 618	639	(1 459)	(3 079)	–	(2 635)	4 084
	126 117	**10 083**	**(11 871)**	**(8 046)**	**–**	**(7 363)**	**108 921**
Capitalised leases							
Plant and equipment	25 343	–	(9 299)	(2 909)	–	(3 354)	9 782
	151 460	**10 083**	**(21 170)**	**(10 953)**	**–**	**(10 717)**	**118 703**
Group 2008							
Owned assets							
Land and buildings	7 764	68 596	–	(6 047)	3 288	(428)	73 173
Plant and equipment	95 467	12 501	(21 462)	(35 901)	(3 288)	(4 992)	42 326
Motor vehicles	12 971	–	–	–	–	(2 353)	10 618
	116 202	**81 097**	**(21 462)**	**(41 948)**	**–**	**(7 773)**	**126 117**
Capitalised leases							
Plant and equipment	19 867	17 274	(5 274)	–	–	(6 524)	25 343
	136 069	**98 371**	**(26 735)**	**(41 948)**	**–**	**(14 297)**	**151 460**

Assets are impaired to fair value market value based on the professional assessment by the COO (Mr Peet Kotze) based on his industry knowledge and 25 years' experience. A register of land and buildings is available for inspection by Members at the registered offices of the Company. Leased plant and equipment is pledged as security for the associated borrowings (refer note 10.)

Company

Company property, plant and equipment comprises Portion 10, a Portion of Portion 5 of the Farm Umlabu (IS) Mpumulanga on which the Umlabu siding is built at a cost of R876 000 (2008 R770 000) and includes additions of R106 000 representing transfer costs.

3. INTANGIBLE ASSETS

	2009			2008		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Group						
Mineral rights	383 808	(14 909)	368 899	383 808	(13 438)	370 370
Export allocation	50 500	–	50 500	–	–	–
	434 308	**(14 909)**	**419 399**	**383 808**	**(13 438)**	**370 370**

The carrying amounts of intangible assets can be reconciled as follows:

	Carrying value beginning of year R'000	Additions R'000	Amortisation R'000	Carrying value end of year R'000
Group 2009				
Mineral rights	370 370	–	(1 471)	368 899
Export allocation	–	50 500	–	50 500
	370 370	**50 500**	**(1 471)**	**419 399**
Group 2008				
Mineral rights	377 725	2 808	(10 163)	370 370
	377 725	**2 808**	**(10 163)**	**370 370**
Company 2009				
Export allocation	**–**	**50 500**	**–**	**50 500**

4. INVESTMENT IN SUBSIDIARIES

	2009 R'000	2008 R'000
Company:		
Investment in subsidiaries	19 800	19 800
Less: Impairments	(19 800)	(19 800)
	–	**–**

All the subsidiaries' country of incorporation is South Africa and the proportion of ownership interest held, principal activities and net book value of investment are:

Entity	2009 (%)	2008 (%)	Principal activity	NBV (R'000)
Yomhlaba Coal (Pty) Ltd	100	100	Jigmining holding company	–
Jigmining Operations No 1 (Pty) Ltd	100	100	Jigmining	–
Jigmining Operations No 3 (Pty) Ltd	100	100	Jigmining	–
South African Coal Mining Operations (Pty) Ltd	100	100	Mine operating company	–
SACM (Breyten) (Pty) Ltd	100	100	Mine holding company	–
South African Coal Mining Equipment Company (Pty) Ltd	100	100	Equipment leasing company	–
Voorslag Coal Handling (Pty) Ltd	100	100	Siding operating company	–
Ilanga Coal Mines (Pty) Ltd	100	100	Dormant coal mine	–
Umlabu Colliery (Pty) Ltd	100	100	Holder of mining right	–
				–

5. GROUP LOANS

	2009 R'000	2008 R'000
Company		
South African Coal Mining Operations (Pty) Ltd	10 772	95 402
SACM (Breyten) (Pty) Ltd	92 296	92 368
Yomhlaba Coal (Pty) Ltd	33 365	33 365
South African Coaly Mining Equipment Company (Pty) Ltd	6 158	6 927
Less: Impairments	(125 661)	(228 062)
	16 930	**–**

The loans bear no interest and have no fixed terms of repayment. All entities are wholly-owned subsidiaries of the Company.

6. INVENTORIES

	2009 R'000	2008 R'000
Group		
Work in progress	–	15 167
Diesel	–	153
	–	**15 320**

Finished goods represent clean, washed coal stockpiles. Work in progress represents Run Of Mine ("ROM"), unwashed coal stocks. Stock on surface spontaneously combusted in September 2009 and had to be written-off. An insurance claim has been submitted, but no recovery has been accrued.

7. TRADE AND OTHER RECEIVABLES

	2009 R'000	2008 R'000
Group:		
Trade and other receivables	9 655	22 733
Less: Impairments	(7 259)	(6 432)
Guarantee deposits	2 129	–
Deposits	517	257
Value-added Tax receivable	1 808	3 083
Payments in advance	–	2 465
	6 850	**22 106**

Refer note 21.2 for further disclosures on trade receivables and impairments.

8. SHARE CAPITAL AND PREMIUM (Group and Company)

	2009 R'000	2008 R'000
Authorised		
700 000 000 ordinary shares of R0.10 each	**70 000**	**70 000**
Issued		
452 454 189 ordinary shares of R0.10 each	45 246	–
438 454 189 ordinary shares of R0.10 each	–	43 846
Share premium	188 639	183 938
The unissued shares are under the control of the shareholders until the AGM	**233 885**	**227 784**

9. SHAREHOLDER LOAN (Group and company)

SHAREHOLDER LOAN (Group and company)	**11 607**	**–**

Mainsail agreed to advance working capital funds to fund the care and maintenance of the mine up to a maximum of R17.5 million. The loans attract interest at variable rates linked to prime and will convert into ordinary shares at the 30-day weighted average share price, 90 days after the share becomes unsuspended.

10. INTEREST BEARING LIABILITIES

	2009 R'000	2008 R'000
Group:		
Liabilities under-capitalised finance lease (secured)		
Payable over period of three years at prime linked interest rates, currently at 14.5% per annum, payable monthly R255 213 until 30 April 2013, secured by plant and equipment (see note 2).	7 939	22 153
Long-term loan – Standard Bank (secured)	122 557	109 976
The effective interest rates for the two facilities are 2.50% and 4.75% above the 3-month Jibar used as base rate. Capital repayments commence in August 2009 with final a repayment in August 2013. Standard Bank holds a wide range of securities, guarantees, and cessions within the SACMH Ltd Group in relation to these facilities other than the finance leases above. The full amount is included under current portion, as the loan is in default, but is being renegotiated.		
Richards Bay Coal Terminal	50 500	–
Loan to fund the Phase V export entitlement due as and when the entitlement becomes available over a five year period and bears interest at prime overdraft rates, R5 million of which is due within a year.		
	180 996	132 129
Current portion of long-term liabilities	(130 708)	(24 856)
	50 289	**107 273**

Reconciliation between the total minimum lease payments and their present value:

	Up to 1 year	2 to 5 years	More than 5 years	Total
2009				
Minimum lease payments	3 064	7 150	–	10 214
Finance costs	(1 093)	(1 182)	–	(2 275)
Present value	**1 971**	**5 968**	**–**	**7 939**
2008				
Minimum lease payments	12 889	15 476	–	28 365
Finance costs	(1 680)	(4 532)	–	(6 212)
Present value	**11 209**	**10 944**	**–**	**22 153**

Company:

The (above) liability to Richards Bay Coal Terminal is reported in the Company financial statements as well.

11. NON-CURRENT PROVISIONS

	2009 R'000	2008 R'000
Group		
Balance at 1 January	34 431	35 444
Change in provision for the year	–	(1 013)
	34 431	**34 431**

Rehabilitation estimates were obtained from an independent expert, Environmental Assurance (Pty) Ltd. The provision arose due to a legal obligation to reinstate land used for mining purposes to its original condition, using the DME-approved methodology and their published rates adjusted for CPI where these rates are more than a year old. While the mine was on care and maintenance, the rehabilitation provision increase in Umlabu offset the decrease at Ilanga. No deferred tax asset is provided for on the Ilanga rehabilitation provision which is now provided on a 'mine closure' basis (2008 provided in anticipation of obtaining a new order mining right).

12. INCOME TAXES

	2009 R'000	2008 R'000
Deferred taxation		
Revaluation of mineral rights	103 291	103 704
Group restructure gain	32 066	–
Rehabilitation provision	(5 692)	(4 546)
Property, plant and equipment	3 492	5 112
Gain on loans acquired in subsidiaries	8 613	8 613
Instalment sale agreements	–	314
	141 770	113 197
Balance at 1 January	113 197	120 452
Statement of comprehensive income charge/(credit)	28 573	(7 255)
	141 770	**113 197**
Deferred taxation assets not provided for due to the uncertainty surrounding their ultimate realisation	**(14 807)**	**(9 197)**
Taxation overpaid	**2 083**	**–**
Taxation liability	**–**	**(16 719)**
Taxation due 1 January 2009	(16 719)	(3 850)
Adjustment arising an acquisition of subsidiary	(12 864)	–
Current year charge	(346)	–
Taxation amount compromised	9 651	–
Taxation paid	9 497	–
Taxation overpaid/(due) 31 December	2 083	(16 719)
Statement of comprehensive income (charge)/credit		
South African normal tax – current year	–	–
South African normal tax – prior year adjustment	(346)	–
Deferred taxation – current year	(28 573)	3 102
Deferred taxation – rate change	–	4 153
	(28 919)	**7 255**
Tax rate reconciliation:	**%**	**%**
Tax at the standard tax rate	(28.00)	(28.00)
Deferred tax rate change	–	(3.92)
Deferred tax asset not raised (assessed losses)	1 536.61	44.72
Permanent differences impairments	(154.36)	(26.65)
Tax rate per financial statements	**1 353.25**	**(6.85)**
Company	**R'000**	**R'000**
The Company does not trade and has no taxable income. The deferred taxation provision is for gain on loans acquired in subsidiaries	**8 613**	**8 613**

13. TRADE AND OTHER PAYABLES

	2009 R'000	2008 R'000
Group:		
Trade and other payables	6 757	40 617
Expense accruals	4 754	5 883
	11 511	**46 500**
Company: Full amounts represents trade and other payables	**1 837**	**371**

Majority of credit terms are 'cash on delivery'. The directors believe that the creditors are at fair value.

14. CURRENT PORTION OF NON-CURRENT LIABILITIES

	2009 R'000	2008 R'000
Group:		
Interest bearing liabilities		
Liabilities under capitalised finance leases	2 650	11 209
Standard Bank	122 558	13 647
Richards Bay Coal Terminal	5 500	–
	130 708	**24 856**
Company:		
Richards Bay Coal Terminal	5 500	–

15. REVENUE

	2009 R'000	2008 R'000
Group:		
Major classes of revenue comprise:		
Coal sales	29 376	157 915
Leasing income	9 144	21 262
	38 520	**179 177**

16. OTHER GAINS AND LOSSES

	2009 R'000	2008 R'000
Group:		
Gain on debt restructuring	**114 520**	**(712)**

The gain on the Group restructure is fully disclosed in the Directors' report and note 27.

17. IMPAIRMENTS

	2009 R'000	2008 R'000
Group:		
Impairment of property, plant and equipment	10 953	41 948
Impairment of trade and other receivables (see note 21.2)	828	17 817
Impairment of other	–	3 243
	11 781	**63 008**
Company:		
Impairment investments in subsidiaries	–	19 800
Impairment of Group loans	180	228 062
	180	**247 862**

18. OPERATING PROFIT/(LOSS) FOR THE YEAR

	2009 R'000	2008 R'000
Group:		
Operating profit/(loss) has been arrived at after:		
Net foreign exchange gain/(loss)	–	891
Auditor's remuneration – audit fees	1 118	300
Auditor's remuneration – circular fees	–	403
Employee costs	7 857	3 729
Directors' emoluments – services as directors	100	325
Directors' emoluments – managerial services	3 987	2 451
Loss on sale of non-current assets	21 170	–
Directors' salaries in respect of services as directors		
– Mr Thabo Mokgatlha*	25	125
– Mr Lucas Ndala*	25	80
– Mr Neil Gardyne*	25	80
– Dr Vanessa Lickfold*	25	40
* These amounts were paid directly to their employers	**100**	**325**
Directors' salaries in respect of managerial services		
– Mrs Melanie Steyn	453	1 291
– Mr Peet Kotze	2 074	1 160
– Mr Grant Scrutton	1 460	–
– Mr Gribnitz**	–	–
	3 987	**2 451**

** The Company paid an amount of R0.5 million (2008 R1.8 million) to Gandalf Trust which covered Mr Gribnitz's services and full use of the Strider infrastructure as a Group Head Office.

19. LOSS PER SHARE – Group

	2009 R'000	2008 R'000
Basic earnings loss	**(31 056)**	**(98 710)**
Adjusted for:		
– Impairment of property, plant and equipment	10 953	41 948
– Gain on Group restructure	(114 520)	–
– Loss on sale of non-current assets	21 170	–
– Tax effects	32 066	–
Headline earnings loss	**(81 387)**	**(56 762)**
Weighted average shares in issue for the year ('000)	438 454	422 438
Headline loss per share (cents)	**(18.56)**	**(13.44)**

A diluted earnings per share has not been presented as the (only) expected dilution, as a result of the conversion of the R17.5 million Mainsail loan into shares, as the number of shares will only be determined at a future date based on the VWAP price of the shares 90 days after the share become unsuspended. The affect of this will not be significant. In addition, while the 14 million shares issued to SASFIN in terms of section 311 were only issued after the year-end, they have been included at 31 December 2009, but have had no earnings per share effect.

20. FINANCIAL INSTRUMENTS: GROUP

20.1 Categories of financial instruments

	Available for sale R'000	Loans and receivables R'000	Total R'000	Fair value R'000
Financial assets				
2009				
Trade and other receivables	–	2 396	2 396	2 396
Cash and cash equivalents	–	6 982	6 982	6 982
	–	**9 378**	**9 378**	**9 378**
2008				
Trade and other receivables	–	16 301	16 301	16 301
Cash and cash equivalents	–	14 710	14 710	14 710
	–	**31 011**	**31 011**	**31 011**

	Amortised cost R'000	Total R'000	Fair value R'000
Financial liabilities			
2009			
Non-current borrowings	50 289	50 289	50 289
Current borrowings	130 708	130 708	130 708
Trade and other payables	11 511	11 511	11 511
Shareholders loans	11 607	11 607	11 607
	204 115	**204 115**	**204 115**
2008			
Non-current borrowings	107 273	107 273	107 273
Current borrowings	57 190	57 190	57 190
Trade and other payables	46 500	46 500	46 500
	210 963	**210 963**	**210 963**

21. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance.

21.1 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet a financial commitment in any location or currency. The risk is minimised through the holdings of cash balances and sufficient available borrowing facilities. In addition detailed cash flow forecasts are regularly prepared and reviewed by the board. The following table details the Group's **contractual maturity** for its non-derivative financial liabilities. The table has been compiled based on the **undiscounted** cash flows of financial liabilities and include both the principal and interest payments

	< 1 year R'000	1 – 2 years R'000	2 – 5 years R'000	Total R'000
2009				
Finance leases	3 064	6 128	1 022	10 214
Standard Bank loan *	122 557	–	–	122 557
RBCT Phase V loan	5 500	30 315	36 685	72 500
Trade and other payables	11 511	–	–	11 511
	142 632	**36 443**	**37 707**	**216 782**
2008				
Finance leases	12 889	15 476	–	28 365
Non-current borrowings	31 875	79 141	31 875	142 891
Current borrowings	32 334	–	–	32 334
Trade and other payables	46 500	–	–	46 500
	123 589	**94 617**	**31 875**	**250 105**

* The Standard bank loan is in default and is being renegotiated with JSW. Agreement in principal has been reached to pay R70 million in the current year and the balance over five years interest free, but as this has not yet been formalised in writing, the full amount is shown as current.

21.2 Credit risk

The exposure to credit risk is monitored on an ongoing basis. The credit risk arises on cash and cash equivalents, deposits with financial institutions and customers including outstanding receivables and committed transactions.

The maximum credit exposure for trade and other receivables are:

	Gross amount 2009 R'000	Impairment 2009 R'000	Gross amount 2008 R'000	Impairment amount 2008 R'000
Ageing of trade and other receivables				
Not past due	1 872	–	16 095	–
Past due 0 – 30 days	524	–	–	–
Past due 30 – 90 days	–	–	–	–
Past due more that 90 days	7 259	(7 259)	6 638	(6 432)
	9 655	**(7 259)**	**22 733**	**(6 432)**

Movement in provisions	2009	2008
Balance at beginning of period	(6 432)	(989)
Charge to statement of comprehensive income	(828)	(17 817)
Written-off during the year	1	12 374
Balance at end of year	**(7 259)**	**(6 432)**

Turnover analysis by major customers:

	Number of customers	Value R'000	%
2009			
Greater than R100 million	–	–	–
Greater than R50 million < R100 million	–	–	–
Less than R50 million	5	38 520	100
	5	**38 520**	**100**
2008			
Greater than R100 million	1	127 927	72
Greater than R50 million < R100 million	–	–	–
Less than R50 million	3	51 250	28
	4	**179 177**	**100**

21.3 Market risk

21.3.1 Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from mainly the US dollar. Foreign exchange risk arises from commercial transactions and recognised assets and liabilities.

At the year-end, there are no foreign currency denominated assets or liabilities (2008: Nil).

Currency analysis	Rate at year-end	Average rate
2009 – US Dollar	**$1: R7,41**	**$1: R8,44**
2008 – US Dollar	**$1: R9,52**	**$1: R9,70**

21.3.2 Interest rate risk

Fluctuations in interest rates impact on the long-term loans which result in interest rate risk.

	2009 R'000	2008 R'000
Financial liabilities		
Variable interest rate borrowings (repayable)	180 996	164 463
Variable interest rate borrowings (equity convertibles)	11 607	–
Fixed interest rate borrowings	–	–
Non interest bearing borrowings	–	–
	192 603	**164 463**

A 1% movement in the prime overdraft rate will have a R1.9 million (2008 – R1.6 million) effect on the Group's interest charge/operating income per annum.

21.3.3 Price risk

It was not the Company's policy to take out any hedge's against coal commodity price changes. The mines have been placed on care-and-maintenance since 1 April 2009. Once mining has been recommenced, the board will review this "no hedge policy" and re-assess the future policy at that time.

21.3.4 Capital risk management

The Group plans a rights issue to address the risk of inadequate capitalisation. The life of mine cash flow plan shows R60 million short-term additional cash flow requirements in excess of the JSW commitments.

22. CONTINGENT ASSETS AND LIABILITIES

22.1 Jigmining No 1 (Pty) Ltd and Jigmining No 3 (Pty) Ltd/Ingwe Collieries Ltd (Contingent asset)

Jigmining Operations No 1 and No 3 issued summons against Ingwe Collieries where damages were claimed as a result of repudiation and breach of contract by Ingwe Collieries Ltd. Ingwe's counterclaim has since prescribed. The claim submitted on behalf of Jigmining Operations No 1 and No 3 totals approximately R48 million. Commercial solutions to this dispute will be sought once mining operations commence.

22.2 Commitments to deliver coal

SACMH has two outstanding contracts for 165 000 tons of coal to be delivered including deliveries for the period under "care and maintenance". This is reported in more detail in the Directors' report where the attempts by one of these contingent creditors has applied to the Courts to have the SACM Breyten compromise overturned. The Group is endeavouring to find commercial and legal alternatives to completing the undelivered portions of these contracts. No claim amounts have been communicated, but one creditor voted at the meeting of creditors in the amount of R25 million. While this creditor voted against the motion, the required majority of creditors voted for and approved the scheme. Provision for this potential claim has been made in the section 311 compromise with creditors and the matter awaits the Court's formal sanction.

22.3 Mkhulu Resources (Pty) Ltd

In March 2009 the Group formally put this contractor in breach of the outsourced mining contract. Both parties have intimated claims against each other in excess of R30 million. The contractor has since been liquidated, the scheme of arrangement has been approved by the Court and the liquidators of Mkhulu have made no claims. As a result, the board believes that no exposure will materialise. The Mkhulu liquidators have also notified SACMH that they will seek to set aside the acquisition of certain assets acquired from Mkhulu for R3 million. As this acquisition was advertised in terms of section 34 of the Insolvency Act and fair value was paid, the board is of the opinion that this acquisition cannot be set aside and no provision for any loss has been raised in this regard.

22.4 Rehabilitation provision

As set out in note 11, the Group provides for rehabilitation of the mines based on the Department of Mining and Energy Affairs ("DME") required methodology. The rates used by the DME may not be sufficient to cover the actual rehabilitation expenditure if external contractors are used, but the Group intends to use internal resources to catch up historical rehabilitation shortfalls. Guarantees are required by the DME to cover these liabilities, but the Group has only procured guarantees to the value of R4.1 million. The balance will be procured once JSW have finalised their transaction.

23. RELATED PARTIES

Identity of related parties

The Group has a related party relationship with its subsidiaries, associates and joint ventures. Key management personnel have been defined as the executive and non-executive directors of the Company. The definition of key management includes the close members of family of key management personnel and any other entity over which key management exercises control. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Group. They may include the individual's domestic partner and children, the children of the individual's domestic partner, and dependants of the individual or the individual's domestic partner. Key management are identified as the directors.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Group and other related parties are disclosed below. There are no Company level inter-Company transactions, other than those related to Group loan funding.

23.1 Trading transactions

	2009 R'000	2008 R'000
During the year, Group entities entered into the following trading transactions with related parties that are not members of the Group:		
Interest paid		
– Mainsail Trading 55 (Pty) Ltd	5 953	–
– Royal Bafokeng Capital (Pty) Ltd	–	–
– Strider Holdings (Pty) Ltd	–	–
Management fees		
– Gandalf Trust	447	1 800
– Sylvan CSI (Pty) Ltd	110	–
Rental paid		
Eldamar Estates (Pty) Ltd	640	–

23.2 Loans from related parties

	2009 R'000	2008 R'000
Group		
Mainsail Trading 55 (Pty) Ltd	–	26 128
Royal Bafokeng Capital (Pty) Ltd	–	4 362
Strider Holdings (Pty) Ltd	–	1 844
	–	**32 334**

The prior year loans were all compromised in full during the year under review. The current year Mainsail Shareholder loan (R11.6 million) is part of a R17.5 million care and maintenance facility and will be converted into ordinary shares at the 30-day VWAP 90 days after the shares' suspension is lifted.

Company

Inter-Group transactions with subsidiary companies are predominantly funding related. See note 5 for balances at year-end.

24. NOTES TO THE CASH FLOW STATEMENT

	2009 R'000	2008 R'000
24.1 Cash generated by/(utilised in) operations (Group)		
Loss before taxation	(2 137)	(105 965)
Adjusted for non-cash movements		
Depreciation and amortisation	12 188	24 460
Non-cash portion of compromise	(114 520)	–
Change in rehabilitation provision	–	(1 013)
Loss on disposal of plant and equipment	21 170	–
Impairment losses	11 781	63 008
Net finance costs	25 019	24 464
	(46 499)	4 954
Movements in working capital		
Movements in inventories	15 320	(7 429)
Movements in trade and other receivables (see note 24.5)	14 428	(17 910)
Movements in trade and other payables	20 552	13 728
	3 801	**(6 657)**

24.1 Cash utilised in operations (Company)

	2009 R'000	2008 R'000
Loss before taxation	(2 138)	(248 808)
Adjusted for non-cash movements		
Impairments	180	(247 862)
Gain on Group restructure	–	–
	(1 958)	**(946)**
Movements in working capital	–	–
Movements in trade and other payables	**1 466**	272
	(492)	**(674)**

24.2 Net finance costs

	2009 R'000	2008 R'000
Group		
Finance costs:		
Interest on bank overdrafts and loans	(16 122)	(20 199)
Interest on obligations under finance leases	(3 504)	(4 890)
Interest on shareholder loans	(5 393)	(772)
	(25 019)	(25 861)
Finance income	–	1 397
Net finance costs	**(25 019)**	**(24 464)**

24.3 Movement in share capital and premium

	2009 R'000	2008 R'000
Group:		
Balance at 1 January	227 784	124 473
Proceeds on share issue	–	103 078
Share issue expenses	(57)	(3 267)
Shares issued to secured creditor (non-cash)	6 158	–
Shareholder loans capitalised (non-cash)	–	3 500
Balance at 31 December	**233 885**	**227 784**

24.4 Movement in borrowings

	2009 R'000	2008 R'000
Group:		
Balance at 1 January		
– Long-term borrowings	107 273	118 775
– Current portion of long-term borrowings	24 856	23 297
	132 129	142 072
Shares issued to secured shareholder (non-cash)	(6 158)	–
Shareholder loans capitalised (non-cash)	–	(3 500)
Acquisition of intangible asset on loan account (non-cash)	50 500	–
New loans raised/(repaid)	16 133	(6 443)
Balance at 31 December	**192 604**	**132 129**
– Shareholder loans	11 607	–
– Long-term borrowings	50 289	107 273
– Current portion of long-term borrowings	130 708	24 856

24.5 Movement in trade and other receivables

	2009 R'000	2008 R'000
Group:		
Balance at 1 January	22 106	12 387
Impairments (non-cash)	(828)	(21 060)
Adjustment in prior year acquisition (non-cash)	–	12 869
Net (decrease)/increase in trade and other receivables	(14 428)	17 910
Balance at 31 December	**6 850**	**22 106**

25. ACCOUNTING ESTIMATES AND JUDGEMENTS

The board of directors has considered the Group's critical accounting policies, key sources of uncertainty and areas where critical accounting judgements were required in applying the Group's accounting policies.

Critical accounting policies

The Audit Committee is satisfied that the critical accounting policies are appropriate to the Group.

Key source of uncertainty

Key sources of uncertainty relate to the economic mineability of the mineral right (as set out in a Competent Person's Report) and the effect that this has on the carrying value of asset on the balance sheet.

Critical accounting judgements in applying the Group's accounting policies

Judgements made in the application of IFRS that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment

The residual values of the property, plant and equipment are reviewed annually after considering future market conditions, the remaining life of the asset and projected disposal values. The estimation of the useful lives is based on historic performance as well as expectations about future use and, therefore, requires a degree of judgement to be applied. The depreciation rates represent management's current basis estimate of the useful lives of the assets.

Deferred taxation

Deferred taxation assets are recognised to the extent that it is probable that the taxable income will be available against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation and taxation rates and competitive forces.

Investments

The Group reflects its held-for-trade and available-for-sale investments at fair value. The directors' value of unlisted investments was determined using a combination of discounted cash flow, net asset value and price : earnings methods.

Inventories

Impairment allowances are raised against inventory when it is considered that the amount realisable from such inventory's sale is considered to be less than its carrying amount. The impairment allowance is made with reference to an inventory age analysis.

Trade receivables

Management identifies impairment of trade receivables on an ongoing basis. An impairment allowance in respect of doubtful debts is raised against trade receivables when their collectability is considered to be doubtful. Management believes that the impairment adjustment is conservative and there are no significant trade receivables that are doubtful and have not been impaired. In determining whether a particular receivable could be doubtful, the age, customer's current financial status and disputes with the customer are taken into consideration.

Rehabilitation provision

Management engages an independent expert to provide the estimated rehabilitation provision required which is calculated on the basis determined by the Department of Mineral Resources ("DMR"). Details of this are set out in note 11 (non-current provisions).

26. DETERMINATION OF FAIR VALUE

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods: Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market values of other assets are based on the quoted market prices for similar items.

Intangible assets

The fair value of intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Inventory

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business, less the estimated costs of completion and sale, and a reasonable profit margin based on the efforts required to complete and sell the inventory.

Investments

Fair value of listed investments is calculated by reference to stock exchange-quoted selling prices at the close of business on the balance sheet date. Fair value of unlisted investments is determined by using appropriate valuation models.

Forward exchange contracts

The fair value of forward exchange contracts is based on their listed market prices.

Borrowings

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. The carrying value of the bank overdrafts is the fair value.

Company: Impairment, Group investments and loans

The fair value of the companies investments in and loans to subsidiary companies are assumed to be the net book values of these companies and impairments are made where the book values are less than the investment/loan value.

27. SUMMARY OF RESULTS OF SCHEME OF ARRANGEMENTS WITH CREDITORS AT THE SCHEME DATE (1 OCTOBER 2009)

	Balance per financial records R'000	Paid out in cash R'000	Amount compromised R'000	Ceded to SACMH R'000
Inter-SACMH Group borrowings	154 246	–	30 957	123 289
Mainsail loan account	44 206	2 623	8 872	32 711
Strider/RBC loan accounts	7 745	–	1 554	6 191
Concurrent creditors – connected parties	21 583	1 396	5 023	15 164
Concurrent creditors – third parties	32 054	2 133	5 823	24 098
South African Revenue Services ("SARS")	11 706	2 055	–	9 651
Dividend returned by connected parties	–	(4 020)	–	–
Aggregate effect in underlying companies	271 540	4 187	52 229	211 104
Eliminated on consolidation	(154 246)	–	(30 957)	(123 289)
Group loan accounts adjustment	–	–	(21 272)	26 704
Group effect	**117 294**	**4 187**	**–**	**114 520**

28. SEGMENT INFORMATION

For management purposes, the Group is organised into two major operating divisions – coal mining and equipment leasing. These divisions are the basis on which the Group reports its primary segment information. The principal products and services of each of these divisions are as follows:

Coal mining – The mining and sale of coal.

Leasing – The leasing of movable mining equipment and the leasing of owned and leased railway sidings.

	Coal Mining 2009 R'000	Coal Mining 2008 R'000	Equipment leasing 2009 R'000	Equipment leasing 2008 R'000	Total 2009 R'000	Total 2008 R'000
28.1 Segment revenue and segment result						
Continuing operations						
Segment revenue						
External sales	33 136	157 984	5 384	21 193	38 520	179 177
Inter-segment sales	–	–	–	–	–	–
External revenue	**33 136**	**157 984**	**5 384**	**21 193**	**32 520**	**179 177**
Other gains and losses	111 168	(712)	3 352	–	114 520	(712)
Operating profit/(loss)	(68 068)	(82 863)	(23 570)	2 074	(91 638)	(80 789)
Net finance charges	(21 519)	(18 801)	(3 500)	(5 663)	(25 019)	(24 464)
Profit/(Loss) before tax	21 581	(102 376)	(23 718)	(3 589)	(2 137)	(105 965)
Income tax (expense)/credit	(29 556)	7 360	637	(105)	(28 919)	7 255
Loss for the year from continuing operations	**(7 750)**	**(95 016)**	**(23 081)**	**(3 694)**	**(31 056)**	**(98 710)**
28.2 Segment assets and liabilities						
Assets	475 176	539 186	78 841	34 780	554 017	573 966
Total assets	**475 106**	**539 186**	**78 841**	**34 780**	**554 017**	**573 966**
Liabilities	(209 247)	(235 389)	(17 691)	(26 724)	(226 938)	(262 113)
Deferred tax liabilities	(141 770)	(112 882)	–	(315)	(141 770)	(113 197)
Total liabilities	**(351 017)**	**(348 271)**	**(17 691)**	**(27 039)**	**(368 708)**	**(375 310)**
Capital expenditure	55 847	77 626	4 736	20 745	60 583	98 371
Depreciation	1 296	5 957	9 421	8 340	10 717	14 297
Amortisation mining right	1 471	10 167	–	–	1 471	10 163
Non-cash items	58 144	59 901	–	3 107	58 144	63 008

RESOURCES AND RESERVES STATEMENT

This resources and reserves statement is extracted from the full SAMREC compliant report dated January 2009 issued by Allan Bullock (Pr SCI Nat 400059/98) (B.Sc (Hons) (Geol.), MBL., Pr.Sci.Nat) of Eugene Pretorius and Associates (Pty) Ltd of 15 de Villiers Street, Clubview, Middleburg, at 31 December 2008, which is available on request from the Company Secretary and is subject to the assumptions disclaimer and notes therein. No report was obtained for 2009 as the mine was on “care and maintenance” for the bulk of the year. The report covers the new order mining right at Umlabu Mine (Mining Right number MP 30/5/1/2/269 MR) covering the Farms Mooifontein and Vlakfontein and the prospecting rights over the Farm Sterkfontein (adjacent to the Umlabu Mine) (Prospecting right number MP 30/5/1/1/2/594 PR) and does not include the prospecting right over a portion of the Farm Kromkranz (Prospecting right number MP 30/5/1/1/2/661 PR). In terms of the SANS 10320:2004 definition, the assets may be classified as a multiple seam deposit type and hosts the Ermelo Coalfield coal seams, namely the Nos. A, B, C, D and E Seams. The details of the geology are described in the 2007 Competent Person’s Report prepared by SRK Consulting which is available on the Company’s website (www.SACMH.co.za).

The Gross In-situ Tonnage estimated for the mining assets is 58 633 762t, with an additional 32 022 205t held in prospecting rights. In terms of SAMREC reporting requirements the resources have been classified as measured, indicated and inferred. A resource of 18 986 518t is classified as measured, 39 647 243t classified as indicated with the remaining 32 022 205t as inferred.

The Umlabu Mining Area is situated approximately 12km north of Ermelo. It is bordered in the west by Xstrata (Pty) Ltd’s Spitskop Colliery.

The Umlabu Colliery mining area is well-serviced by railways and roads. A tarred road, which links Breyten and Ermelo, runs along the western margin of the mining area.

The elevation in the entire Breyten – Ermelo region ranges from 1 400 to 1 700 mamsl, with most of the region being in the range of 1 650 to 1 750 mamsl, with flat (0° to 3°) to moderate (4° to 15°) slopes. The Ermelo region is characterised by moderate summers and cold winters. The annual rainfall varies between 500 mm – 750 mm and falls mainly during the summer months. It is mainly covered by grassland of which much has been cleared to make way for mixed farming, with cattle and sheep the major livestock, and maize, grain sorghum, sunflower seed, wheat, dry beans and soybeans as the major crops.

The main land types are dystrophic, with red soils not widespread. The main soil types are clay, loam and clay, and sandy loam. Soil depth class ranges from very deep to very shallow, with the region characterised by very deep to medium deep soils. The primary drainages in the region is the Olifants Rivers.

The Umlabu Mining area lies at an average altitude of 1 780 mamsl. The project area is therefore characterised by gentle relief from the flat farmlands down into the narrow drainages.

Boreholes (both historical and new ones drilled by Gemecs) are captured into a detailed digital terrain model (scale 1:50 000) and a “Mincom” gridding software is used to better estimate the resource. The assumptions used in the SAMREC code “reasonable prospect for eventual economic extraction” include: (1) minimum height 1,20 metres; (2) dry ash free volatiles >24%; (3) geological loss 10%; (4) tons and qualities on an “air dried basis” and (5) opencast trip ratios of 8:1. Mining includes both opencast and underground (board and pillar) methods.

No legal proceedings are pending against any of the mining or prospecting rights. The material risk factors are a high organic sulphur content (1,2% to 1,4%) and thin seam underground mining requirements.

A total of 100k/tons (2008: 735 k/tons) of ROM was mined at the Umlabu mine in the 12 months to 31 December 2009, which reduced the GTIS above by this amount.

1. GROSS TOTAL IN-SITU COAL RESOURCE CLASSIFICATION (MINING RIGHTS)

RESOURCE GROSS IN-SITU									
Structural – Gross *In-situ*							Resource Classification		
Block	**Seam**	**Block Area m²**	**Coal Area m²**	**Coal Volume m²**	**In-Situ Tonnes**	**Seam Thickness**	**Measured**	**Indicated**	**Inferred**
UMA_OCBLOCK01+UMA_UGBLOCK01	B Seam	1 071 559	1 071 559	1 611 664	2 643 162	1.50	2 643 162		
UMA_CSEAM_BLOCK01	C Upper	1 017 642	1 017 642	852 780	1 313 281	0.84	1 313 281		
UMA_CSEAM_BLOCK01	C Lower	1 031 002	1 031 002	1 246 570	2 006 978	1.21	2 006 978		
TOTAL UMA		**3 120 203**	**3 120 203**	**3 711 034**	**5 963 421**	**1.19**	**5 963 421**		
VCDBLOCK001	B Seam	500 950	500 950	837 498	1 373 497	1.67	1 373 497		
VCDBLOCK002	B Seam	4 464 338	4 464 338	7 299 745	2 394 317	1.64	2 394 317	9 577 267	
VCDBLOCK003	B Seam	3 612 935	3 612 935	5 077 516	1 665 425	1.41	1 665 425	6 661 701	
VCD_BLOCK01_CSEAM	C Upper	542 587	542 587	460 118	708 582	0.85	708 582		
VCD_BLOCK01_CSEAM	C Lower	542 587	542 587	839 260	1 029 209	1.18	1 029 209		
VCD_BLOCK02_CSEAM	C Upper	4 528 143	4 528 143	4 207 846	1 296 017	0.93	1 296 017	5 184 066	
VCD_BLOCK02_CSEAM	C Lower	4 528 143	4 528 143	5 583 249	1 797 806	1.23	1 797 806	7 191 25	
VCD_BLOCK03_CSEAM	C Upper	3 612 935	3 612 935	3 882 224	1 195 725	1.07	1 195 725	4 782 900	
VCD_BLOCK03_CSEAM	C Lower	3 612 935	3 612 935	4 852 550	1 562 521	1.34	1 562 521	6 250 084	
TOTAL VCD		**25 945 553**	**25 945 553**	**32 840 007**	**13 023 098**	**1.27**	**13 023 098**	**39 647 243**	
TOTAL		**29 065 756**	**29 065 756**	**36 551 041**	**18 986 518**	**1.26**	**18 986 518**	**39 647 243**	

Notes:

UMA – Umlabu Mining Asset (Source: SRK Consulting (Pty) Ltd).

C Upper overlying Satmar working excluded from resource and reserve calculations.

VCD – Vlakfontein coal deposit (Source: SRK Consulting (Pty) Ltd).

2. GROSS TOTAL IN-SITU COAL RESOURCE CLASSIFICATION (PROSPECTING RIGHTS)

RESOURCE GROSS IN-SITU									
Structural – Gross *In-situ*							Resource Classification		
Block	**Seam**	**Block Area m²**	**Coal Area m²**	**Coal Volume m²**	**In-Situ Tonnes**	**Seam Thickness**	**Measured**	**Indicated**	**Inferred**
SPA	B Seam	4 596 234	4 596 234	6 033 807	9 895 443	1.31			9 895 443
SPA	C Upper	4 596 234	4 596 234	1 477 386	2 275 174	0.32			2 275 174
SPA	C Lower	4 596 234	4 596 234	12 330 178	19 851 587	2.68			19 851 587
TOTAL UMA		**13 788 702**	**13 788 702**	**19 841 371**	**32 022 205**	**1.44**			**32 022 205**
		13 788 702	**13 788 702**	**19 841 371**	**32 022 205**	**1.44**			

CORPORATE GOVERNANCE REPORT, MAJOR SHAREHOLDERS AND SHAREHOLDER SPREAD

The board of the Company is committed to the principles of fairness, accountability, responsibility and transparency as advocated in the King II Report on Corporate Governance. Through this process, shareholders and other stakeholders may derive assurance that the Company is being ethically managed according to prudently determined risk parameters and in compliance with generally accepted corporate practices. During the year under review, the Group complied with all the provisions of the King II Report, except where explained in detail below:

Composition of the board

The board comprises five directors, of whom one is an independent non-executive director, three are non-executive and one is an executive director.

The roles of Chairman and Chief Executive Officer are separate and distinct.

In terms of the Articles of Association (the “articles”), the Chairman is required to be elected by the board. Mr Mokgatlha was re-elected as Chairman of the Board for the calendar year commencing 1 January 2010.

The non-executive directors are not involved in the day-to-day management of the Group and are not full-time salaried employees of the Company or its subsidiaries. All of the non-executive directors are individuals of calibre and credibility, and have the necessary skills and experience to bring judgment to bear independent of management on issues of strategy, performance, resources, transformation, diversity and employment equity, standards of conduct and evaluation of performance. The Chairman and the Remuneration and Nomination Committee will be responsible for appraising the performance of the Chief Executive Officer at least once per annum.

The directors all have unfettered access to the executives, including the Company Secretary who, *inter alia*, is responsible for ensuring that proper procedures are followed regarding board matters. It will require a decision of the board as a whole to remove the Company Secretary, should this become necessary. Directors’ board packs are prepared before each board meeting so as to fully inform the directors of the issues at hand. Directors are furthermore entitled to ask questions of any personnel and have unrestricted access to all Company documentation, information, documents and property.

The articles call for one-third of the previously elected directors to retire by rotation at each annual general meeting. Mr Mokgatlha is required to retire by rotation and, being eligible, may seek re-election. The re-appointment of the directors seeking re-election is supported by the board and approval by shareholders will be sought at the forthcoming annual general meeting.

Newly appointed directors receive a comprehensive induction pack relating to Company legislation and regulations, corporate governance, financial and reporting documents, minutes and administrative matters.

Board responsibilities

The board’s main responsibilities as set out in the Board Charter include: strategy, acquisition and disinvestments policy, risk management, financing and corporate governance. In addition, the board is accountable for relations with stakeholders and is responsible for creating, protecting and enhancing the Company’s wealth and resources, timely and transparent reporting and for acting at all times in the best interests of the Company and its shareholders.

The board is overall responsible for the Group’s good governance and apart from the duties and responsibilities which are prescribed by law, the board discharges the following, but not limited thereto, duties and responsibilities in the interest of good governance:

- They seek the optimum balance for the Group between conformance with the guidelines of good governance and performance.
- They act as the focal point of the Group’s corporate governance structure.
- They provide strategic direction to the Group in line with the Group’s purposes.

- They monitor the implementation of the strategy by management.
- They ensure full, timely and transparent disclosure of all material matters.
- They actively promote an ethical culture within the Group.
- They review the size and composition of the board in terms of the mix of skills-diversity and the requirements for the appropriate constitution of board committees.
- They agree on the procedure to allow directors to obtain independent professional advice where necessary.
- They always act in the best interests of the Group.
- They have agreed upon procedure to manage for the day-to-day operations of the Group.
- The Remuneration and Audit Committees are chaired by non-executive directors.

Board committees

The board has appointed several committees to assist them in discharging their duties and responsibilities adequately. The board acknowledges that they remain the epicenter of the Group's corporate governance system and is ultimately responsible for the Group's performance. The committees are therefore generally constituted with powers of recommendation only, except in areas which do not usually require the full consideration of the board. All board committees will be subject to regular evaluation to ascertain their level of performance and effectiveness once the Group has implemented its restructuring and resumed operations at the mine.

Board assessment

In view of the problems being experienced by the Company, no assessment of directors has been conducted but consideration will be given to such an exercise in the near future.

Remuneration and Nomination Committee

Members: Neil Gardyne *(chairman)* and Thabo Mokgatlha.

A Remuneration and Nomination Committee has been established with its terms of reference approved by the board.

The policy governing the procedures for appointment to the board is guided by the articles. All new appointments to the board are formal and transparent and will be considered by the board as a whole with the assistance of the Remuneration and Nomination Committee.

The committee is also responsible for making recommendations to the board, on the Company's framework of executive remuneration and all staff in head office, in consultation with an independent remuneration specialist. The committee is responsible for ensuring that levels of remuneration are sufficient to attract and retain directors and senior management needed to run the Company successfully.

The committee is required to meet at least twice each year. No meetings were held during the year under review as the mine was on care and maintenance.

Audit Committee

Members: Lucas Ndala *(chairman)* and Neil Gardyne.

Although not compliant with the requirements of the Companies Act with regard to the requirement of an Audit Committee comprising at least two independent non-executive directors, following the resignation of Mr Kgage, the board supports the principle of independence in order to maintain corporate division of power and negotiations and that the minority shareholders' interests are protected at all times. In the latter part of 2009, the matter was addressed and the Audit Committee was reconstituted and Mr N Gardyne, a non-executive director of the Company, was appointed a member of the Audit Committee. The board has ensured that there is a sound system of internal control in place in order to safeguard stakeholders' interests and the Company's assets.

The committee operates in accordance with written terms of reference which deal clearly with its authority and duties and which have been confirmed by the board. The external auditors have free access to this committee and are invited to attend all of its meetings. The Audit Committee is required to meet at least twice per annum. Two meetings were held during the year under review.

The primary objective of the Audit Committee is to promote the overall effectiveness of corporate governance within the Group. Additional objectives include:

- ensuring the integrity of the Company's accounting and financial reporting systems;
- ensuring that the appropriate systems are in place for monitoring risk, financial control and compliance with the law and codes of conduct;
- evaluating the effectiveness of the risk- and compliance-management functions of the Company;
- maintaining appropriately transparent relationships with the external auditors, who will be appointed each year based on the recommendations of the committee;
- approving the policy on external audit firms providing non-audit services and ensuring compliance with the policy;
- advising on the appointment of the external auditors to handle non-audit functions;
- reviewing the scope and quality of the statutory audit and the independence and objectivity of the audit;
- reporting on the going concern concept; and
- satisfy itsself of the appropriateness and expertise and experience of the Financial Director.

The Audit Committee has explicit authority to investigate any matter under its terms of reference and has access to all resources and information it requires in order to act on this authority.

The Audit Committee is also responsible for monitoring all contracts entered into by the Company in which any of the directors are either, beneficially or indirectly beneficially, interested so as to ensure that all such contracts are fair and reasonable and in the best interests of the Company.

There is no internal audit function in the Company as the Company is on care and maintenance and only critical expenditure was incurred. To mitigate this risk, the Group board took over the operational board function and met monthly to micro-manage the process. In addition, all expenditure was specifically incurred in terms of a board-approved budget and signed-off by both the CEO and the non-executive Audit Committee chairman.

The JSE requires all listed companies to have a properly qualified Financial Director on the board of directors. During the care and maintenance period, the JSE provided dispensation for the CEO (who is a Chartered Accountant with 10 years' experience as a listed company Financial Director) to act in this capacity. A suitably qualified new Chief Financial Officer will be appointed during the course of 2010.

The Audit Committee has recommended that Deloitte & Touché should be re-appointed auditors of the Company for the financial year commencing 1 January 2010, with Mr M Ajoodha as the designated auditor.

Communication with stakeholders

The Company prioritises a policy of effective communication and engagement with all stakeholders in the affairs of the Company and seeks to provide a secure, healthy and participative social and working environment for its staff and associates.

Closed periods

The Company enforces restricted periods for dealing in its shares in terms of which any dealings in securities of the Company by any of the directors and the Company Secretary of the Company and its material subsidiaries and such parties' associates must be cleared by a designated director. Trading will be prohibited from the time that the relevant reporting period has elapsed to the time that the results are released as well as at any time that the Company is trading under a cautionary announcement and at the designated directors' discretion should there be unpublished price-sensitive information in existence.

Company Secretary

The Company Secretary is required to provide the members of the board with guidance and advice regarding their responsibilities, duties and powers and to ensure that the board is aware of all the legislation relevant to, or affecting, the affairs of the Company. The Company Secretary is to ensure that the Company complies with all applicable legislation regarding the affairs of the Company, including the necessary recording of meetings of the board, board committees and shareholders of the Company.

Advice and information

Information provided to the board and its committees is derived from external sources and internally from minutes, plans and reports. No restrictions are placed on the accessing of information by directors from within the Company.

All directors are entitled to seek independent professional advice concerning the affairs of the Company at its expense.

Code of ethics

The board subscribes to the highest level of professionalism and integrity in conducting its business and dealing with all its stakeholders.

In adhering to its code of ethics the board is guided by the following broad principles:

- business should operate and compete in accordance with the principles of free enterprise;
- free enterprise will be constrained by the observance of relevant legislation and generally accepted principles regarding ethical behaviour in business;
- ethical behaviour is predicated on the concept of utmost good faith and characterise by integrity, reliability and a commitment to avoid harm;
- business activities will benefit all participants through a fair exchange of value or satisfaction of need; and
- equivalent standards of ethical behaviour are expected from individuals and companies with whom business is conducted.

MAJOR SHAREHOLDERS AND SHAREHOLDER SPREAD

The following shareholders have a 4% (or more) interest in the issued capital of the Company as at 31 December 2009:

Shareholder	2009		2008	
	('000)	(%)	('000)	(%)
Royal Bafokeng Capital (Pty) Ltd*	264 583	58.5	264 583	60.3
Deutsche Bank (Pty) Ltd	42 284	9.3	42 143	9.6
Blemit Investment (Pty) Ltd**	36 300	8.0	36 300	8.3
New Africa Mining Fund	35 732	7.9	35 732	8.1
Mainsail Trading 55 (Pty) Ltd	20 000	4.4	20 000	4.6
	398 331	**91.0**	**398 758**	**90.9**

* Royal Bafokeng Capital have written commitments to transfer, at no value, 20 million SACMH shares to each Standard Bank and Management.

** Blemit Investment invests funds on behalf of third parties and does not beneficially own these shares.

The following shareholders did not comprise "public shareholders" as at 31 December:

Shareholder	2009		2008	
	('000)	(%)	('000)	(%)
Royal Bafokeng Capital (Pty) Ltd	264 583	58.5	264 583	60.3
Mainsail Trading 55 (Pty) Ltd	20 000	4.4	20 000	4.6
Strider Holdings (Pty) Ltd*	16 752	3.82	2 752	0.63
WN Gardyne (Director)	4	–	4	–
	301 339	**66.72**	**287 339**	**65.53**

* As part of the section 311 compromise, SASFIN Bank received 14 million new shares in the group which they sold to Mr K J Gribnitz/ Strider Holdings (Pty) Ltd in October 2009. While the shares were only physically issued in April 2010, they have been included in the financial statements and the liability derecognised.

Shareholder spread as at 31 December 2009

	Number of shares	Percentage	Number of shareholders	Percentage of total
0 – 1 000	186 082	0.04	600	50.50
1 001 – 10 000	1 618 031	0.36	424	35.69
10 001 – 100 000	3 468 424	0.79	107	9.00
100 001 – 500 000	5 912 110	1.30	25	2.10
500 001 – 1 000 000	5 518 964	1.22	7	0.58
1 000 001 +	436 110 578	96.38	25	2.10
	452 454 189	**100.00**	**1 188**	**100.00**

Shareholder spread as at 31 December 2008

	Number of shares	Percentage	Number of shareholders	Percentage of total
0 – 1 000	196 539	0.04	619	51.84
1 001 – 10 000	1 662 842	0.37	440	36.85
10 001 – 100 000	2 308 260	0.52	79	6.61
100 001 – 500 000	5 246 487	1.19	22	1.84
500 001 – 1 000 000	6 443 960	1.46	9	0.75
1 000 001 +	422 596 101	96.38	25	2.09
	438 454 189	**100.00**	**1 194**	**100.00**

CERTIFICATE OF THE COMPANY SECRETARY

I, the undersigned, in my capacity as Company Secretary, do confirm that in terms of section 268G(d) of the Companies Act, 61 of 1973, as amended, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are, to the best of my knowledge, true, correct, and up to date.

Sylvan CSI (Proprietary) Limited
Company Secretary

Patricia Smit
Responsible Party

Mirkwood, Farm Klipkop, Gauteng

22 June 2010

SOUTH AFRICAN COAL MINING HOLDINGS LIMITED

Registration number: 1994/009012/06
Share code: SAH ISIN code: ZAE000102034
("SACMH" or "the company")

Notice is hereby given that the annual general meeting of the shareholders of the Company will be held at the offices of Royal Bafokeng Holdings, 2nd Floor, 37 High Street, Melrose Arch, Johannesburg on Thursday, 26 August 2010 to commence upon completion of the annual general meeting of the Company for the financial year ended 31 December 2008 which commences at 12:00 for the for the following purposes:

ORDINARY BUSINESS:

1. To receive, consider and adopt the annual financial statements for the twelve months ended 31 December 2009 of the Company and the Group, together with the directors' and independent auditor's report;
2. To re-elect Mr T V Mokgathla who retires by rotation in accordance with the Company's articles of association.
3. To re-elect Messrs V P Garg and G M Scrutton who were appointed directors since the last annual general meeting and who being eligible, offer themselves for re-election.
4. To confirm the appointment of Deloitte & Touché as independent auditors to the Company for the ensuing financial year.
5. To appoint Mr M Ajoodha as designated auditor.
6. To authorise the directors to determine the remuneration of the auditors for the past financial year.
7. To transact such other business as may be transacted at an annual general meeting.

SPECIAL BUSINESS

In addition, members will be requested to consider and, if deemed fit, to pass the following special and ordinary resolutions with or without amendment:

Ordinary Resolution Number One

8. ***Control of authorised but unissued share capital***

   'Resolved that the authorised but unissued shares in the capital of the Company be and hereby placed under the control of the directors of the Company, and that they are hereby authorised, subject to sections 221 and 222 of the Companies Act of 1973, as amended, to allot and/or issue shares to such person or persons on such terms and conditions as they may determine, such authority to expire at the next annual general meeting of the Company.'

Ordinary Resolution Number Two

9. ***Issue of ordinary shares for cash***

   'Resolved that, subject to not less than 75% of shareholders, present in person or by proxy and entitled to vote at the annual general meeting at which this ordinary resolution is considered, voting in favour thereof, excluding the sponsor and the controlling shareholder together with their associates, the directors of the Company be and are hereby authorised, by way of general authority, to issue all or any of the authorised but unissued shares in the capital of the Company for cash as they in their discretion deem fit, but subject to the Company's articles of association, the provisions of the Companies Act, Act 61 of 1973, as amended, and the JSE Limited Listings Requirements, when applicable, and provided that:

   - the securities must be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;

- the securities must be issued to public shareholders as defined in the JSE Limited Listing Requirements and not to related parties, unless the JSE Limited otherwise agrees;
- the general issue of shares for cash in the aggregate in any one financial year may not exceed 15% of the Company's issued share capital of that class, as set out and in terms of the JSE Limited Listings Requirements;
- the maximum discount at which securities may be issued is 10% of the weighted average traded price of those securities over the 30 business days prior to the date that the price of the issue is agreed between the Company and the person subscribing for the securities;
- after the Company has issued securities representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to that issue, the Company shall publish an announcement containing full details of the issue, including the effect of the issue on net asset value and earnings per share;
- the shareholders of the Company hereby waive their pre-emptive rights to the shares to be issued shares for cash in terms of this authority;
- this authority shall not be extended beyond 15 months from the date of this resolution, or the next annual general meeting, whichever is the earlier date.

Special Resolution Number One

10. ***General authority to repurchase issued shares***

'Resolved that the Company hereby approves, as a general approval contemplated in sections 85(2) and 85(3) of the Companies Act of 1973, as amended ('the Act') the acquisitions by the Company, and/or any subsidiary of the Company, from time to time of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Company's articles of association, the provisions of the Act and the JSE Limited ("JSE") Listings Requirements, when applicable, and provided that:

- the repurchase of the securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party;
- this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond fifteen months from the date of passing this special resolution;
- in determining the price at which the Company's securities are acquired by the Company and/or subsidiary of the Company, in terms of the general authority, the maximum premium at which such securities may be acquired will be 10% of the weighted average of the market price at which such securities are traded on the JSE, as determined over the five business days immediately preceding the date of the repurchase of such securities;
- the repurchases of securities in the aggregate in any one financial year do not exceed 20% of the Company's issued share capital as at the date of passing this resolution;
- the assets of the Company or the Group, being fairly valued in accordance with South African Generally Accepted Accounting Practices/IFRS, are in excess of the liabilities of the Company or the Group for the following year;
- 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 any such repurchase of shares in writing to the JSE;
- after such repurchase, the Company will comply with the JSE Listings Requirements concerning shareholder spread requirements;
- the Company or its subsidiary are not repurchasing securities during a prohibited period as defined in the JSE Listings Requirements, except in the circumstance where a repurchase programme has been announced;
- when the Company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made;
- the Company only appoints one agent to effect any repurchase(s) on its behalf.'

Reason for and effect of the Special Resolution

The reason for and the effect of the special resolution is to grant the Company's directors a general authority, up to and including the date of the following annual general meeting of the Company, to approve the Company's purchase of securities in itself, or to permit a subsidiary of the Company to purchase securities in the Company.

Certain information relating to the Company as required by the JSE Listings Requirements is set out in the Appendix hereto which forms part of this notice of annual general meeting.

Ordinary Resolution Number Three

11. ***To make payments to shareholders***

'Resolved that, as a general approval contemplated in section 90 of the Act and in terms of the Company's articles of association, the Company grant a renewable mandate to the directors of the Company to make payments to shareholders on a *pro rata* basis by way of the reduction of the Company's share capital upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Company's articles and association, the provisions of the Act, and the JSE Listings Requirements, when applicable, and provided that:

- this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond fifteen months from the date of passing this resolution;
- any general payment may not exceed, in any one financial year, 20% of the Company's issued share capital including reserves but excluding minority interests and revaluation of assets and intangible assets that are not supported by a valuation by an independent expert acceptable to the JSE prepared within the last six months.

Certain information relating to the Company as required by the JSE Listings Requirements is set out in the Appendix hereto which forms part of this notice of annual general meeting.

Ordinary Resolution Number Four

12. ***Non-executive directors' remuneration***

'Resolved that the remuneration of the non-executive directors for the financial year ending 31 December 2009 be as follows:

Board	
As chairman	R100 000 pa
As member	R80 000 pa
Audit and Risk Committee	
As chairman	R10 000 pa
As member	R7 500 pa
Remuneration and Nominations Committee	
As chairman	R10 000 pa
As member	R7 500 pa

Special Resolution Number Two

13. ***Authority to issue shares in lieu of loan granted to fund the Company's operations***

"Resolved that the loan of R17 500 000, plus accrued interest, made by Mainsail (Proprietary) Limited ("Mainsail"), a shareholder of the Company, for the purposes of funding the Company during the period that its coal mines were placed under care and maintenance, be converted into equity in the Company within three months of the introduction of funds into the Company by a strategic equity partner, and that the value at which the Mainsail loan (plus accrued interest) be converted would be the average of the volume weighted share price of the Company's shares during the thirty-day period which precedes the date of such conversion."

Reason for and effect of the Special Resolution

The reason for and the effect of the special resolution is to reduce the Company's indebtedness while increasing the issued share capital of the Company.

Ordinary Resolution Number Five

14. ***Authority to action all ordinary and special resolutions***

    'Resolved that any one director of the Company Secretary be and is hereby authorised to do all such things as are necessary and to sign all such documents issued by the Company as to give effect to special resolution number one and ordinary resolutions numbers one, two, three and four.'

DIRECTORS CURRICULA VITAE

Mr T V Mokgathlha BCom, University of the North West; BCompt (Hons) CTA, University of South Africa (Unisa); Chartered Accountant (SA)

Thabo Mokgatlha is a Chartered Accountant, having completed his articles with Coopers & Lybrand. He previously lectured at the University of the North West. Thabo is the Executive: Treasury and Business for the Royal Bafokeng Nation.

Mr G M Scrutton

Mr Scrutton is the current CEO of the Group and is a Chartered Accountant, having articled at KPMG. After working for KPMG's Seattle USA office, Mr Scrutton served as the Financial Director of JSE listed Voltex and then Powertech groups for 10 years. After this he acted as Financial Director at Afgri in their Grain Trading and Producer Services division, as part of the team tasked to turn around both of these divisions.

Mr V P Garg

Mr Garg is a Chartered Accountant (B.Com, A.C.A.), The Institute of Chartered Accountants of India and is Vice President (Commercial) of JSW Steel Limited, one of the listed entities of the JSW Group of India. He was instrumental in the acquisition of controlling stake in SACMH. In the past he has acquired a coal mine in Indonesia and responsible for the procurement of raw materials (including coal) from various countries in the world.

VOTING AND PROXIES

Shareholders who have any doubt as to the action they should take, should consult their stockbroker, accountant, attorney, banker or other professional banker immediately.

Shareholders who hold their shares in certificated form or who are own name registered shareholders holding their shares in dematerialised form who are unable to attend the annual general meeting but who wish to be represented thereat, are required to complete and return the attached Form of Proxy so as to be received by the Company's transfer secretaries by not later than **12:00 on Tuesday, 24 August 2010.**

Shareholders who have dematerialised their shares through a Central Securities Depository Participant ('CSDP') or broker, other than by own name registration, who wish to attend the annual general meeting should instruct their CSDP or broker to issue them with the necessary authority to attend the annual general meeting, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. Shareholders who have dematerialised their shares through a CSDP or broker, other than by own name registration, who wish to vote by way of proxy, should provide their CSDP or broker with voting instructions, in terms of the custody agreement entered into between such shareholders and their CSPD or broker. These instructions must be provided to their CSPD or broker by the cut-off time or date advised by their CSDP or broker for instructions of this nature.

By order of the Board

Sylvan CSI (Pty) Limited
Company Secretary

Mirkwood Estate
Farm Klipkop JR 396, Gauteng

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

GENERAL INFORMATION ON THE COMPANY TO SUPPORT THE RESOLUTIONS PROPOSED IN THE NOTICE OF ANNUAL GENERAL MEETING

The following information is required by the JSE Limited Listings Requirements with regard to the resolutions granting a general authority to the company to repurchase its securities for cash and to make payments to shareholders.

The JSE Listings Requirements require the following disclosure which is contained in the financial statements with this notice of annual general meeting, as follows:

- Directors and management – page 9;
- Major shareholders of the Company – page 46;
- Directors' interests in securities – page 10;
- Share capital of the company – page 25.

Statement by the company's board of directors in respect of repurchases of shares and payments to shareholders

Pursuant to and in terms of the JSE Listings Requirements, the directors of the company hereby state that:

1. the intention of the directors is to utilise the relevant authority to repurchase shares or make payments to shareholders if, at some future date, the cash resources of the Company are in excess of its requirements. In this regards the directors will take account of, *inter alia*, an appropriate capitalisation structure for the Company, and will ensure that any such utilisation is in the interests of shareholders;
2. the method by which the Company intends to make such repurchases or payment and the date on which such repurchase or payment will take place has not yet been determined.

The board of directors has no immediate intention to use these authorities to repurchase Company shares or make payments to shareholders. However, the board of directors is of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase or make a payment to shareholders in the future.

At the time that the contemplated repurchase or payment is to take place, the directors will ensure that:

1. the Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business for a period of twelve months after the date of the transaction;
2. the consolidated assets of the Company and its subsidiaries, fairly valued in accordance with the accounting policies used in the Company's latest audited Group annual financial statements, will be in excess of the consolidated liabilities of the Company and its subsidiaries for a period of twelve months after the date of the transaction;
3. the issued share capital and reserves of the Company and its subsidiaries will be adequate for the purposes of the business of the Company and its subsidiaries for a period of twelve months after the date of the transaction;
4. the working capital available to the Company and its subsidiaries for a period of twelve months after the date of the transaction; and
5. the Company will provide its sponsor and the JSE with all documentation as required in schedule 25 of the JSE Listings Requirements, and will not undertake any such repurchase or payment until the sponsor has signed-off on the adequacy of its working capital, advised the JSE accordingly and the JSE has approved such documentation.

Shareholders should note that such payments are payments other than cash dividends paid out of retained income, scrip dividends or capitalisation issues.

Litigation statement

Other than as set out in note 22 to these annual financial statements, there are no legal or arbitration proceedings, either pending or threatened, against the Company or its subsidiaries, of which the Company is aware, which may have, or have had in the last twelve months, a material effect on the financial position of the Company or its subsidiaries.

Material change

Other than facts and developments reported on in these annual financial statements, there have been no material changes in the affairs or financial position of the Company and Group since the date of signature of the audit report and the date of this notice.

Directors' responsibility statement

The directors, whose names are given on page 9 of these annual financial statements, collectively and individually, accept full responsibility for the accuracy of the information given in this notice of annual general meeting certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the notice contains all information required by law and the JSE Listings Requirements.

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FORM OF PROXY

SOUTH AFRICAN COAL MINING HOLDINGS LIMITED
Registration number: 1994/009012/06
Share code: SAH)
ISIN: ZAE0000102034
("SACMH" or "the company")

For use ONLY by certificated shareholders and own name dematerialised shareholders at the annual general meeting of shareholders of SACMH to be held at the offices of Royal Bafokeng Holdings, 2nd Floor, 37 High Street, Melrose Arch, Johannesburg, on Thursday, 26 August 2010 upon completion of the annual general meeting of shareholders for the financial year ended 31 December 2008 ("the annual general meeting")

I/We (name) ____ of

(address) ____

being the holder/s of [ ] shares in the Company do hereby appoint (see note 1):

1. ____

2. ____

3. ____

or failing him/her, the Chairman of the annual general meeting, as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company or at any adjournment thereof.

I/We desire to vote as follows:

		For	Against	Abstain
1.	Adopt the annual financial statements for the year ended 31 December 2009			
2.	Re-appointment of Mr T Mokgatlha as a director of the Company			
3.1	Re-appointment of Mr V P Garg as a director of the Company			
3.2	Re-appointment of Mr G M Scrutton as a director of the Company			
4.	Confirm the appointment of Deloitte & Touché as auditors			
5.	Confirm the appointment of Mr Ajoodha as designated auditor			
6.	Authorise the directors to fix the auditor's remuneration			
7.	To transact such other business as may be transacted at an annual general meeting			
8.	Ordinary Resolution Number one regarding placing the unissued ordinary shares under the directors control			
9.	Ordinary Resolution Number two regarding a general authority to issue shares for cash			
10.	Special Resolution Number one regarding a general authority for the Company and/or its subsidiaries to acquire its own shares			
11.	Ordinary resolution Number three regarding a general authority for the Company to make payments to shareholders			
12.	Ordinary Resolution Number four regarding authorising director's remuneration			
13.	Special Resolution Number two Regarding the conversion of the Mainsail loan into equity			
14.	Ordinary Resolution Number five regarding an authority for any director or the Company Secretary to sign documents to effect all the ordinary and special resolutions			

Signed at ______________________ on this __________ day of __________ 2010

Signature ______________________ Assisted by me (where applicable)

NOTES TO THE FORM OF PROXY

1. A SACMH shareholder may insert the names of a proxy or the names of two alternative proxies of the SACMH shareholder's choice in the space/s provided, with or without deleting "the Chairman of the annual general meeting", but any such deletion must be initialled by the SACMH shareholder concerned. The person whose name appears first on this form of proxy and who is present at the annual 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 SACMH, insert the number of ordinary shares held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A SACMH shareholder or his/her proxy is not obliged to use all the votes exercisable by the member or by his/her proxy, but the total of the votes exercisable by the SACMH shareholder or by his/her proxy is not obliged to use all the votes exercisable by the SACMH shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. The date must be filled in on this form of proxy when it is signed.
4. The completion and lodging of this form of proxy will not preclude the SACMH shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof. Where there are joint holders of shares, the vote of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.
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 transfer secretaries of SACMH or waived by the Chairman of the annual general meeting of SACMH shareholders.
6. Any alteration or corrections made to this form of proxy must be initialled by the signatory/ies.
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 SACMH.
8. Forms of proxy must be received by the transfer secretaries, Computershare Investor Services (Pty) Limited at Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than **12:00 on Tuesday, 24 August 2010.**
9. The Chairman of the annual general meeting may accept or reject any form of proxy, in the Chairman absolute discretion, which is completed, other than in accordance with these notes.
10. If required, additional forms of proxy are available from the transfer secretaries of SAMCH.
11. Dematerialised shareholders, other than by own name registration, must NOT complete this form of proxy and must provide their CSDP or broker of their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP or broker.

To be completed and mailed to:	OR	To be completed and hand delivered to:
Computershare Investor Services (Pty) Limited PO Box 61051 Marshalltown, 2107		Computershare Investor Services (Pty) Limited Ground Floor 70 Marshall Street Johannesburg