# South African Coal Mining Holdings Limited

(Registration number 1994/009012/06)

# Integrated Annual Report
# 2012

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## SCOPE AND BOUNDARIES OF THIS INTEGRATED ANNUAL REPORT

This is the second integrated annual report produced by South African Coal Mining Holdings Limited ("SACMH") which will be developed progressively and aims to present to stakeholders comprehensive and understandable information which will allow them to make an educated assessment of the Company's economic, social and environmental performance.

### Forward-looking non-financial statements (i.e. plans for the forthcoming year)

The Group is actively investigating the introduction of a strategic partner which can introduce both the necessary B-BBEE requirements as well as the necessary assets and expertise to unlock the value of the Group's logistical assets as well as the remaining reserves covered by the mining rights.

### Achievements

#### *Financial*

- Losses for the year were reduced by 50% to R48.8 million (2011: R98.5 million).
- JSW Energy advanced the necessary funding to service liabilities due in terms of the Group's commitments to The Standard Bank of South Africa Limited and the RBCT Phase V investment.

#### *Production records*

- Production at the Vlakfontein and Mooifontein reserves was completed during the year.
- Operations were suspended at the Umlabu Colliery pending the approval of the Water Use License Application.
- The Group maintained its safety record during the period with no reportable incidents or fatalities.

#### *Scope*

- The Group's majority shareholder, JSW Energy Limited, is an Indian-listed company and is in the process of securing a B-BBEE partner. This will require engagement with their stakeholders to identify key issues.
- Management is in the process of developing a detailed stakeholder plan with the key issues per stakeholder being identified.
- The Group's key stakeholders include:
  Investors, shareholders, mining analysts and media
  Customers
  Employees
  Regulatory authorities and bodies
  Business partners
  The community
  Government

## CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

**Dear Stakeholder**

The Chairman's and the Chief Executive Officer's report has been combined.

Mr AJL Rayment resigned as Chief Executive Officer on 31 October 2012. The role of CEO has been combined with the CFO role as an interim measure. It is anticipated that once the Group completes a strategic transaction as contemplated by the Board and the Group's major shareholder, JSW Energy, a replacement will be appointed.

**Review of 12 months to 31 December 2012**

The period saw the completion of mining operations in the Vlakfontein open cast area and the Mooifontein underground area. While significant improvements in costs per ton were recorded during the year, these benefits were offset by a reduction in volumes as mining operations were completed in both areas. Further delays in the approval of the Umlabu Colliery's Water Use Licence Application ("WULA") resulted in the Group suspending mining operations with effect from December 2012.

As part of the suspension of operations the Group placed operations under 'Care and Maintenance' and entered into significant cost reduction measures to reduce costs. As part of the process a retrenchment process was entered into and together with the CCMA and the NUM, agreement was reached in December 2012.

**Outlook for 2013**

Significant progress has been made with the Department of Water Affairs regarding the outstanding approval of the WULA and it is expected that approval will be granted during the 2013 financial year. Until such stage as approval is received operations will remain suspended. The Group is making use of its logistical assets and expects to receive lease revenue during the period to offset the care and maintenance costs to a large extent. The Group's major shareholder JSW Energy India, has committed to continue to support the Group financially during the period.

The Board is continuing to pursue a strategic transaction with the objective of introducing a suitable B-BBEE partner as well as the necessary operational expertise and strategic assets necessary to unlock the value of SACMH's logistical assets.

**Appreciation**

We would like to thank and place on record the appreciation of the Board for the committed service and tireless efforts of the employees of the Group.

**QMSM Mokoetle**
*Chairman*

**DGA Miller**
*Acting Chief Executive Officer and Chief Financial Officer*

24 June 2013

## BOARD OF DIRECTORS

**QSM Mokoetle, Independent Non-Executive Chairman, MA Journalism**

Mr Mokoetle was appointed to the Board as Independent Non-executive Director and Chairman on 8 February 2012. He has more than 30 years' experience in senior management and executive director level in the media industry, with extensive operational knowledge in spearheading and leading multi-million Rand management projects.

**DGA Miller, Acting Chief Executive Officer and Chief Financial Officer, B.Com, Dipl. Accounting, CA(SA)**

Mr Miller was appointed to the Board as CFO in 2010. Following the resignation of Mr Antony Rayment in October 2012 he has been fulfilling the role of acting CEO. He is an Associate Member of the Institute of Chartered Accountants South Africa. He has in excess of 30 years' experience in financial accounting which has included positions as financial director of various companies over the past 17 years.

**VP Garg, Non-executive Director, CA India**

Mr Garg was appointed to the Board as non-executive director in 2010 and has 24 years' extensive experience in the steel and energy industries in a wide array of business aspects including project evaluation, EXIM bank financing, financial closure of steel projects, sourcing, shipping of bulk raw material, etc. He serves as the Vice President (Commercial) in the multi-billion dollar JSW group and strategises the mines acquisition of overseas coal mining assets. He also co-ordinates the operation of JSW group mines in Indonesia and South Africa.

**PP Menon, Non-executive Director, CA India**

Mr Menon was appointed to the Board as non-executive director in November 2011. He is the Vice President and Chief Financial Officer of JSW Energy Limited, a company listed on the Mumbai Stock Exchange, India. He is an Associate Member of the Institute of Chartered Accountants of India and a graduate of the Institute of Cost and Works Accountants of India. He has 18 years' experience in Project Finance, Corporate Finance, Mergers and Acquisitions, Treasury Management and Investor Relations. Prior to joining JSW Energy Limited, he worked for JSW Steel Limited.

## CORPORATE GOVERNANCE

The Company is a public company listed on the JSE Limited ("JSE"). The Company complies with the JSE Listings Requirements, applicable statutes, regulatory requirements and other authoritative directors' regulating its conduct to the best of its ability, however, the Board is aware that the Company does not currently meet the requirements of King III, having reduced all spending, for the following reasons:

- Suspension of operations and the consequent need to retrench staff, pending the outcome of the Water Use Licence Application ("WULA").
- Utilisation of its current leadership until a B-BBEE partner has been identified and could be involved in the appointment of additional Board members. A stakeholder report has not been included because of the cessation of operations, however, the Board remains aware of the need to address this matter in the future.

The matters of non-compliance have been addressed with the JSE with an undertaking to attend to the King III requirements when operations return to normal.

An analysis of the application of the 75 corporate governance principles can be found on the Group's website at www.sacmh.co.za

| **Requirement** | **Comments** |
|---|---|
| The board should ensure that the company has an effective and independent audit committee | An audit committee has been appointed which currently consists of two non-executive directors who have been appointed by the major shareholder and the Chairman of the board who is an independent non-executive director. As soon as a new strategic partner has been appointed the composition of the board will be addressed |
| The board should appoint the chief executive officer and establish a framework for the delegation of authority | The CFO is acting as CEO pending the start-up of operations and the finalisation of negotiations with a B-BBEE partner |
| The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent | Additional independent non-executive directors will be appointed following finalisation of negotiations with a B-BBEE partner |
| The induction of and ongoing training and development of directors should be conducted through formal processes | Ongoing training will be conducted once the composition of the board has been addressed and additional directors appointed |
| The evaluation of the board, its committees and the individual directors should be performed every year | An evaluation of the board will be conducted once the composition of the board has been addressed |
| The board should ensure that the company has an effective an independent audit committee | Due to the composition of the board, the members of the audit and risk committee do not meet the requirements of regulation but will be addressed once the composition of the board has been changed |
| The audit committee should be chaired by an independent non-executive director | See explanation above |
| The audit committee should be responsible for overseeing of internal audit | Due to the limited scope of operations, no internal audit function is in place |
| The audit committee should be an integral component of the risk management process | The audit and risk function has been combined |
| The board should determine the levels of risk tolerance | Considered by the audit and risk committee and board on ongoing basis |
| The risk committee or audit committee should assist the board in carrying out its risk responsibilities | Items noted by the audit and risk committee are passed on to the board |

| Requirement | Comments |
|---|---|
| The board should ensure that risk assessments are performed on a continual basis | Board reviews all activities of sub-committees |
| The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks | Frameworks are reviewed by the external auditors and reported on by the audit and risk committee |
| The board should receive assurance regarding the effectiveness of the risk management process | Minutes of monthly meetings of sub-committees are reviewed by the board |
| The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders | Reviewed monthly by sub-committees |
| IT should form an integral part of the company's risk management | Actively monitored by the finance committee |
| The board should ensure that information assets are managed effectively | Reported on by finance committee |
| Compliance risk should form an integral part of the company's risk management process | Reviewed by operations committee |
| The board should delegate to management the implementation of an effective compliance framework and processes | Reviewed by operations committee |
| The board should ensure that there is an effective risk based internal audit | Review of operations undertaken directly by senior management, where significant risks are identified, independent reviews and investigations are undertaken |
| Sustainability reporting and disclosure should be independently assured | This will be considered once integrated reporting has reached a mature state |

**Code of Ethics**
SACMH is committed to operating in accordance with highest standards of professional and business ethics, by the development of a community of directors and employees with the highest ethical values.

Amongst the principles to which the directors, management and employees dedicated themselves are the following:
- compliance with legislative and regulatory provisions;
- the protection of human life by following safety, health and environmental practices;
- treating all employees and stakeholders with respect;
- not discriminating against any person;
- providing employees with equality of opportunity, based on merit;
- ensuring that the quality of life of stakeholders is maintained by seeking to improve, rather than adversely affect, the environment;
- upholding the integrity of all stakeholders;
- respecting the cultural background of stakeholders;
- avoiding all potential conflicts of interest by being transparent in the declaration of all interests;
- only using Company resources for the benefit of the Company and its shareholders; and
- providing all employees with the opportunity to grow and advance.

**Board composition**

Details of the composition of the Board are set out on page 3 of this report.

- **Independence**
  The Board believes that the Independent Non-executive Director and Non-executive Directors are of the appropriate calibre, experience, skills and knowledge to fulfil their responsibilities.

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

  In terms of the Company's Memorandum of Incorporation ("MOI"), the Chairman is required to be elected by the Board annually. Mr QMSM Mokoetle was re-appointed as Chairman of the Board for a further period of one year with effect from 1 January 2013.

- **Board Charter**

  In terms of the Board Charter the roles and responsibilities of the Board as set out in the Board Charter are as follows:
  - act as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholders and other stakeholders of the Company along sound corporate governance principles;
  - appreciate that strategy, risk, performance and sustainability are inseparable and to give effect to this by:
    - contributing to and approving the strategy;
    - satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management;
    - identifying key performance and risk areas;
    - ensuring that the strategy will result in sustainable outcomes;
    - considering sustainability as a business opportunity that guides strategy formulation;
  - provide effective leadership on an ethical foundation;
  - ensure that the Company is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the Company but also the impact that business operations have on the environment and the society within which it operates;
  - ensure that the Company's ethics are managed effectively;
  - to ensure that the Company has an effective and independent audit committee;
  - be responsible for the governance of risk;
  - be responsible for IT governance;
  - ensure that the Company complies with applicable laws and considers adherence to non-binding rules and standards;
  - ensure that there is an effective risk-based internal audit;
  - appreciate that stakeholder's perceptions affect the Company's reputation;
  - ensure the integrity of the Company's integrated annual report;
  - act in the best interests of the Company by ensuring that individual directors:
    - adhere to legal standards of conduct;
    - are permitted to take independent advice in connection with their duties following an agreed procedure;
    - disclose real or perceived conflicts to the Board and deal with them accordingly;
    - deal in securities only in accordance with the policy adopted by the Board;
  - commence business rescue proceedings as soon as the Company is financially distressed; and
  - appoint and evaluate the performance of the chief executive officer and chief financial officer.

  The Board is structured so as to ensure a clear division of responsibilities at Board level to ensure a balance of power and authority such that no one individual has unfettered power of decision-making.

- **Retirement by rotation**
  SACMH's MOI calls for one-third of the previously elected non-executive directors to retire by rotation at each annual general meeting. Mr VP Garg is required to retire by rotation at the next annual general meeting and being eligible has made himself available for re-election.

  The re-appointment of the director seeking re-election is supported by the Board and approval by shareholders will be sought at the forthcoming annual general meeting.

- **Policy and procedures for appointment to the Board**
  The procedure for appointment of directors to meet a vacancy on the Board is as follows:
  - suitable candidates will be recommended by members of the Board, the Company's sponsor, and/or the majority shareholder. Should nobody be identified in this matter, consideration will be given to approaching the Institute of Directors of South Africa to place an advertisement on its website;
  - initial interviews will be conducted by the CEO/CFO;
  - further interviews will be conducted by the full Board which will make the final decision as to the most suitable candidate.

- **Induction**

  Newly appointed directors receive a comprehensive induction pack relating to company legislation and regulations, corporate governance, financial and reporting documents, minutes and administrative matters. Visits to mining operations also form part of the induction process.

- **Assessment**

  A Board assessment was not conducted due to the changes which occurred during the year under review and the need to appoint a B-BBEE partner.

- **Board committees**

  Terms of reference have been updated and prepared for submission to the committees for reconsideration. Once reviewed by the relevant committee they will be submitted to the Board for final approval.

  – *Audit and Risk Committee*
    Members: PP Menon (Chairman), VP Garg and QMSM Mokoetle

    The Audit and Risk Committee comprises two non-executive directors and one independent non-executive director.

  – *Remuneration and Nomination Committee*
    The Board has adopted the role of the Remuneration Committee until such time as the Board has been reconstituted and the committee re-formed.

  – *Social and Ethics Committee*
    Members: QMSM Mokoetle (Independent Non-Executive Chairman), RP Hugo, DGA Miller

    The Social and Ethics Committee has been formed in terms of the Companies Act. A draft terms of reference has been prepared for approval by the said committee at its first meeting which will be held shortly.

    The committee is required to monitor the Company's compliance with legislation and regulation in respect of social and economic development, the environment, health and public safety and human resources.

  – *Management committees*
    Operations and Finance Committees with appropriate terms of reference have been formed, consisting of Executive, Non-executive directors and management. Membership of the committees is as follows:

    – Operations Committee: DGA Miller (Chairman), VP Garg, RP Hugo and G Murray
    – Finance Committee: DGA Miller (Chairman), PP Menon, G Murray and AP Singh

    The Operations Committee has been mandated to assist management in identifying and monitoring production, the development of the resource base and concomitant mine planning and management and the optimisation of the utilisation of plant and equipment.

    The Finance Committee is required to identify and access funding of working capital and capital expenditure whilst monitoring income and working costs.

### Internal control and internal audit

The Group does not have a formal internal auditor but makes use of the services of JSW Energy's internal audit resource from time to time.

### Going concern

The Audit Committee and the Board annually consider the going concern status of the Company in the preparation of the year-end financial statements. In the light of the financial support that JSW Energy Limited has undertaken to provide, Business Rescue is not considered necessary at this stage.

### Dealings in securities and insider trading policy

In order to ensure that directors, prescribed officers and designated persons are precluded from dealing the Company's shares, a policy will be prepared for consideration by the Board during the forthcoming year.

## 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 minutes, meetings of the Board, Board committees and the shareholders of the Company.

The Company Secretary does not serve as a director of the Board, is thus not influenced by the Board and is considered to have an arm's length relationship with the Board.

## Advice and information

Information provided to the Board and its committees is derived from external sources and internally from minutes, plans and reports. No restriction is 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. A policy in respect of directors obtaining independent professional advice was tabled at the Board meeting in March 2012 for consideration and adoption.

## Annual general meeting

The Notice of Annual General Meeting is set out on pages 61 to 64 of this report.

## Sponsor

In compliance with the JSE Listings Requirements, Exchange Sponsors (2008) Proprietary Limited is the Company's sponsor.

### Suspension of Operations

The reserves at Vlakfontein open-cast and Mooifontein underground mines were depleted during the year under review, operations were placed on care and maintenance.

In an effort to curtail costs as a result of the limited income while on 'Care and Maintenance' a retrenchment programme was implemented and a total of 66 staff were retrenched and agreements with existing service providers within the operation were terminated with effect from 31 December 2012. A small staff complement has been retained to ensure that existing assets are adequately safeguarded and that all statutory and environmental regulations are complied with during the period.

Mining will commence at Vlakfontein as soon as the WULA application has been approved.

### B-BBEE Partner

Management together with the Group's major shareholder are actively pursuing various strategic transactions to address the Group's long-term sustainability as well as its B-BBEE status.

### Mine Works Programme

During the past year, an assessment of mining resources was conducted and an Independent Engineer's Report ("IER") was prepared. The Life of Mine plan has been completed and an amended Environmental Management Plant, Mine Works Programme and Social and Labour Plan was submitted to the Department of Mineral Resources in April 2012.

The Umlabu mining resource was re-evaluated upon the depletion of the Vlakfontein and Mooifontein reserves. An updated Resource and Reserve Statement has subsequently been prepared by Miptec (Pty) Ltd and KJB GeoServices.

### Labour Relations

The Group subscribes to the principle of freedom of association. Employees initially decided not to engage with a union, however, they subsequently decided to join a union and negotiations took place during 2012 in order to formalise the relationship between management of the Company and the National Union of Mineworkers ("NUM").

Despite the ongoing discussions and negotiations, the union decided to embark on a protected strike during October 2012, demanding a 5% salary increase. This had a minimal impact on operations and lasted for two weeks, whereafter it was called off without management conceding to their requests.

The entire workforce at the mine, with the exception of four personnel who are required to secure the assets on the mine, were subsequently retrenched at the end of 2012 following a decision to place the Company's operations on care and maintenance as a result of the delay in the approval of the Water Use Licence Application.

### Employment Equity

The Group fully subscribes to the principles of the Mining Charter and strives to achieve more than the minimum requirements. The Group believes that Employment Equity is an integral part of building an effective and representative workforce and to ensure equality for all employees. The Group has developed an Employment Equity Policy that ensures that HDSA employees, especially women, are developed. Prior to the retrenchments, Umlabu, where mining operations are conducted, appointed Jaline Training and Consulting Services, who identified women with potential for development and provided accelerated training and development initiatives to assist with progressive training, in order to comply with the provisions of the Employment Equity Act (Act 55 of 1998).

Umlabu has submitted its Employment Equity report as required by the relevant Act.

Training of staff was ongoing until just prior to the retrenchment of staff referred to above.

The employment equity status of the Company for the year under review:

| | Male | | | | Female | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | A | C | I | W | A | C | I | W | Total |
| Board: non-executive | 1 | | 2 | | | | | | 3 |
| Board: executive | | | | 1 | | | | | 1 |
| Senior management | | | | 1 | | | | | 1 |
| Professionally qualified and experienced specialists/mid-management | | | | 5 | 1 | | | 1 | 7 |
| Skilled technical and academically qualified workers, junior management, supervisors and foremen | 2 | | | 6 | | | 1 | 1 | 10 |
| Unskilled | 42 | | | | 2 | | | | 44 |
| | 45 | | 2 | 13 | 3 | | 1 | 2 | 66 |

**Environmental Performance**

The Water Use Licence application ("WULA") for the new Voorslag mine ("Voorslag") has been compiled and submitted to the Department of Water Affairs ("DWA"). To date, this had not been approved and approval is imminent.

A rehabilitation programme had been formalised, historical backlog rehabilitation commenced and is progressing very well.

**Broad-based Black Economic Empowerment**

Royal Bafokeng Holdings, through a holding in Royal Bafokeng Capital Proprietary Limited and Mainsail Trading 55 Proprietary Limited, sold its interest in the Group at the end of November 2011. A suitable B-BBEE partner has been identified and a formal arrangement is expected to be in place by March 2014.

**Skills Development/Succession Planning**

Until the retrenchments occurred, Jaline Training and Consulting Services were appointed to conduct assessments of all employees in order to determine training and development needs. This assessment was concluded and training was provided in accordance with these findings.

**Corporate Social Investment**

Umlabu implemented various initiatives during the past two years using local entrepreneurs to provide services to the mine. These included:

- contractors were encouraged to employ only locals where possible;
- an on-mine laundry to launder all employees' overalls at the end of each shift;
- donation of a computer to a local businessman;
- a tuck shop which had been set up and was operating successfully;
- a garden service was being provided by a local entrepreneur;
- grazing land was being made available to local communities;
- local community members were being invited to cut firewood on the mine for personal financial gain;
- roads were rebuilt and maintained in the adjacent communities; and
- assistance provided with the removal of tree stumps and preparation of future cultivatable lands.

Further initiatives will be identified with a view to the development of the local community on an ongoing basis.

### Preferential Procurement

Prior to the placing of operations on care and maintenance, all procurement was adjudicated through a balanced scorecard to ensure that previously disadvantaged and local community members obtained an equal opportunity to provide services to the Group. Local community and previously disadvantaged communities enjoy preferential treatment during the adjudication process. This policy will continue when operations recommence.

### HIV/AIDS

It is the Group's policy that the ethical practices that govern all health/medical conditions in the employment context shall apply equally to HIV/AIDS in the workplace. There shall be no discrimination between employees with HIV/AIDS and other comparable life-threatening conditions.

# REMUNERATION REPORT

**Role of Remuneration and Nominations Committee**

The Board has adopted the role of the Remuneration Committee until such time as the Board has been reconstituted and the committee re-formed.

The committee is responsible for making recommendations to the Board, on the Company's framework of executive remuneration and all staff at head office. 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 while maintaining shareholder value.

Following the changes to the Board over the past year and expected changes following the engagement with a new B-BBEE partner, the Remuneration Policy and Practices will have to be reviewed and adopted in due course.

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

**Composition of the Remuneration Committee**

Members will be appointed to the Committee following the appointment of additional directors to the Board. In the interim, the full Board has assumed the responsibility of the Remuneration and Nominations Committee and the formal appointment of members to the committee will be tabled for consideration by the Board following the finalisation of negotiations with a new B-BBEE partner and recomposition of the Board.

Following the resignation of Mr TV Mokgathla as chairman of Board in 2011, several potential independent non-executive candidates were identified. These candidates underwent interviews with senior management, followed by a further interviews by the full Board of directors. Following this interview process, Mr QMSM Mokoetle was appointed as independent non-executive Chairman of the Board.

**Terms of Reference**

The Terms of Reference, which have been updated, will be submitted to the Board for consideration and approval following the engagement of a new B-BBEE partner and re-constitution of the Remuneration and Nominations Committee.

**Service Contracts**

All executive directors, prescribed officers and employees have employment contracts with stipulated notice periods of three months by either party. They only receive remuneration in terms of their employment relationship with the Company.

No agreements have been concluded with executive directors and prescribed officers for the payment of a fixed sum of money on termination of employment.

### Non-executive Directors' Fees

Non-executive directors' fees will remain unchanged for the year ended 31 December 2013. These will be submitted to shareholders for approval at the annual general meeting. The fees payable are as follows:

| | Annual | Additional per meeting |
|---|---|---|
| **Board** | | |
| Chairman | R130 000 | R10 000 |
| Member | R104 000 | R7 500 |
| **Audit and Risk Committee** | | |
| Chairman | R30 000 | R10 000 |
| Member | R17 500 | R7 500 |
| **Other committees** | | |
| Chairman | R13 000 | R5 000 |
| Member | R9 750 | R3 500 |

## DIRECTORS’ RESPONSIBILITY

In terms of the Companies Act of South Africa, the directors are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and Group annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements and Group annual financial statements fairly present the state of affairs as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements and Group annual financial statements.

The annual financial statements and Group annual financial statements are prepared in accordance with International Financial Reporting standards and AC 500 Standards as issued by the Accounting Practices Board and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

The directors are of the opinion, based on the information and explanations given by management, that the systems of internal financial control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements and Group annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Board of directors acknowledges its responsibility to ensure the integrity of the integrated report. The Board has accordingly applied its mind to the integrated report and in the opinion of the Board the integrated report addresses all material issues, and presents fairly the integrated performance of the organisation and its impacts. The integrated report has been prepared in line with best practice pursuant to the recommendations of the King III Code (principle 9.1). The Board authorised the integrated report for release on 24 June 2013.

The directors have reviewed the Company and Group cash flow forecasts for the year to 31 December 2013 and, in the light of this review and current financial position, they are satisfied that with the continued support by JSW, that the Company and Group has access to adequate resources to continue in operation existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the annual financial statements and Group annual financial statements and their report is presented on pages 16 and 17.

The annual financial statements and Group annual financial statements set out on pages 19 to 57, which have been prepared on the going concern basis, were approved by the Board on 24 June 2013 and were signed on its behalf by:

| | |
|---|---|
| **QMSM Mokoetle** | **DGA Miller** |
| *Independent Non-executive Chairman* | *Acting Chief Executive Officer and Chief Financial Officer* |

24 June 2013

## CERTIFICATE OF THE COMPANY SECRETARY

In my capacity as Company Secretary, I hereby confirm, in terms of section 33 together with section 88 of the Companies Act, 2008, that for the year ended 31 December 2012, the Company has lodged with the Commissioner all such returns as are required of a public company in terms of the Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

**Patricia Smit**
Johannesburg

24 June 2013

## REPORT OF THE INDEPENDENT AUDITORS

**To the shareholders of South African Coal Mining Holdings Limited**

We have audited the financial statements of South African Coal Mining Holdings Limited set out on pages 19 to 57, which comprise the consolidated and separate statement of financial position as at 31 December 2012, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

**Directors' responsibility for the financial statements**

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

**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 about 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 judgement, 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 policies 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, the financial statements present fairly, in all material respects, the consolidated and separate financial position of South African Coal Mining Holdings Limited at 31 December 2012, and its financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

**Emphasis of Matter – going concern**

Without qualifying our opinion, we draw attention to the provisional financial results which indicate that the Company incurred a net loss of R48,799 million for the year ended 31 December 2012 and, as at that date, the Company's total assets exceeded its total liabilities by R10,585 million. The Group and Company's going concern status is dependent upon JSW Energy Limited's (a company listed on the Indian Stock Exchanges) and operating through its subsidiary, JSW Natural Resources South Africa Proprietary Limited (JSWSA) financial support to South African Coal Mining Holdings Limited (SACMH). JSWSA have confirmed, in writing, their firm intention to continue the financial support to SACMH. This support is subject to JSW Energy India Limited remaining the majority shareholder of the Group; the Company obtaining Board approval to provide the further funding; and the Company obtaining regulatory approval specific to the laws of India. 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. Refer to the directors' report for disclosure hereon.

**Other reports required by the Companies Act**

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2012, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. The reports are the responsibility of the respective preparers. Based on our reading of the reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Mazars

**MAZARS**
Partner: **Shaun Vorster**
*Registered Auditor*

Mazars House
5 St Davids Place
Parktown
2193

26 June 2013

## REPORT OF THE AUDIT COMMITTEE

This report is provided in respect of the 2012 financial year of the Group as required by the Companies Act, 2008, ("the Act").

Details of the members of the Audit Committee are set out on page 7 of this report.

**Execution of the functions of the Audit Committee**

The Audit Committee's duties, were executed in accordance with its Terms of Reference as they relate to SACMH's accounting, internal control and financial reporting practices.

During the year under review, the committee, ensured, *inter alia*:

In respect of the external audit –

- that the appointment of the external auditor complied with the Act and all applicable legal and regulatory requirements for the appointment of the auditor and confirmed that the external auditor and designated auditor are accredited by the JSE:
- approved the external audit plan and the budgeted audit fees payable to the external auditor;
- obtained an annual written statement from the auditor that their independence was not impaired;
- determined the nature and extent of all non-audit services provided by the external auditor;
- pre-approved all permissible non-audit services provided by the external auditor;
- nominated Mazars as the external auditor and Mr S Vorster as the designated auditor to the shareholders for appointment for the financial year ended 31 December 2012;
- assessed the independence of the external auditors; and
- reviewed the experience and expertise of the Chief Financial Officer and satisfied itself as to his suitability for the position.

In respect of the financial statements –

- confirmed the going concern as the basis of preparation of the interim and annual financial statements which is dependent on JSW supporting SACMH. JSW have confirmed their firm intention to continue their financial support of SACMH during 2013;
- examined and reviewed the interim and annual financial statements, as well as all financial information, disclosed to the public prior to submission and approval by the Board;
- ensured that the annual financial statements fairly present the financial position of the Company and of the Group as at the end of the financial year and the results of operations and cash flows for the financial year and prospects of the Company of the Group;
- considered accounting treatments, significant unusual transactions and accounting judgements;
- considered the appropriateness of the accounting policies adopted and changes thereto;
- reviewed the external auditor's audit report;
- considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements; and
- considered management's recommendation to the Board not to pay a dividend to shareholders.

# DIRECTORS' REPORT

The directors have pleasure in presenting their report and audited financial statements for the year ended 31 December 2012. These financial statements have been prepared using appropriate accounting policies, conforming to International Reporting Standards, the Companies Act of South Africa and presented in accordance with the AC 500 Standards, supported by reasonable and prudent judgements where required.

## Nature of business

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

## Prospects

Operations continue to be suspended pending the approval of the WULA and a 'Care and Maintenance' programme has been implemented. The Group continues to receive lease income from its various logistical assets which will allow for it to service current expenditure.

Management together with the Group's major shareholder are actively pursuing various strategic transactions to address the Group's long-term sustainability as well as its B-BBEE status.

## Results of operations

### *Mining Operations and Operational Performance*

A total of 401 366 (2011: 811 302) tons of ROM were produced during the year. Production was reduced as a result of the completion of open cast area at Vlakfontein as well as the underground area at Mooifontein. A further 86 604 (2011: Nil) tons of ROM was bought in from third parties to supplement own production during the latter half of the year.

Plans to start mining the Voorslag underground area were suspended as a result of delays in the approval of the Water Use Licence Application ("WULA") submitted to the Department of Minerals and Resources ("DMR"). To date no commitment has been received regarding the approval and consequently on completion of underground mining operations at Mooifontein, operations were suspended at the end of November 2012.

In an effort to curtail costs as a result of the limited income while on 'Care and Maintenance' a retrenchment programme was implemented and a total of 66 staff were retrenched and agreements with existing service providers within the operation were terminated with effect from 31 December 2012. A small staff complement has been retained to ensure that existing assets are adequately safeguarded and that all statutory and environmental regulations are complied with during the period.

### *Logistics*

During the year, the Group utilised its rail allocation to Richards Bay Coal Terminal ("RBCT") in terms of RBCT's Phase V expansion programme of 100 000 tons (2011: 100 000 tons) as well as 157 000 tons (2011: 157 000 tons) made available through the DMR's Quattro allocation scheme.

## Holding company

The Company's holding company is JSW Natural Resources South Africa Proprietary Limited, which holds 93,2% (2011: 20,9%) of the total issued capital, 34,7% directly and 54,1% and 4,4% indirectly through is shareholding in Royal Bafokeng Capital (Pty) Limited and Mainsail Trading 55 (Pty) Limited, respectively, the latter companies having been purchased from Royal Bafokeng Holdings in November 2011.

## Foreign exchange losses

The Group continued to be financially supported by JSW during the year, *inter alia*, through a loan of USD33.3 million loan (2011: USD 22.9 million) from JSW Energy Natural Resources South Africa Proprietary Limited. Changes in the Rand/Dollar exchange rate resulted in an unrealised loss of R14.3 million (2011: R33.4 million) on this loan outstanding at the year-end.

Realised exchange gains on turnover totalled R2.3 million (2011: R1.9 million) for the year.

**Amortisation of Mining Rights**

The rate at which the Group's Mining Right was amortised against production was adjusted during the year to R35.10 per ton (2011: R14.60) as a result of the reduction in reserves to 10.57 MT from 25.7 MT in 2011.

**Taxation**

The deferred tax provision was reduced by R2.2 million (2011: R6.3 million) as a result of mining operations.

**Asset management**

***Capital expenditure***

Capital expenditure for the year was limited to R1.3 million and was utilised for the upgrading of IT systems (2011: R36.3 million), no further commitments have been made.

***Assets held for sale***

Assets held for resale at 31 December 2012 of R3.2 million were disposed of during the year while, liabilities held for sale were also assumed by the purchaser resulting in a profit of R3.3 million.

***Mining Rights***

The carrying value of Mining Rights is tested against expected economic benefit based on the expected cash flows discounted to their present value to determine whether there is any impairment of the value of the Mineral Rights at year-end. No impairment was considered necessary.

**Significant assumptions**

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

*Expected market condition* – information available at the reporting date is utilised to determine value. Forecasts to account for expected changes as a result of market conditions at the reporting date are based on the following:

- *Selling prices* – the API4 index as quoted by McCloskeys.
- *Foreign exchange* – the forecast by the The Standard Bank of South Africa Limited.
- Discount rate – expected future cash flows have been discounted to their present value based on a Weighted Average Cost of Capital (WACC) of 17.3% (2011: 10.5%).

**Rehabilitation costs**

Rehabilitation costs have been provided for and include full mine closure and the rehabilitation of previous operations. Ongoing rehabilitation of previously mined areas during the course of the year have resulted in a reduction of the estimated liability of R6.3 million (2011: increase R5.8 million).

**Going concern**

The Group incurred a net loss of R48.8 million (2011: R98.5 million) and its total assets exceed total liabilities by R10.6 million (2011: R59.4 million).

The Group's going concern has been underwritten by the support of JSW Energy (a company listed on the Indian stock exchange) which operates through its subsidiary JSW SA. JSW has confirmed in writing their intention to continue their financial support of SACMH. This is also evidenced by further funding made available during the year.

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

In terms of the Group's Life of Mine ("LOM") plan the Group is expected to produce positive cash flows for the year ending 31 December 2015. The Group's major shareholder. JSW Energy India, has committed to support funding requirements necessary during this period, subject to the following:
- JSW obtain Board approval for the additional funding at the time;
- JSW fulfills all regulatory requirements as prescribed by Indian legislation; and
- JSW remains the majority shareholder.

JSW has demonstrated its ongoing support throughout the financial year. Management is confident that, despite the material uncertainty that the above conditions imply, JSW will continue to support the Group in the foreseeable future.

**Updated statement of reserves and resources**

Investigations are continuing to confirm evaluation included in the updated geological information. No further changes to the Resources and Reserves estimates, other than the reductions of the estimate as a result of current activities, have been made.

**Financing activities**

***JSW***

During the year a further R85,0 million (2011: R35,8 million) was advanced by JSW to repay amounts due in terms of the loan agreements with The Standard Bank of South Africa Limited and settlement of amounts due in respect of the investment in RBCT's Phase V development. The shareholder continues to provide ongoing financial support to the Group.

**Subsequent events**

The following events have occurred subsequent to the reporting date:

***Funding***

JSW India has made a further R2 million of working capital funding available.

***The Standard Bank of South Africa Limited***

The Standard Bank of South Africa Limited have advised that in terms of the existing term loan agreement they consider SACMH to be in default, Standard Bank have advised that they have reserved their rights in this respect while they are in discussions with management and JSW to resolve the issue.

***Logistics***

The DMR have advised the Group that its export allocation operated in terms of the Quattro allocation has been withdrawn. Management is currently engaging with the DMR to ensure that the allocation is re-established once operations are resumed.

***Mining Rights***

The expected economic gain that is expected from the Group's investment in the mining right is based on information available at the reporting date and includes forecasts of future costs and returns.

The estimated economic benefit of the mining right at the reporting date indicated that no impairment was required and, consequently, no impairment was provided for. Since the statement of financial position the following index values utilised in estimating the expected value of future cash flows have changed as a result of changes in market conditions:

| Index | | **As at 31 December 2012** | As at 21 May 2013 |
|---|---|---|---|
| Coal Export Price | – API4 forecast 2013 | **USD88,33** | USD82,55 |
| | – API4 forecast 2014 | **USD94,50** | USD87,48 |
| | – API4 forecast 2015 | **USD100,85** | USD92,28 |
| SA Rand/US Dollar exchange rate | | **R9,00** | R9,60 |

**Share capital**

There have been no changes to the Company's authorised and issued share capital during the year under review. The share capital of the Company, both authorised and issued, is set out in note 12 to the annual financial statements. No share repurchases took place during the year under review.

**Distributions**

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

**Directorate**

The following changes were made to the Board during the year under review:

Mr QMSM Mokoetle was appointed independent non-executive Chairman of the Company on 7 February 2012.

Mr AJL Rayment resigned as CEO on 31 October 2012.

Mr DGA Miller was appointed as acting CEO while retaining his role as CFO on the resignation of Mr Rayment. A permanent CEO will be appointed following engagement with a new B-BBEE partner to allow the latter an opportunity to make a contribution to the selection process.

The names of the directors who were in office during the period 1 January 2012 to 31 December 2012 and the number of meetings attended by each of the directors are:

| Director | Main Board | Audit and Risk | Remune-ration | Social and Ethics |
|---|---|---|---|---|
| **Independent non-executive Chairman** | | | | |
| QMSM Mokoetle (appointed 7 February 2012) | 4/4 | 2/2 | – | 0/0 |
| **Non-executive directors** | | | | |
| VP Garg | 3/4 | 1/2 | – | – |
| PP Menon | 2/4 | 2/2 | – | – |
| **Executive directors** | | | | |
| DGA Miller (Chief Financial Officer) | 4/4 | – | – | 0/0 |
| AJL Rayment (Chief Executive Officer) (resigned 31 October 2012 | 4/4 | – | – | – |

**Directors' emoluments**

**2012 – Rand**

| Director | Director's fees | Basic salary | Private use of motor vehicle | Medical aid | Pension | Other | Total |
|---|---|---|---|---|---|---|---|
| QMSM Mokoetle | **205 536** | **–** | **–** | **–** | **–** | **–** | **205 536** |
| AJL Rayment | **–** | **1 336 350** | **150 000** | **44 390** | **53 575** | **80 965*** | **1 665 280** |
| DGA Miller | **–** | **869 087** | **179 117** | **91 248** | **37 881** | **189 440†** | **1 366 773** |
| **Prescribed Officers** | | | | | | | |
| P Buckle | **–** | **622 769** | **–** | **–** | **17 500** | **–** | **640 269** |
| R Hugo | **–** | **1 110 000** | **123 988** | **–** | **90 000** | **51 933** | **1 375 921** |
| PF Smit | **–** | **802 305** | **–** | **–** | **23 232** | **–** | **825 537** |

** Other includes payment of the sum of R62 355 for leave pay due on termination of service.*
*† Other includes an incentive bonus of R167 626.*

During 2011 and 2012 JSW waived the right to receive non-executive directors' fees for its nominated directors, namely, Messrs Garg and Menon.

2011 – Rand

| Director | Director's fees | Basic salary | Private use of motor vehicle | Medical aid | Pension | Other | Total |
|---|---|---|---|---|---|---|---|
| TV Mokgatlha | 92 364 | – | – | – | – | – | 92 364 |
| AJL Rayment | – | 1 603 620 | 180 000 | 53 268 | 64 296 | 18 552 | 1 919 736 |
| DGA Miller | – | 856 752 | 120 000 | 93 252 | 37 452 | 10 464 | 1 117 920 |
| WN Gardyne | 2 191 | – | – | – | – | – | 2 191 |
| VP Garg | 80 000 | – | – | – | – | – | 80 000 |
| V Lickfold | 70 652 | – | – | – | – | – | 70 652 |
| LM Ndala | 82 418 | – | – | – | – | – | 82 418 |
| GM Scrutton | 7 013 | – | – | – | – | – | 7 013 |
| Prescribed Officers | | | | | | | |
| P Buckle | – | 700 000 | – | – | – | – | 700 000 |
| RP Hugo | – | 555 000 | 44 719 | – | – | 6 964 | 606 683 |
| D Slabbert | – | 570 000 | – | – | – | – | 570 000 |
| PF Smit | – | 774 487 | – | – | – | – | 774 487 |

**Preparer of integrated report**

The preparation of the consolidated and separate financial statements for the year ended the 31 December 2012 were supervised by the Chief Financial Officer, David Miller. These results have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

**Directors' shareholding**

Directors of the Company held no shares in the Company during the year under review.

**External auditors**

Based on a decision to reduce costs, quotes were called from several service providers and after due consideration of all quotes, the contract for external audit services were awarded to Mazars Incorporated. Deloitte & Touche', therefore resigned as auditors, with effect from 31 December 2012.

Mazars Incorporated ("Mazars") were appointed as external auditors of the Company with effect from 1 January 2013. At the Annual General Meeting, shareholder approval will be sought for the re-appointment of Mazars as SACMH's external auditors for the 2013 financial year and confirmation of Mr Shaun Vorster as the designated auditor.

**Company secretary**

Mrs Pat Smit (FCIS, B.Juris) is the Company Secretary of the Company.

Business address: 1st Floor, 198 Oxford Road, Illovo, Sandton, 2196

Postal address: PO Box 55190, Northlands, 2116

After consultation with the CFO as to the performance of the Company Secretary, after reviewing the Company Secretary's academic qualifications as set out above, and her experience gained in excess of 25 years as a Company Secretary, mostly in the mining industry in the role of Company Secretary, and continued professional development, the Board believes that the Company Secretary meets the requirements to competently carry out the role as Company Secretary.

The Company Secretary has an arm's length relationship with the directors, providing the necessary guidance and advice to all directors.

**Special resolutions**

As required by JSE regulation 8.63, the following special resolutions were passed at the annual general meeting of shareholders held on 14 September 2012:

- Resolved that the Board (or any person/s authorised by the Board to do so), as it in its discretion thinks fit but subject to the provisions of section 45 of the Companies Act and the JSE Listings Requirements, is hereby authorised to provide direct or indirect financial assistance as contemplated in section 45 to any of its present or future subsidiaries and/or any juristic person that the Company, directly or indirectly, controls, for any purpose in the normal scope of the business of the SACMH Group.
- Resolved that the Company hereby approves, as a general approval, 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 MOI, the provisions of the Companies Act and the JSE Listings Requirements, when applicable.

## STATEMENTS OF FINANCIAL POSITION
as at 31 December 2012

| | Notes | Group 31 Dec 2012 R'000 | Group 31 Dec 2011 R'000 | Company 31 Dec 2012 R'000 | Company 31 Dec 2011 R'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | **490 864** | 525 715 | **51 376** | 51 376 |
| Property, plant and equipment | 5 | **90 596** | 111 360 | **876** | 876 |
| Intangible assets | 6 | **349 768** | 407 130 | **–** | 43 275 |
| Investments and investment in subsidiaries | 7 | **50 500** | 7 225 | **50 500** | 7 225 |
| Current assets held for sale | 8 | **–** | 3 242 | **–** | – |
| **Current assets** | | **39 841** | 58 731 | **–** | 16 614 |
| Group loans | 9 | **–** | – | **–** | 16 614 |
| Inventories | 10 | **499** | 22 349 | **–** | – |
| Trade and other receivables | 11 | **33 712** | 35 681 | **–** | – |
| Cash and cash equivalents | 17 | **5 630** | 701 | **–** | – |
| **Total assets** | | **530 705** | 587 688 | **51 376** | 67 990 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | **10 585** | 59 384 | **(86 341)** | (107 385) |
| Issued capital and premium | 12 | **233 885** | 233 885 | **233 885** | 233 885 |
| Accumulated loss | | **(223 300)** | (174 501) | **(320 226)** | (341 270) |
| **Non-current liabilities** | | **472 278** | 380 820 | **120 721** | 112 520 |
| Interest-bearing liabilities | 13.1 | **–** | 989 | **–** | – |
| Shareholders' loans | 13.2 | **312 782** | 213 353 | **112 108** | 103 907 |
| Non-interest-bearing liabilities | 13.3 | **23 200** | 34 800 | **–** | – |
| Non-current provisions | 14 | **41 353** | 34 540 | **–** | – |
| Deferred taxation | 15 | **94 943** | 97 138 | **8 613** | 8 613 |
| **Current liabilities** | | **47 842** | 141 324 | **16 996** | 62 855 |
| Group loans | 9 | **–** | – | **14 136** | 14 160 |
| Current portion of interest-bearing liabilities | 13.1 | **1 051** | 50 483 | **51** | 48 155 |
| Current portion of non-interest-bearing liabilities | 13.2 | **11 600** | 18 200 | **–** | – |
| Current portion of provisions | 14 | **2 933** | 16 001 | **–** | – |
| Trade and other payables | 16 | **32 013** | 39 416 | **2 809** | 540 |
| Bank overdraft | 17 | **245** | 17 224 | **–** | – |
| **Current liabilities held for sale** | 8 | **–** | 6 160 | **–** | – |
| **Total equity and liabilities** | | **530 705** | 587 688 | **51 376** | 67 990 |

## STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31December 2012

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **31 Dec 2012 R'000** | 31 Dec 2011 R'000 | **31 Dec 2012 R'000** | 31 Dec 2011 R'000 |
| Revenue | 18 | **224 168** | 347 338 | **–** | – |
| Cost of sales | | **(203 501)** | (341 039) | **–** | – |
| **Gross profit** | | **20 667** | 6 299 | **–** | – |
| Foreign exchange loss | | **(12 026)** | (31 481) | **(4 615)** | (15 784) |
| Rehabilitation provision | 14 | **6 255** | (5 809) | **–** | – |
| Impairment reversed/(net impairment) of asset | 19 | **–** | (4 226) | **33 466** | (5 563) |
| Gain on disposal of assets held for resale | | **3 260** | – | **–** | – |
| Loss on sale/scrapping of assets | | **–** | (852) | **–** | – |
| Depreciation | | **(22 127)** | (28 352) | **–** | – |
| Amortisation of mining right | | **(14 087)** | (11 846) | **–** | – |
| Finance income | 21 | **6** | 1 680 | **–** | – |
| Operating expenses | | **(21 709)** | (17 412) | **(1 460)** | (504) |
| **Operating profit/(loss) before finance costs and taxation** | 20 | **(39 761)** | (91 999) | **27 391** | (21 851) |
| Finance costs | 21 | **(11 233)** | (12 881) | **(6 347)** | (7 332) |
| **Profit/(loss) before taxation** | | **(50 994)** | (104 880) | **21 044** | (29 183) |
| Taxation | 15 | **2 195** | 6 344 | **–** | – |
| **Total comprehensive profit/(loss) attributable to ordinary shareholders** | | **(48 799)** | (98 536) | **21 044** | (29 183) |
| Total comprehensive income attributable to: | | | | | |
| – Equity holders | | **(48 799)** | (98 536) | **–** | – |
| **Profit/(loss) attributable to equity holders** | | **(48 799)** | (98 536) | **–** | – |

## STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2012

| | Share capital R'000 | Share premium R'000 | Share-holders' loans R'000 | Accumu-lated loss R'000 | Total R'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Balance at 1 January 2011** | 45 246 | 188 639 | 15 246 | (75 965) | 173 166 |
| Equity loans transferred to non-current liabilities | – | – | (15 246) | – | (15 246) |
| Total comprehensive loss attributable to ordinary shareholders – loss for the year | – | – | – | (98 536) | (98 536) |
| **Balance at 1 January 2012** | 45 246 | 188 639 | – | (174 501) | 59 384 |
| Total comprehensive loss attributable to ordinary shareholders – loss for the year | – | – | – | (48 799) | (48 799) |
| **Balance at 31 December 2012** | 45 246 | 188 639 | – | (223 300) | 10 585 |
| **Company** | | | | | |
| **Balance at 1 January 2011** | 45 246 | 188 639 | 15 246 | (312 087) | (62 956) |
| Equity loans transferred to non-current liabilities | – | – | (15 246) | – | (15 246) |
| Total comprehensive loss attributable to ordinary shareholders | – | – | – | (29 183) | (29 183) |
| **Balance at 1 January 2012** | 45 246 | 188 639 | – | (341 270) | (107 385) |
| Total comprehensive profit attributable to ordinary shareholders | – | – | – | 21 044 | 21 044 |
| **Balance at 31 December 2012** | 45 246 | 188 639 | – | (320 226) | (86 341) |
| Note | 12 | 12 | | | |

## STATEMENTS OF CASH FLOWS
for the year ended 31 December 2012

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **31 Dec 2012 R'000** | 31 Dec 2011 R'000 | **31 Dec 2012 R'000** | 31 Dec 2011 R'000 |
| **Cash flows from operations** | 27 | **17 735** | 6 577 | **808** | (1 750) |
| Finance charges paid | | **(11 233)** | (12 881) | **(6 347)** | 7 332 |
| Interest received | | **6** | 1 680 | **–** | – |
| Taxation paid | 15 | **–** | (4) | **–** | – |
| **Net cash flow from operating activities** | | **6 508** | (4 628) | **(5 539)** | (5 582) |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 5 | **(1 363)** | (36 286) | **–** | – |
| Proceeds on sale of assets held for resale | | **340** | – | **–** | – |
| **Net cash used in investing activities** | | **(1 023)** | (36 286) | **–** | – |
| **Cash from financing activities** | | | | | |
| New loan from shareholder | | **85 044** | 35 784 | **55 962** | – |
| Repayment of SBSA loan | | **(18 200)** | (12 012) | **–** | – |
| Repayment of RBCT loan | | **(50 423)** | (4 855) | **(50 423)** | (5 582) |
| **Net cash from financing activities** | | **16 423** | 18 917 | **5 539** | (5 582) |
| **Net decrease in cash and cash equivalents** | | **21 908** | (21 997) | **–** | – |
| Cash and cash equivalents at the beginning of the year | 17 | **(16 523)** | 5 474 | **–** | – |
| **Cash and cash equivalents at the end of the year** | 17 | **5 385** | (16 523) | **–** | – |

## PRESENTATION OF FINANCIAL STATEMENTS

These financial statements are presented in South African Rand thousands being the currency in which the majority of the Company's and Group's transactions are denominated and the Company's functional currency.

## 1. GENERAL INFORMATION

South African Coal Mining Holdings Limited ("the Company") is a limited company incorporated in the Republic of South Africa. The addresses of its registered office and principal place of business are disclosed in the inside back cover of the annual report.

## 2. NEW ACCOUNTING POLICIES AND INTERPRETATIONS

### New standards adopted

| Standard | Overview | Effective date | Effect on Group |
|---|---|---|---|
| IAS 1 | Presentation of Financial Statements<br>Amendments to revise the way other comprehensive income is presented | Annual periods beginning on or after 1 January 2012 | No material effect |
| IFRS 7 | Financial Instruments: Disclosures<br>Amendments enhancing disclosures about transfers of financial assets | Annual periods beginning on or after 1 July 2011 | No material effect |

### Standards and interpretations issued and not yet effective

All new accounting standards, interpretations and amendments to IFRS that were issued prior to the annual financial statements being issued but not yet effective on that date, were considered by management. The standards that are expected to be applicable to the Group but that were not implemented early, are the following:

| Standard | Overview | Effective date | Effect on Group |
|---|---|---|---|
| IFRS 7 | Financial Instruments: Disclosures<br>Amendments enhancing disclosures about offsetting of financial assets and financial liabilities | Annual periods beginning on or after 1 January 2015 and interim period within those periods | Effect being investigated |
| IAS 19 | Employee Benefits<br>Amended Standard resulting from the post-employment benefits and termination benefits projects | Annual periods beginning on or after 1 January 2013 | Effect being investigated |
| IAS 27 | Consolidated and Separate Financial Statements<br>Reissued as IAS 27 *Separate Financial Statements* (as amended in 2011) | Annual periods beginning on or after 1 January 2013 | Effect being investigated |
| IAS 28 | Investments in Associates<br>Reissued as IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011) | Annual periods beginning on or after 1 January 2013 | Effect being investigated |

| Standard | Overview | Effective date | Effect on Group |
|---|---|---|---|
| Annual improvements 2009 – 2011 | Makes amendments to the following standards:<br>• IFRS 1 – Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets<br>• IAS 1 – Clarification of the requirements for comparative information<br>• IAS 16 – Classification of servicing equipment<br>• IAS 31 – Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 *Income Taxes*<br>• IAS 34 – Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 *Operating Segments* | Applicable to annual periods beginning on or after 1 January 2013 | Effect being investigated |
| IFRIC 20 | Stripping Costs of Production Phase of a Surface Mine<br>– Clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining | Applies to annual periods beginning on or after 1 January 2013 | Effect being investigated |

## 3. SIGNIFICANT ACCOUNTING POLICIES

***Statement of compliance***

The financial statements have been prepared in accordance with the Companies Act and International Financial Reporting Standards.

### *3.1 Basis of preparation*

The financial statements have been prepared on the historical cost basis, except as noted below:

### *3.2 Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

### *3.3 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 any 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, depreciation methods thereof and their residual values, are re-assessed at the end of each reporting period 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 |
| • Motor vehicles | 4 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 preparation 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### *3.4 Assets and liabilities*

*Assets and liabilities classified as held for resale*

Non-current assets and liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current liability and assets is available for immediate sale in its present state.

### *3.5 Leasing*

*The Group as lessee*

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see 3.14 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on the straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

### *3.6 Intangible assets*

Intangible assets acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on the straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets comprise mineral rights, which are accounted for at original cost to the Group on acquisition, and the entitlement to access to Phase V of the Richards Bay Coal Terminal facility which is reduced as the shares for that allocation it has purchased. The investment in Richards Bay Coal Terminal is not amortised.

### *3.7 Impairment of tangible and intangible assets excluding goodwill*

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### *3.8 Inventories*

Inventories are stated at the lower of cost, determined on the moving average basis, and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories on the basis of normal capacity. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### *3.9 Foreign currencies*

In preparing the financial statements of the individual entities, transactions in currencies, other than the entity's functional currency (foreign currencies), are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

### *3.10 Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

*3.10.1 Sale of goods*

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

*3.10.2 Lease income*

Lease income is recognised in accordance with the lease policy. See 3.5.

*3.10.3 Dividend and interest revenue*

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### *3.11 Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current 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 of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

*Deferred taxation*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

*Current and deferred tax for the period*

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

### 3.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

*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.

Provisions are raised in the rehabilitation provision, operated in accordance with the statutory requirements, to provide for the estimated cost of pollution control and rehabilitation during and at the end of the life of the mine.

### 3.13 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.

### 3.14 Financial instruments

*Financial assets*

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments, other than those financial assets classified as at FVTPL.

*Available-for-sale financial assets*

The Group has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured).

Fair value is determined in the manner described in note 4.3. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated to an investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

*Loans and receivables*

Trade receivables, loans, cash and cash equivalents and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised as income. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. With the exception of AFS equity instruments if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

*Financial liabilities and equity instruments issued by the Group:*

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

*Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

*Other financial liabilities*

Other financial liabilities, including borrowings and overdrafts, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The judgements estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *4.1 Critical judgements in applying accounting policies*

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

*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 expectation 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 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.

*Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that either an asset or a group of assets is impaired.

*Investments*

The Group reflects its 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 or an allowance provided. 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*

Provision is made for environmental and decommissioning costs where either a legal or a constructive obligation is recognised as a result of past events. Estimates are made in determining the present obligations of environmental and decommissioning provisions, which include the actual estimate, the discount rate and the expected date of closure of mining activities in determining the present value of environmental and decommissioning provisions. Estimates are based upon costs that are regularly reviewed by internal and external experts, and adjusted as appropriate for new circumstances.

*Mining Right*

The estimated value of future cash flows are discounted to their present value based on the expected market conditions to determine wither here has been any reduction in value.

### *4.2 Key sources of estimation uncertainty*

Key sources of uncertainty relate to the economic mineability of the mineral rights (as set out in the Competent Person's Report) and the effect that this has on the carrying value of asset on the balance sheet. The carrying value of the mineral rights at 31 December 2012 was R350 million (2011: R364 million).

### *4.3 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/or 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.

*4.3.1 Investments*

The unlisted investment in Richards Bay Coal Terminal (Pty) Limited is valued at cost which management believes represents fair value, which is evaluated by the Group annually.

*4.3.2 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 approximates the fair value.

*4.3.3 Environmental rehabilitation obligations*

The long-term obligation resulting from environmental disturbances associated with the Group mining operations estimates are determined by independent environmental specialists in accordance with environmental regulations and valued over the expected period of the programme.

## 5. PROPERTY, PLANT AND EQUIPMENT

| | 2012 Cost R'000 | 2012 Accumulated depreciation R'000 | 2012 Accumulated impairment R'000 | 2012 Carrying value R'000 | 2011 Cost R'000 | 2011 Accumulated depreciation R'000 | 2011 Accumulated impairment R'000 | 2011 Carrying value R'000 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| **Owned assets** | | | | | | | | |
| Land and buildings | **86 520** | **(12 426)** | **(9 530)** | **64 564** | 86 520 | (10 106) | (9 530) | 66 884 |
| Plant and equipment | **78 776** | **(51 970)** | **(2 963)** | **23 843** | 77 409 | (34 620) | (2 963) | 39 826 |
| Motor vehicles | **1 171** | **(438)** | **(7)** | **726** | 1 171 | (255) | (7) | 909 |
| | **166 467** | **(64 834)** | **(12 500)** | **89 133** | 165 100 | (44 981) | (12 500) | 107 619 |
| **Capitalised leases** | | | | | | | | |
| Plant and equipment | **17 274** | **(11 692)** | **(4 119)** | **1 463** | 17 274 | (9 414) | (4 119) | 3 741 |
| | **183 741** | **(76 526)** | **(16 619)** | **90 596** | 182 374 | (54 395) | (16 619) | 111 360 |

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

| | Carrying value at start of year R'000 | Additions R'000 | Impairments R'000 | Disposals/ scrapping R'000 | Reclassification R'000 | Depreciation R'000 | Carrying value R'000 |
|---|---|---|---|---|---|---|---|
| **Group 2012** | | | | | | | |
| **Owned assets** | | | | | | | |
| Land and buildings | **66 884** | **–** | **–** | **–** | **–** | **(2 320)** | **64 564** |
| Plant and equipment | **39 826** | **1 363** | **–** | **–** | **–** | **(17 346)** | **23 843** |
| Motor vehicles | **909** | **–** | **–** | **–** | **–** | **(183)** | **726** |
| | **107 619** | **1 363** | **–** | **–** | **–** | **(19 849)** | **89 133** |
| **Capitalised leases** | | | | | | | |
| Plant and equipment | **3 741** | **–** | **–** | **–** | **–** | **(2 278)** | **1 463** |
| | **111 360** | **1 363** | **–** | **–** | **–** | **(22 127)** | **90 596** |
| Group 2011 | | | | | | | |
| **Owned assets** | | | | | | | |
| Land and buildings | 71 106 | 5 539 | (3 486) | 223 | (3 242) | (3 256) | 66 884 |
| Plant and equipment | 32 950 | 30 520 | (740) | (332) | – | (22 572) | 39 826 |
| Motor vehicles | 852 | 227 | – | – | – | (170) | 909 |
| | 104 908 | 36 286 | (4 226) | (109) | (3 242) | (25 998) | 107 619 |
| **Capitalised leases** | | | | | | | |
| Plant and equipment | 6 095 | – | – | – | – | (2 354) | 3 741 |
| | 111 003 | 36 286 | (4 226) | (109) | (3 242) | (28 352) | 111 360 |

Notarial bonds have been registered over all moveable property in favour of the The Standard Bank of South Africa Limited.

Assets reclassified to assets held for resale Rnil (2011: R3 242).

**Company**

Property, plant and equipment comprises Portion 10, a Portion of Portion 5 of the Farm Umlabu (IS) Mpumalanga on which the Umlabu siding is built at a cost of R876 000 (2011: R876 000).

Mortgage bonds have been registered over all fixed property in favour of The Standard Bank of South Africa Limited.

## 6. INTANGIBLE ASSETS

| | 2012 | | | | 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Cost R'000** | **Accumulated amortisation R'000** | **Reclassification to investments R'000** | **Carrying value R'000** | Cost R'000 | Accumulated amortisation R'000 | Reclassification to investments R'000 | Carrying value end of year R'000 |
| **Group owned assets** | | | | | | | | |
| Mineral rights | **392 257** | **(42 489)** | **–** | **349 768** | 392 257 | (28 402) | – | 363 855 |
| Export allocation | **43 275** | **–** | **(43 275)** | **–** | 50 500 | – | (7 225) | 43 275 |
| **Total** | **435 532** | **(42 489)** | **(43 275)** | **349 768** | 442 757 | (28 402) | (7 225) | 407 130 |

| | **Carrying value beginning of year R'000** | **Reclassification to investments R'000** | **Amortisation R'000** | **Carrying value end of year R'000** |
|---|---|---|---|---|
| **Group 2012** | | | | |
| Mineral rights | **363 855** | **–** | **(14 087)** | **349 768** |
| Export allocation | **43 275** | **(43 275)** | **–** | **–** |
| **Total** | **407 130** | **(43 275)** | **(14 087)** | **349 768** |
| Group 2011 | | | | |
| Mineral rights | 375 701 | – | (11 846) | 363 855 |
| Export allocation | 45 965 | (2 690) | – | 43 275 |
| **Total** | 421 666 | (2 690) | (11 846) | 407 130 |
| **Company 2012** | | | | |
| Export allocation | **43 275** | **(43 275)** | **–** | **–** |
| | **43 275** | **(43 275)** | **–** | **–** |
| Company 2011 | | | | |
| Export allocation | 45 965 | (2 690) | – | 43 275 |
| | 45 965 | (2 690) | – | 43 275 |

**Mineral rights**

During the year mineral rights were tested for impairment. The carrying value of mineral rights is tested against the expected economic benefit based on the expected cash flows discounted to their present value to determine whether here is any impairment of the value of the mineral right at year-end.

**Significant assumptions**

The following significant assumptions are made in determining the economic value:

- Expected market conditions – information available at the reporting date is utilised to determine value. Forecasts to account for expected changes as a result of market conditions at the reporting date are based on the following significant assumptions;
  - forecasted coal selling prices – the API4 index as quoted by McCloskeys as at 21 May 2013;
  - foreign exchange – the forecast USD/ZAR as forecast by The Standard Bank of South Africa Limited as at 21 May 2013; and
  - discount rate – expected future cash flows are discounted to their present value based on a Weighted Average Cost Capital of 10,5%.

Included in the valuation of the mining right at year-end are the following index rates:

| Assumption | Amount | Potential impairment to mining right value (R'000) | |
|---|---|---|---|
| | Change | <10% | >10% |
| Coal Export Price – API4 | | 116 500 | – |
| SA Rand/US Dollar exchange rate | | – | 112 150 |
| WACC | | – | 24 430 |

*Future cash flows* – the expected future cash flows estimated include the following operational assumptions:

- *Reserves* – the estimated reserves as included in the updated resource and reserve statement together with the yields reflected in the Independent Engineer's Report.
- *Period* – the estimated life of the mine is 11 years.
- *Operational and overhead costs* – estimated costs are based on existing costs.
- *Capital expenditure* – estimated capital expenditure is based on the updated Mine Works Programme which has been utilised to develop the Life of Mine plan.
- *Funding* – the funding of current liabilities of R141 million is considered.

The estimated economic benefit of the mining right based on these assumptions at the reporting indicates that no impairment is required (please refer to "Subsequent events" as noted in the Directors' report).

**Export allocation**

The export allocation was reclassified as an investment during the year ended 31 December 2012. All shares in the Richards Bay Coal Terminal Proprietary Limited were issued during the year.

## 7. INVESTMENT

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | **Cost R'000** | **Reclassification from intangible assets R'000** | **Carrying value R'000** | Cost R'000 | Reclassification from intangible assets R'000 | Carrying value R'000 |
| **Group and Company** | | | | | | |
| Investment in RBCT | **7 225** | **43 275** | **50 500** | 4 535 | 2 690 | 7 225 |

This investment is represented by 1 000 ordinary shares acquired in terms of the agreement with Richards Bay Coal Terminal Company Limited, which entitles the Group to export 100 000 tons of product per annum through Richards Bay Coal Terminal.

All shares were fully paid-up during the year. The directors thus determine the carrying amount to approximate fair value.

**Investments in subsidiaries and investments**

| | **2012 R'000** | 2011 R'000 |
|---|---|---|
| **Company** | | |
| Investment in subsidiaries | **19 800** | 19 800 |
| *Less:* Impairments | **(19 800)** | (19 800) |
| Investment in Phase V | **50 500** | 7 225 |
| **Total** | **50 500** | 7 225 |

All subsidiaries' country of incorporation is the Republic of South Africa and the proportion of ownership

| Entity | 2012 (%) | 2011 (%) | Principal activity at year-end | Carrying value (R'000) | Profit/(loss) after tax 2012 (R'000) | Profit/(loss) after tax 2011 (R'000) |
|---|---|---|---|---|---|---|
| Ilanga Coal Mines (Pty) Limited | **100** | 100 | Dormant coal mine | – | **2 744** | (3 460) |
| Jigmining Operations No 1 (Pty) Limited | **100** | 100 | Dormant | – | **54** | 65 |
| Jigmining Operations No 3 (Pty) Limited | **100** | 100 | Dormant | – | **13** | 13 |
| SACM (Breyten) (Pty) Limited | **100** | 100 | Mine holding company | – | **(13 544)** | (52 316) |
| SACM (Newcastle) (Pty) Limited | **100** | 100 | Dormant | – | **–** | – |
| South African Coal Mining Equipment Company (Pty) Limited | **100** | 100 | Equipment leasing company | – | **(2 309)** | (16 260) |
| South African Coal Mining Operations (Pty) Limited | **100** | 100 | Mine operating company | – | **39 329** | (60 703) |
| Umlabu Colliery (Pty) Limited | **100** | 100 | Holder of mining right | – | **(87 025)** | (13 176) |
| Voorslag Coal Handling (Pty) Limited | **100** | 100 | Siding operating company | – | **(1 186)** | (29) |
| Yomhlaba Coal (Pty) Limited | **100** | 100 | Dormant | – | **13** | (1 618) |

The carrying value of all investments are less than R1 000 and have been impaired in full.

## 8. ASSETS HELD FOR SALE

| | 2012 R'000 | 2011 R'000 |
|---|---|---|
| **Group** | | |
| Land and buildings | **–** | 3 242 |
| **Total** | **–** | 3 242 |
| **Liabilities held for sale** | | |
| **Group** | | |
| Rehabilitation | **–** | 6 160 |
| **Total** | **–** | 6 160 |

During November 2011 the Group entered into an agreement to dispose of its Ilanga freehold land. Portion 17 of the property was sold to Kleinfontein colliery (Pty) Limited for R300 000. Portion 20 of Portion 19 was sold to Ukufisa Investment Holdings (Pty) Limited, the purchase consideration is the rehabilitation cost being paid by Ukufisa Investment Holdings (Pty) Limited. Transfer of the properties was completed in 2012.

## 9. GROUP LOANS

| | 2012 R'000 | 2011 R'000 |
|---|---|---|
| **Amounts owing by Group companies** | | |
| **Company:** | | |
| SACM (Breyten) Proprietary Limited | **111 545** | 162 296 |
| South African Coal Mining Equipment Company Proprietary Limited | **–** | 6 158 |
| South African Coal Mining Operations Proprietary Limited | **18 178** | 16 614 |
| Yomhlaba Coal Proprietary Limited | **33 365** | 33 365 |
| Umlabu Colliery Proprietary Limited | **5 295** | – |
| | **168 383** | 218 433 |
| *Less:* Impairments | **(168 383)** | (201 819) |
| **Total** | **–** | 16 614 |
| **Amounts owing to Group companies** | | |
| **Company:** | | |
| South African Coal Mining Equipment Company Proprietary Limited | **–** | (31) |
| South African Coal Mining Operations Proprietary Limited | **(14 136)** | (14 129) |
| **Total** | **(14 136)** | (14 160) |

Amounts owing to Group companies are impaired where the Company's liabilities exceed its assets and the ability of the Company to repay the loan is dependent on it continuing as a going concern.

The Group loans carry no interest and are payable upon demand and have been subordinated in favour of The Standard Bank of South Africa Limited.

Subsidiary loan accounts have been impaired due to them not being able to repay Group loans.

## 10. INVENTORIES

| | 2012 R'000 | 2011 R'000 |
|---|---|---|
| **Group:** | | |
| Finished goods | **499** | 5 590 |
| Work in progress | **–** | 16 759 |
| | **499** | 22 349 |

Inventory represents coal and is valued at lower of cost and net realisable value.

## 11. TRADE AND OTHER RECEIVABLES

| | 2012 R'000 | 2011 R'000 |
|---|---|---|
| **Group:** | | |
| Trade and other receivables | **16 962** | 33 387 |
| *Less:* Provision for bad debts | **(7 658)** | (7 658) |
| Deposits | **791** | 645 |
| VAT receivable | **23 617** | 9 307 |
| | **33 712** | 35 681 |

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The average credit period on sales of goods is 60 days. No interest is charged on trade receivables. The Group has recognised an allowance for doubtful debts of 100% against receivables over 120 days. Allowances for doubtful debts are recognised against trade receivables between 60 days and 120 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. Refer to note 24.2 for further disclosures on trade receivables and impairments.

## 12. SHARE CAPITAL AND PREMIUM (Group and Company)

| | **2012 R'000** | 2011 R'000 |
|---|---|---|
| **Authorised** | | |
| 700 000 000 ordinary shares of R0,10 each | **70 000** | 70 000 |
| **Issued** | | |
| 452 454 204 ordinary shares of R0,10 each | **45 246** | 45 246 |
| Share premium | **188 639** | 188 639 |
| | **233 885** | 233 885 |

## 13. NON-CURRENT INTEREST-BEARING LIABILITIES

### 13.1 Interest-bearing liabilities

| | **2012 R'000** | 2011 R'000 |
|---|---|---|
| **Group:** | | |
| **Liabilities secured under capitalised finance lease** | **1 000** | 3 317 |
| Leases at prime linked interest rates, currently at 15.0% (2011: 15:5%) per annum, payable monthly at R255 353 (2011: R255 353) per month until 30 April 2014. | | |
| **Richards Bay Coal Terminal** | **51** | 48 155 |
| Loan to fund the Phase V entitlement due as and when the entitlement becomes available over a five-year period and bears interest at prime overdraft rates. | | |
| | **1 051** | 51 472 |
| *Less:* Short-term portion | **(1 051)** | (50 483) |
| **Total** | **–** | 989 |
| **Company:** | | |
| **Richards Bay Coal Terminal** | **51** | 48 155 |
| Loan to fund the Phase V entitlement due as and when the entitlement becomes available over a five-year period and bears interest at prime overdraft rates. | | |
| | **51** | 48 155 |
| *Less:* Short-term portion | **(51)** | (48 155) |
| **Total** | **–** | – |

### 13.2 Shareholders' loans

| | **2012 R'000** | 2011 R'000 |
|---|---|---|
| **Group:** | | |
| Long-term loan – JSW Energy Natural Resources South Africa (Pty) Limited | | |
| Loan from JSW to SACM (Breyten) (Pty) Limited for the amount of R200 673 776 (R2011: R109 446 415), which carried interest at the three-month LIBOR rate and at a fixed spread of 2,5%. The capital sum as well as the accrued interest is repayable on 23 July 2017 | **200 674** | 109 446 |
| Loan from JSW to SACMH for the amount of R93 929 251 (2011: R87 293 278), which carried interest at the one-month LIBOR rate and at a fixed spread of 21,5%. Interest is repayable on the last business day of each calendar month and the capital is repayable on 17 December 2017 | **93 929** | 87 293 |
| Mainsail agreed to advance working capital to a maximum capital amount of R17,5 million. The loan attracts interest at variable prime interest rate. Interest is repayable on the last business day of each calendar month. The capital sum as well as the accrued interest is repayable on 23 July 2017 | **18 179** | 16 614 |
| **Total** | **312 782** | 213 353 |
| **Company:** | | |
| The applicable loans for SACMH are as follows: | | |
| JSW loan (refer to terms above) | **93 929** | 87 293 |
| Mainsail loan (refer to terms above) | **18 179** | 16 614 |
| **Total** | **112 108** | 103 907 |

### 13.3 Non-interest-bearing liabilities

| | | |
|---|---|---|
| **Long-term loan – Standard Bank (secured)** | | |
| No interest is currently charged for this loan held at Standard Bank. Capital repayments commenced in December 2011 with a final repayment in December 2015. Standard Bank holds a wide range of securities, guarantees and cession with the SACMH Group in relation to these facilities other than the finance leases above | **34 800** | 53 000 |
| | **(11 600)** | (18 200) |
| **Total** | **23 200** | 34 800 |

### 13.4 Reconciliation between the total minimum lease payments and their present value

| | Up to 1 year R'000 | 2 to 5 years R'000 | Total R'000 |
|---|---|---|---|
| **2012** | | | |
| Minimum lease payments | **1 101** | **–** | **1 101** |
| Finance costs | **(101)** | **–** | **(101)** |
| **Present value** | **1 000** | **–** | **1 000** |
| 2011 | | | |
| Minimum lease payments | **2 711** | **1 021** | **3 732** |
| Finance costs | **(383)** | **(32)** | **(415)** |
| **Present value** | **2 328** | **989** | **3 317** |

** Prime interest rates were 8.5% per annum (2011: 9% per annum).*

## 14. NON-CURRENT PROVISIONS

| | 2012 R'000 | 2011 R'000 |
|---|---|---|
| **Group:** | | |
| Balance at 1 January | **50 541** | 50 892 |
| Change in provision for the year | **(6 255)** | 5 809 |
| Total | **44 286** | 56 701 |
| Current portion of provisions | **(2 933)** | (16 001) |
| Re-allocation to liability held for sale | **–** | (6 160) |
| **Total** | **41 353** | 34 540 |

Current provisions relates to the provision for rehabilitation estimates obtained from an independent expert, Environmental Assurance (Pty) Limited. The provision arose due to a legal obligation to reinstate land used for mining purposes to its original condition, using DMR-approved methodology and their published rates adjusted for CPI where these rates are more than a year old.

The present value of environmental and decommissioning costs has been established utilising CPI 6% (2011: 6%) per annum and an expected investment return of 8% (2011: 8%) per annum over the life of mine.

## 15. INCOME TAXES

| | 2012 R'000 | 2011 R'000 |
|---|---|---|
| **Group:** | | |
| **Deferred taxation** | | |
| Revaluation of mineral rights | **97 935** | 101 880 |
| Rehabilitation provision | **(11 605)** | (13 355) |
| Gain on loans acquired in subsidiaries | **8 613** | 8 613 |
| | **94 943** | 97 138 |
| Balance at 1 January | **97 138** | 103 486 |
| Statement of comprehensive income charge | **(2 195)** | (6 348) |
| **Total deferred tax liability** | **94 943** | 97 138 |
| **Deferred taxation assets for assessed losses not provided for due to the uncertainty surrounding their ultimate realisation** | **(57 793)** | (27 773) |
| **Statement of comprehensive income (charge)/credit** | | |
| South African normal tax – prior year | **–** | (4) |
| Deferred taxation – current year | **2 195** | 6 348 |
| | **2 195** | 6 344 |
| **Tax rate reconciliation** | **%** | % |
| Tax at the standard tax rate | **(28,00)** | (28,00) |
| Deferred tax asset not raised | **23,70** | 21,95 |
| Deferred tax on restructure reversal | **–** | – |
| Permanent impairments | **–** | – |
| Tax rate per financial statements | **(4,30)** | (6,05) |
| **Company:** | | |
| **Deferred taxation liability** | **8 613** | 8 613 |
| Gain on loans acquired in subsidiaries | **8 613** | 8 613 |

The Company has no taxable income.

## 16. TRADE AND OTHER PAYABLES

| | 2012 R'000 | 2011 R'000 |
|---|---|---|
| **Group:** | | |
| Trade and other payables | **23 271** | 35 610 |
| Expense accruals | **7 698** | 2 730 |
| Leave pay | **1 044** | 1 076 |
| | **32 013** | 39 416 |
| **Company:** | | |
| Trade and other payables | **2 809** | – |
| Expense accruals | **–** | 540 |
| | **2 809** | 540 |

The average credit period is 30 days. No interest is charged on trade and other payables.

## 17. BANK OVERDRAFT

| | 2012 R'000 | 2011 R'000 |
|---|---|---|
| **Group** | | |
| Overdraft facility: Standard Bank | **(245)** | (17 224) |
| Bank balance | **5 630** | 701 |
| | **5 385** | (16 523) |

## 18. REVENUE

| | 2012 R'000 | 2011 R'000 |
|---|---|---|
| **Group:** | | |
| **Major classes of revenue comprise:** | | |
| Coal sales | **210 648** | 337 286 |
| Leasing income | **13 520** | 10 052 |
| | **224 168** | 347 338 |

## 19. (NET IMPAIRMENT)/CHARGE REVERSED OF ASSETS

| | 2012 R'000 | 2011 R'000 |
|---|---|---|
| **Group:** | | |
| Impairment of property, plant and equipment | **–** | (4 226) |
| **Company:** | | |
| Impairment of Group loans | **33 466** | (5 563) |

## 20. OPERATING LOSS/(INCOME) BEFORE FINANCE COSTS AND TAXATION

| | 2012<br>R'000 | 2011<br>R'000 |
|---|---|---|
| **Group:** | | |
| Operating loss for the year has been arrived at after: | | |
| Auditors' remuneration – audit fees | **2 873** | 2 110 |
| Employee costs | **22 628** | 24 720 |
| Termination costs | **1 499** | – |
| Foreign exchange losses/(gains) | | |
| – Loans | **14 384** | 33 351 |
| – Trade debtors | **(2 358)** | (1 870) |
| Directors' emoluments – services as directors | **205** | 34 |
| Directors' emoluments – managerial services | **–** | 3 040 |
| **Directors' fees – services as directors** | | |
| WN Gardyne | **–** | 2 |
| VP Garg | **–** | 80 |
| V Lickfold | **–** | 71 |
| TV Mokgatlha | **–** | 92 |
| LM Ndala | **–** | 82 |
| GM Scrutton | **–** | 7 |
| | **–** | 826 |
| **Directors' fees – managerial services** | | |
| DGA Miller | **1 665** | 1 118 |
| AJL Rayment | **1 367** | 1 920 |
| **Total directors' fees** | **3 032** | 3 038 |
| **Prescribed officer's remuneration** | | |
| P Buckle | **640** | 700 |
| R Hugo | **1 375** | 607 |
| P Smit | **826** | 774 |
| **Total** | **2 841** | 1 877 |
| **Company:** | | |
| Audit fees | **80** | 834 |

## 21. FINANCE INCOME AND COSTS

| | 2012<br>R'000 | 2011<br>R'000 |
|---|---|---|
| **Group** | | |
| Finance income | | |
| – Bank | **6** | 1 680 |
| Finance costs | | |
| – Bank | **56** | 957 |
| – JSW Energy | **4 839** | 4 826 |
| – Finance lease | **245** | 908 |
| – Richards Bay Coal Terminal Proprietary Limited | **4 659** | 4 738 |
| – Mainsail Trading 55 Proprietary Limited | **1 434** | 1 452 |
| | **11 233** | 12 881 |
| **Company** | | |
| Finance costs | | |
| – JSW Energy | **(6 347)** | (7 332) |

## 22. LOSS PER SHARE

| | 2012 R'000 | 2011 R'000 |
|---|---|---|
| **Group** | | |
| **Basic earnings loss** | **(48 799)** | (98 536) |
| Weighted average number of shares in issue ('000) | **452 454** | 452 454 |
| Basic loss per share (cents) | **(10,79)** | (21,78) |
| Diluted average number of shares ('000) | **452 454** | 452 454 |
| Diluted loss per share (cents) | **(10,79)** | (21,78) |
| Basic earnings loss | **(48 799)** | (98 536) |
| *Adjusted for:* | | |
| Impairment of property, plant and equipment | **–** | 4 226 |
| Profit on sale of assets held for resale | **(3 260)** | – |
| Loss on sale of non-current assets | **–** | 852 |
| Tax effect | **–** | – |
| **Headline loss** | **(52 059)** | (93 458) |
| Weighted average shares in issue for the year ('000) | **452 454** | 452 454 |
| Diluted average shares in issue ('000) | **452 454** | 452 454 |
| **Headline loss per share (cents)** | **(11,51)** | (20,66) |
| **Headline diluted loss per share (cents)** | **(11,51)** | (20,66) |

## 23. FINANCIAL INSTRUMENTS

### 23.1 Categories of financial instruments

| | Available-for-sale financial assets R'000 | Loans and receivables R'000 | Total R'000 | Fair value R'000 |
|---|---|---|---|---|
| **Group:** | | | | |
| **Financial assets** | | | | |
| **2012** | | | | |
| Investments | **50 500** | **–** | **50 500** | **50 500** |
| Trade receivables | **–** | **9 305** | **9 305** | **9 305** |
| Cash and cash equivalents | **–** | **5 630** | **5 630** | **5 630** |
| | **50 500** | **14 935** | **65 435** | **65 435** |
| 2011 | | | | |
| Investments | 7 225 | – | 7 225 | 7 225 |
| Trade receivables | – | 25 729 | 25 729 | 25 729 |
| Cash and cash equivalents | – | 701 | 701 | 701 |
| | 7 225 | 26 430 | 33 655 | 33 655 |
| **Company:** | | | | |
| **Financial assets** | | | | |
| **2012** | | | | |
| Investments | **50 500** | **–** | **50 500** | **50 500** |
| Group loans (see note 9) | **–** | **–** | **–** | **–** |
| | **50 500** | **–** | **50 000** | **50 500** |
| 2011 | | | | |
| Investments | 7 225 | – | 7 225 | 7 225 |
| Group loans | – | 16 614 | 16 614 | 16 614 |
| | 7 225 | 16 614 | 23 839 | 23 839 |

| | Amortised cost R'000 | Total R'000 |
|---|---|---|
| **Group:** | | |
| **Financial liabilities** | | |
| **2012** | | |
| **Interest-bearing** | | |
| Short-term borrowings | **1 051** | **1 051** |
| Trade and other payables | **23 271** | **23 271** |
| Shareholders' loans | **312 782** | **312 782** |
| **Non-interest-bearing** | | |
| Non-current liabilities | **23 200** | **23 200** |
| Current liabilities | **11 600** | **11 600** |
| | **371 904** | **371 904** |

| | Amortised cost R'000 | Total R'000 |
|---|---|---|
| **Group:** | | |
| **Financial liabilities** | | |
| 2011 | | |
| **Interest-bearing** | | |
| Non-current borrowings | 989 | 989 |
| Current borrowings | 50 483 | 50 483 |
| Trade and other payables | 35 610 | 35 610 |
| Shareholders' loans | 213 353 | 213 353 |
| **Non-interest-bearing** | | |
| Non-current liabilities | 34 800 | 34 800 |
| Current liabilities | 18 200 | 18 200 |
| | 353 435 | 353 435 |
| **Company:** | | |
| **2012** | | |
| **Interest-bearing** | | |
| Trade and other payables | **2 809** | **2 809** |
| Shareholders' loan | **112 108** | **112 108** |
| **Non-interest bearing** | | |
| Group loan | **14 136** | **14 136** |
| | **129 053** | **129 053** |
| **Company:** | | |
| 2011 | | |
| **Interest-bearing** | | |
| Current borrowings | 48 155 | 48 155 |
| Trade and other payables | 540 | 540 |
| Shareholders' loan | 103 907 | 103 907 |
| **Non-interest-bearing** | | |
| Group loan | 14 159 | 14 159 |
| | 166 761 | 166 761 |

## 24. 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. There has been no change in the manner in which these risks are managed.

### 24.1 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 liquidity risk is managed through JSW providing financing and agreeing not to request repayment of its loans. 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 | Thereafter R'000 | Total R'000 |
|---|---|---|---|---|---|
| **Group:** | | | | | |
| **2012** | | | | | |
| Finance leases | **1 021** | **–** | **–** | **–** | **1 021** |
| Standard Bank loan | **11 600** | **11 600** | **11 600** | **–** | **34 800** |
| RBCT Phase V loan | **51** | **–** | **–** | **–** | **51** |
| Trade and other payables | **32 013** | **–** | **–** | **–** | **32 013** |
| JSW Energy Natural Resources SA | **–** | **–** | **–** | **294 603** | **294 603** |
| Mainsail Trading | **–** | **–** | **–** | **18 179** | **18 179** |
| | **44 685** | **11 600** | **11 600** | **312 782** | **380 667** |
| **Group:** | | | | | |
| 2011 | | | | | |
| Finance leases | 3 064 | 1 021 | – | – | 4 085 |
| Standard Bank loan | 18 200 | 11 600 | 23 200 | – | 53 000 |
| RBCT Phase V loan | 48 155 | – | – | – | 48 155 |
| Trade and other payables | 39 416 | – | – | – | 39 416 |
| JSW Energy Natural Resources SA | – | – | – | 196 739 | 196 739 |
| Mainsail Trading | – | – | – | 16 614 | 16 614 |
| | 108 835 | 12 621 | 23 200 | 213 353 | 358 009 |
| **Company:** | | | | | |
| **2012** | | | | | |
| RBCT Phase V loan | **51** | **–** | **–** | **–** | **51** |
| Trade and other payables | **2 809** | **–** | **–** | **–** | **2 809** |
| JSW Natural Energy Resources SA | **–** | **–** | **–** | **93 929** | **93 929** |
| Mainsail | **–** | **–** | **–** | **18 179** | **18 179** |
| | **2 860** | **–** | **–** | **112 108** | **114 968** |
| **Company:** | | | | | |
| 2011 | | | | | |
| RBCT Phase V loan | 48 155 | – | – | – | 48 155 |
| JSW Natural Energy Resources SA | – | – | – | 87 293 | 87 293 |
| Mainsail | – | – | – | 16 614 | 16 614 |
| | 48 155 | – | – | 103 907 | 152 062 |

## 24.2 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above.

This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Risk Management Committee annually.

Trade receivables disclosed include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

The maximum credit exposure for trade and other receivables are:

| | **Gross amount 2012 R'000** | **Impairment 2012 R'000** | Gross amount 2011 R'000 | Impairment 2011 R'000 |
|---|---|---|---|---|
| **Ageing of trade and other receivables** | | | | |
| Not past due | **3 278** | **–** | 23 425 | – |
| Past due 0 – 30 days | **6 026** | **–** | 960 | – |
| Past due 30 – 90 days | **–** | **–** | 1 344 | – |
| Past due more than 90 days | **7 658** | **(7 658)** | 7 658 | (7 658) |
| | **16 962** | **(7 658)** | 33 387 | (7 658) |

All past due amounts are reviewed on an individual basis to determine whether any impairment is necessary.

**Movement in provisions**

| | **2012 R'000** | 2011 R'000 |
|---|---|---|
| Balance at the beginning of the year | **(7 658)** | (7 545) |
| Charge to statement of comprehensive income | **–** | (1 949) |
| Written-off during the year | **–** | 1 836 |
| Balance at end of the year | **(7 658)** | (7 658) |

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

The Company's exposure to credit risk is primarily attributable to trade receivables. However, there is no significant concentration of credit risk with exposure being spread over a large customer base. The Company's exposure to credit risk is continuously monitored with exposure being controlled by credit limits that are reviewed and approved by the Board. Ongoing credit evaluation is performed on the financial condition of customers.

The table below sets out the credit limited carry of the customer representing more than 5% of the total balance at year-end:

| | 2012 Credit limited R'000 | 2012 Carrying amount R'000 | 2011 Credit limited R'000 | 2011 Carrying amount R'000 |
|---|---|---|---|---|
| **Customer** | | | | |
| Palmaise | **10 000** | **9 304** | 10 000 | 9 304 |
| Cargill | **10 000** | **–** | 10 000 | 8 107 |
| Vitol | **25 000** | **–** | 25 000 | 20 543 |
| **Total** | **45 000** | **9 304** | 45 000 | 37 954 |

The average credit provided to customers is 30 days from statement. No interest is charged on the trade receivables.

### 24.3 Market risk

*24.3.1 Foreign exchange risk*

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

The following table details the Group's sensitivity to a 10% increase and decrease in the Rand against the relevant USD foreign currency on revenue:

| | 2012 R'000 | 2011 R'000 |
|---|---|---|
| **Sensitivity analysis** | | |
| Profit and loss: | | |
| USD 10% up | **17 762** | 2 865 |
| USE 10% down | **(17 762)** | (2 865) |

| **Currency analysis** | **Rate at year-end** | Average rate |
|---|---|---|
| **2012** – US Dollar | **$1: R8.67** | **$1: R8.13** |
| 2011 – US Dollar | $1: R8.22 | $1: R7.32 |

*24.3.2 Interest rate risk*

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

| | 2012 R'000 | 2011 R'000 |
|---|---|---|
| **Financial liabilities** | | |
| Variable interest rate borrowings (repayable) | **312 782** | 304 242 |
| Non-interest bearing borrowings | **35 800** | 53 000 |
| | **348 582** | 357 242 |

A 1% movement in the prime overdraft rate will have a R1.12 million (2011: R2.6 million) effect on the Group's interest charge/operating income.

## 26. RELATED PARTIES

### Identity of related parties

The Group has a related party relationship with its subsidiaries. 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 subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Please refer to directors' emoluments in note 20.

### 26.1 Trading transactions

During the year, Group entities entered into the following trading transactions with related parties that are not members of the Group:

| | **2012 R'000** | 2011 R'000 |
|---|---|---|
| **Interest paid** | | |
| – Mainsail Trading 55 (Pty) Limited | **1 434** | 1 452 |
| – JSW Energy Natural Resources South Africa (Pty) Limited | **4 840** | 4 826 |

### 26.2 Loans from related parties

| | | |
|---|---|---|
| **Group:** | | |
| Mainsail Trading 55 (Pty) Limited | **18 179** | 16 613 |
| JSW Energy Natural Resources South Africa (Pty) Limited | **294 603** | 196 739 |
| **Company:** | **–** | – |

Inter-Group transactions with subsidiary companies are predominantly funding related. See notes 9 and 13 for balances at year-end.

## 27. NOTES TO THE CASH FLOW STATEMENT

### 27.1 Cash generated by/(utilised in) operations – Group

| | Group | | Company | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **R'000** | R'000 | **R'000** | R'000 |
| Loss before taxation | **(50 993)** | (104 880) | **21 044** | (29 185) |
| **Adjusted for non-cash movements** | | | | |
| Depreciation and amortisation | **36 214** | 40 198 | **–** | – |
| Change in rehabilitation provision | **(6 255)** | 5 809 | **–** | – |
| Profit on assets held for resale | **(3 260)** | – | **–** | – |
| Loss on disposal of plant and equipment | **–** | 852 | **–** | – |
| Impairment losses | **–** | 4 226 | **(33 466)** | 5 563 |
| Net finance costs | **11 227** | 11 201 | **6 347** | 7 332 |
| Unrealised forex gains | **12 025** | 31 481 | **4 615** | 15 786 |
| Other non-cash items | **–** | (2 690) | **–** | (2 690) |
| Bad debts | **–** | 1 949 | **–** | – |
| | **(1 042)** | (11 854) | **(1 460)** | (3 194) |
| **Movements in working capital** | | | | |
| Movements in inventories | **21 851** | 21 937 | **–** | – |
| Movements in trade and other receivables (see note 11) | **4 328** | (15 856) | **–** | – |
| Movements in trade and other payables | **(7 403)** | 12 350 | **2 268** | 1 444 |
| | **18 777** | 18 431 | **2 268** | 1 444 |
| | **17 735** | 6 577 | **808** | (1 750) |

## 28. SHAREHOLDERS

**Major shareholders and shareholders' spread**

The following shareholders have a 5% (or more) interest in the issued share capital of the Company as at 31 December 2012.

**Shareholders**

***Major shareholders and shareholders spread***

The following shareholders have a 5% (or more) interest in the issued share capital of the Company as at 31 December 2012:

| Shareholder | **2012 ('000)** | **(%)** | 2011 ('000) | (%) |
|---|---|---|---|---|
| Royal Bafokeng Capital (Pty) Ltd* | **244 583** | **54,1** | 244 583 | 54,1 |
| JSW Energy Natural Resources South Africa (Pty) Ltd | **157 108** | **34,8** | 157 108 | 34,8 |
| | **401 691** | **88,8** | 401 691 | 88,8 |

The following shareholders did not comprise “public shareholders” as at 31 December 2012:

| Shareholder | **2012** ('000) | (%) | 2011 ('000) | (%) |
|---|---|---|---|---|
| **Non-public** | | | | |
| Royal Bafokeng Capital (Pty) Ltd* | **244 583** | **54,1** | 244 583 | 54,1 |
| JSW Energy Natural Resources South Africa (Pty) Ltd | **157 108** | **34,7** | 157 108 | 34,7 |
| Mainsail Trading 55 (Pty) Ltd* | **20 000** | **4,4** | 20 000 | 4,4 |
| | **421 691** | **93,2** | 421 691 | 93,2 |
| **Public shareholders** | **30 763** | **6,8** | 30 763 | 6,8 |
| | **452 454** | **100,0** | 452 454 | 100,0 |

* *On 1 November 2011, JSW Energy Natural Resources South Africa (Pty) Ltd acquired the entire issued share capital of Royal Bafokeng Capital (Pty) Ltd and Mainsail Trading 55 (Pty) Ltd from Royal Bafokeng Holdings resulting it having an effective direct and indirect holding in SACMH of 93,2% of the total issued share capital of the company.*

***Shareholder spread at 31 December 2012***

| | **Number of shares** | **Percentage** | **Number of shareholders** | **Percentage of total** |
|---|---|---|---|---|
| 0 – 1 000 | **127 699** | **0,03** | **465** | **61,67** |
| 1 001 – 10 000 | **705 268** | **0,16** | **214** | **28,38** |
| 10 001 – 100 000 | **1 889 909** | **0,42** | **59** | **7,83** |
| 100 001 – 500 000 | **2 316 377** | **0,51** | **10** | **1,33** |
| 500 001 – 1 000 000 | **555 179** | **0,12** | **1** | **0,13** |
| 1 000 001 + | **446 859 772** | **98,76** | **5** | **0,66** |
| | **452 454 204** | **100,00** | **754** | **100,00** |

*Shareholder spread at 31 December 2011*

| | Number of shares | Percentage | Number of shareholders | Percentage of total |
|---|---|---|---|---|
| 0 – 1 000 | 138 010 | 0,03 | 478 | 60,28 |
| 1 001 – 10 000 | 779 963 | 0,17 | 236 | 29,76 |
| 10 001 – 100 000 | 1 968 929 | 0,44 | 62 | 7,82 |
| 100 001 – 500 000 | 2 152 351 | 0,48 | 9 | 1,13 |
| 500 001 – 1 000 000 | 555 179 | 0,12 | 1 | 0,13 |
| 1 000 001 + | 446 859 772 | 98,76 | 5 | 0,88 |
| | 452 454 204 | 100,00 | 791 | 100,00 |

**Interests of directors**

No directors held direct, indirect or deemed interests in the issued share capital of the Company at 31 December 2012 (2011: Nil).

No directors have traded in shares from 31 December 2012 up until the issue of the Integrated Annual Report 2012.

## 29. SEGMENT INFORMATION

Segmental reporting will not be disclosed as at 31 December 2012 as the main source of revenue is from coal production and sales.

There is only one segment as the main source of revenue.

# RESOURCE AND RESERVES STATEMENT

## Introduction

Miptec (Pty) Limited ("Miptec") and KJB GeoServices ("KJB"), were jointly contracted by SACMH to produce and updated resource and reserve estimate of the Company's coal assets. Both Miptec and KJB operate as independent technical consultants to SACMH, and neither company has any interest in SACMH nor the coal assets reviewed. Both Miptec and KJB will receive a consulting fee for the generation of this update report.

The resource and reserve estimates as detailed below have been prepared in accordance with the South African Code for Reporting of Mineral Resources and Mineral Reserves commonly referred to as the SAMREC Code. In accordance with the contents of the SAMREC Code, the resource update has been prepared under the direction of a Competent Person. The effective date of this report is 31 January 2013.

## Property

The Umlabu coal resource is situated within the Ermelo coalfield, where all of the coal seams occur within the Vryheid formation of the Ecca Group (Karoo Supergroup). During the year under review no exploration drilling was undertaken. Mining concentrated on exhausting all mineable coal reserves located on the farm Mooifontein (remainder of portion 1 of Mooifontein 109IT) and Vlakfontein (the remainder of Portion 6). Geological modelling was conducted across the project area. All holes used in the model were validated against the available wireline logs and core photographs. Validations confirming the seam thicknesses, depth to seam roof and floor as well as checks to confirm the correct seam correlations were conducted. The collar elevations of the holes were checked for correctness against a valid Digital Terrain Model. The coal qualities were verified using industry accepted standard verification routines before inclusion into the quality model. The estimates contained within the updated (January 2013) resource statement are based on this geological model.

The resource update covers the new order mining right MP30/5/1/212169MR, which is valid until 25 July 2027, covering the remainder of Portion 1 of Mooifontein 109/IT, the remainder of Portion 6 (a portion of Portion 5) of Vlakfontein, Portion 10 (a portion of Portion 5) of Voorslag 27415, the remainder of Portion 5 (a portion of Portion 2) of Voorslag 27415, and Portion 2 of Sterkfontein 24215. The update also covers the prospecting right MP30/5/1/1/2/10562 PR covering Portion 1 of Sterkfontein 24215, which is a new application submitted, with an acknowledgement of receipt received on 16 March 2012.

## Resource and Reserves

Within the Voorslag and Sterkfontein areas, two potentially exploitable coal measures have been identified, namely the B Seam and C Seam, split into the C Upper and C Lower Seams. It is currently planned that the B Seam will be mined by both opencast and underground methods. The C Lower and C Upper Seams will be exploited by opencast methods with engineering studies being undertaken to determine the economic extraction of the C Seams by Underground methods. Within the Mooifontein area, the B Seam was mined out using the underground board and pillar extraction method, and within the Vlakfontein area, C Upper and C Lower Seams were mined out by opencast mining.

Run of Mine production achieved during the 2012 financial year amounts to 428K tonnes. During this period the Vlakfontein mining area was depleted (ROM 125k) as well as the Mooifontein Underground area ROM 302K.

Due to the areas that were mined out during the 2012 Financial Year, namely the Mooifontein and Vlakfontein farm portions of the Mining Right, there is a material difference in the Resource and Reserves as report for the 2011 Financial Year. The GTIS presented in the 2011 financial statements amount to 41 Mt compared to the 32.5 Mt as presented in Table 2 below.

The following criteria were used to define the seam limits for the reporting of GTIS resources:

- A minimum of 0,5m seam thickness.
- A geological loss factor of 8%.
- A minimum CV of 12 MJ/Kg and VM of 18%.
- Unweathered coal only.
- Resource estimated within the tenure boundary.

From a production planning perspective, the geometry, depth to surface and geotechnical factors are considered important for the underground design (Table 1). The opencast mine design parameters used for the Life of Mine plant are shown in Table 2.

**Table 1: Underground mine design parameters**

| | Unit | Quantity |
|---|---|---|
| **Parameter** | | |
| Depth to surface | m | 48 |
| Road width | m | 6.5 |
| Pillar centres | m x m | 14 |
| Mining height | m | 1.6 |
| Safety factor | factor | <2 |
| Extraction factor | % | 72 |
| Contamination | m | 0.15 |

**Table 2: Opencast design parameters**

| | Unit | Quantity |
|---|---|---|
| **Parameter** | | |
| Overburden thickness | m | <20 |
| Coal seam thickness | m | 0.7 – 0.9 |
| Mining block | m x m | 50 x 100 |
| Extraction ratio | % | 83 |
| Contamination | % | 7 |

**Table 3: Updated resource estimation**

| | Reserve | | | Saleable |
|---|---|---|---|---|
| | Proven Mt | Probable Mt | Total Mt | Mt |
| **Mining area** | | | | |
| Mooifontein underground | – | – | – | – |
| Voorslag underground | 8.10 | 1.29 | 9.39 | 4.49 |
| Sterkfontein underground | 0.01 | 0.06 | 0.07 | 0.02 |
| Vlakfontein opencast | – | – | – | – |
| Voorslag opencast | 1.11 | – | 1.11 | 0.56 |
| **Total** | 9.22 | 1.35 | 10.57 | 5.07 |

* *All Resources and Reserves are quoted on an air-dried moisture basis.*
** *Saleable Coal Reserves were based on a 27.0 MJ/kg product.*

**Comments/Explanations**

The Vlakfontein opencast was depleted with geological structures impacting on coal recovery. The LOM mining footprint was adhered to. In the final analysis, the mine extracted 125Kt from the stated 150K in reserves by SRK.

The Mooifontein area had 450Kt in reserves as confirmed by SRK. Of this the mine extracted 302Kt. The mining contractor encountered geological features that resulted in areas of low quality and instability with regard to maintaining a safe roof. These areas were then excluded from the mining plan. With the increase in floating stone and inseam parting the contractor ultimately removed the continuous miner and continued with two conventional underground mining sections. The possibility of stooping was completely ruled out due to the lack of information on the old workings which underlie the current mining footprint. Historically the CL Seam was mined for torbanite in this area, and therefore the primary mining operation was conducted with much focus on the monitoring for signs of instability as a result of the C Seam workings below. Given the circumstances and the experience of the contractor, it is reasonable to conclude that all remaining resources within the Mooifontein Mine Area, as to mineable, and having no economic value.

The Voorslag underground reserves are impacted by the surface constraints in terms of the proximity of streams and wetlands. In this environmentally-sensitive area, the mine design has been designed in such a way so as to protect the surface from any subsidence, as well as mining to prevent the strata above the coal from developing cracks. Stooping in these areas is also limited by design in order to limit the effect any mining may have on the wetlands and streams. The coal seams in this area are classified as thin seams, and at present, mining methodologies are not available to economically mine thin seams below 1.3 metres. For this reason the reserves included in the Proven category were reduced to 8.1 Mt, and 1.29 Mt were included in the Probably category.

The Voorslag opencast mining area is based on providing access to the planned underground mine through the extraction of an initial 90 Kt, which can be increased to a total of 1.1 Mt should the required permissions be granted.

**Competent Persons**

I certify that, as of the effective date of the Resource and Reserve update, to the best of my knowledge, information and belief, the Resource and Reserve update contains all scientific and technical information, to make this update a true reflection of the Resources and Reserves held by SACMH, effective date 31 January 2013.

Dated: 19 February 2013

**Leonardt Raaths** compiled the reserve estimation for SACMH on Umlabu Colliery. He is a member of SACMA.

**Leonardt Raaths** compiled the Life of Mine Plan for Umlabu Colliery.

**Miptec (Pty) Limited**
19 Jan Freelank Street
Ryno Ridge
Witbank

# NOTICE OF ANNUAL GENERAL MEETING

**SOUTH AFRICAN COAL MINING HOLDINGS LIMITED**
Registration number 1994/009012/06
Share code: SAH ISIN: ZAE000102034
("SACMH" or "the Company")

Record date for voting purposes: Friday, 2 August 2013.

Notice is hereby given that the Annual General Meeting of the shareholders of the Company will be held on the 1st Floor, 198 Oxford Road, Illovo, Sandton on Wednesday, 14 August 2013 at 10:00 for the following purposes:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the annual financial statements for the 12 months ended 31 December 2012 of the Company and the Group, together with the directors' and independent auditors' reports.
2. To re-elect Mr VP Garg as a director who retires by rotation in accordance with the Company's Memorandum of Incorporation.

Directors' *Curriculum Vitae* are available on page 3 of this report.

3. To confirm the re-appointment of Mazars as independent auditors to the Company for the ensuing financial year.
4. To elect Mr S Vorster as designated auditor.
5. To authorise the directors to determine the remuneration of the auditors for the past financial year.

**SPECIAL BUSINESS**

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

**Ordinary Resolution Number One**

6. *Appointment of Audit and Risk Committee*

   "Resolved that the directors of the Company are hereby authorised to appoint an Audit Committee in terms of section 94(2) of the Companies Act, 71 of 2008 ("Companies Act")."

**Special Resolution Number One**

7. *Non-executive directors' remuneration*

   "Resolved that, for the year ending 30 December 2013 until the next annual general meeting that the non-executive directors be remunerated as follows:

| **Board** | **Annual** | **Per meeting** |
|---|---|---|
| Chairman | R130 000 | R10 000 |
| Member | R104 000 | R7 500 |
| **Audit and Risk Committee** | | |
| Chairman | R30 000 | R10 000 |
| Member | R17 500 | R7 500 |
| **Other committees** | | |
| Chairman | R13 000 | R5 000 |
| Member | R9 750 | R3 500" |

**Ordinary Resolution Number Two**

8. *Control of authorised but unissued share capital*

"Resolved that the authorised but unissued shares in the capital of the Company be and are hereby placed under the control of the directors of the Company, until the next Annual General Meeting, to enable them to allot and issue such ordinary shares at their discretion subject to the provisions of the Companies Act, 2008, the Company's Articles of Association and the Listings Requirements of the JSE Limited ('JSE Listings Requirements')."

**Special Resolution Number Two**

9. *Authority to render financial assistance to Group companies*

"Resolved that the Board (or any person/s authorised by the Board to do so), as it in its discretion thinks fit but subject to the provisions of section 45 of the Companies Act and the JSE Listings Requirements, is hereby authorised to provide direct or indirect financial assistance as contemplated in section 45 to any of its present or future subsidiaries and/or any juristic person that the Company directly or indirectly controls, for any purpose in the normal scope of the business of the SACMH Group."

Before making any such financial assistance available, the Board will satisfy itself that:

- immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test;
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

The authority granted to the Board shall remain of full force and effect until the next Annual General Meeting.

**Ordinary Resolution Number Three**

10. *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 Designated Advisor 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 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 Listings 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 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 Three**

11. *General authority to repurchase issued shares*

"Resolved that the Company hereby approves, as a general approval 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 Companies Act and the JSE Listings Requirements, when applicable, and provided that:

- repurchase of the securities will be effected through the order book operated by the JSE Limited trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- 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 Limited, as determined over the five 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 for the following year;
- 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 Designated Advisor 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 Limited;
- 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 5% of the initial number of the relevant class of securities, and for each 5% 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."

**Special Resolution Number Four**

12. *Approval of the Company's Memorandum of Incorporation*

"Resolved that the shareholders approve and adopt the new Memorandum of Incorporation, a copy of which lies for inspection at the Company's office, in substitution for the Company's existing Memorandum of Association and Articles of Association."

*Percentage of voting rights required to pass this resolution: 75% of the votes exercised on this resolution*

Reason: The Company wishes to adopt a new Memorandum of Incorporation ("MOI") as required by the Companies Act. The new MOI complies with the Companies Act, 2008, as well as the JSE Listings Requirements. It is considered more appropriate to adopt the proposed new MOI rather than to amend the existing Memorandum and Articles of Association. The principal changes being proposed in the new MOI are summarised in the Appendix to the Notice of Annual General Meeting.

Effect: The new MOI will substitute the Company's existing Memorandum and Articles of Association in their entirety.

**Ordinary Resolution Number Four**

13. *Advisory endorsement of remuneration policy*

"Resolved that the Company's remuneration policy set out on pages 12 and 13 of the integrated report (excluding the remuneration of non-executive directors for their services as directors and members of the Board committees), be endorsed on an advisory basis."

*Motivation*

In terms of the King Code of Governance Principles for South Africa, 2008, an advisory vote should be obtained from shareholders on the Company's annual remuneration policy. The vote allows shareholders to express their view on the remuneration policies adopted and their implementation but will not be binding on the Company.

**Ordinary Resolution Number Five**

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

"Resolved that any one director or 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 Resolutions Numbers One, Two, Three and Four and Ordinary Resolutions Numbers One, Two, Three and Four."

By order of the Board

**Mrs PF Smit**
*Company Secretary*

1st Floor, 198 Oxford Road, Illovo, Sandton, 2196

24 June 2013

## 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 Limited Listings Requirements require the following disclosure, some of which are elsewhere in the annual report of which this notice forms part as set out below:
- Directors and management – page 3;
- Major shareholders of the Company – page 56;
- Directors' interests in securities – page 23;
- Share capital of the Company – page 44.

### 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 Limited 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 regard, 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 12 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 12 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 12 months after the date of the transaction;
4. the working capital available to the Company and its subsidiaries for a period of 12 months after the date of the transaction;
5. the Company will provide its Designated Advisor or sponsor and the JSE with all documentation as required in Schedule 25 of the JSE Limited 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 Limited accordingly and the JSE Limited has approved this documentation.

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

**Explanatory notes of principal changes to the Company's existing Memorandum of Association and Articles of Association:**

Substantive changes being proposed to the Company's existing Memorandum of Association and Articles of Association ("Memorandum and Articles") which are intended to bring them into line with the new Companies Act, 2008 ("Act") and the JSE Limited Listings Requirements ("JSE Listings Requirements"). The salient features are as follows:

| Theme or paragraph | Existing regime in Memorandum and Articles | Proposed regime in MOI |
|---|---|---|
| Replacement and substitution of Memorandum and Articles | The Memorandum and Articles govern the affairs of the Company | The Memorandum of Incorporation ("MOI") replaces the Memorandum and Articles (par 1.1) |
| The founding document/s of the Company | The key founding document of the Company is the Memorandum of Association, which determines the nature and scope of the Company. The rights, duties and powers of members, directors and the general meeting of members (amongst other things) are set out in the Articles of Association of the Company | The Act abolishes the distinction between the Memorandum and Articles of Association and provides that in future there will only be one founding document, namely the MOI (par 1.2) |
| Conflicts with the Companies Act | Not applicable | These are dealt with in paragraph 1.3 |
| The Company's main object | The existing Memorandum sets out the main object as follows: "To carry on the business of mining development and mining exploration in all its aspects" | The main object of the Company and the general nature of its main business will be that of mining development and mining exploration in all its aspects (par 2.1.2) |
| Amendments | The existing Memorandum and Articles require a special resolution for amendment | Paragraph 1.4 sets out various procedures to be followed to amend the MOI |
| Shareholder appraisal rights | The existing Memorandum and Articles do not contain such a provision, as this concept was only introduced by the Act | Paragraph 1.4.3 sets out the appraisal rights of dissenting shareholders in terms of section 164 of the Act |
| Power to make rules | The existing Memorandum and Articles do not contain such a provision | Although allowed by the Act, the JSE Listings Requirements do not allow the Company to make rules (par 1.8) |
| Extended accountability | The existing Memorandum and Articles do not contain such a provision | The Company has to comply with the extended accountability provisions of the Act. This includes the appointment of a company secretary, auditor, audit committee and social and ethics committee (par 4.1) |
| Authorised share capital | The authorised share capital is set out in the existing Memorandum as 700 000 000 ordinary par value shares | The authorised share capital stays the same (par 5.1.1) |
| Issue of securities | The Company may by special resolution authorise the directors to issue any unissued shares (article 5) | Shareholders may authorise directors by ordinary resolution to issue unissued shares or grant options (par 8.1) |

| Theme or paragraph | Existing regime in Memorandum and Articles | Proposed regime in MOI |
|---|---|---|
| Allotment and issue of securities | The existing Memorandum and Articles do not contain such a provision | In terms of section 41(1) of the Act, the issue of certain securities to a director, future director, prescribed officer, person related or inter-related to the company, or to a director or prescribed officer of the company, must be approved by special resolution (par 8.3) |
| Allotment and issue of more than 30% of securities | The existing Memorandum and Articles do not contain such a provision | In terms of section 41(3) of the Act, the issue of certain shares, securities convertible into shares, or rights exercisable for shares in a transaction or series of integrated transactions, must be approved by special resolution if the votes of the shares issued will be equal to or exceed 30% (par 8.4) |
| Payment for shares | The existing Memorandum and Articles do not contain such a provision | Shares may only be issued for adequate consideration, in terms of conversion rights or as capitalisation shares (par 8.6) |
| Pre-emptive rights | The existing Memorandum and Articles do not contain such a provision | Shareholders will have the right to be offered shares, *pro rata* to their existing holdings, unless the shares are issued in terms of options or conversion rights, in terms of a share incentive scheme, capitalisation shares, as consideration for assets, or issued for cash pursuant to shareholder approval (par 9.1) |
| Beneficial shareholders | The existing Memorandum and Articles do not contain such a provision | Holders of a beneficial interest in a security will be recorded in a register (par 10.2) and recognised as such (par 14.8 read with par 18) |
| Transferability of shares | Article 16 regulates the transfer of shares | All shares must be fully paid-up and freely transferable (par 17.4) |
| Acquisition of its own shares | No such provision exists in the Memorandum and Articles | The company, or a subsidiary, may acquire shares of the company. Before doing so, the board must pass a resolution to that effect, acknowledging that it has applied the solvency and liquidity test (par 19.1 and par 19.2)<br>Such resolution must be followed by a special resolution of shareholders under certain circumstances (par 19.3) |
| Financial assistance | No such provision exists in the Memorandum and Articles. However, it was allowed under certain circumstances by the Companies Act, 1973 (section 38) | The board is authorised to provide financial assistance to a director or prescribed officer, or to a related or inter-related company, or to a member of a related or inter-related company, or to a person related to any such person or entity. However, such financial assistance is subject to the solvency and liquidity test and approval by a special resolution (par 20) |
| Compliance with JSE Listings Requirements | No such provision exists in the Memorandum and Articles | All corporate action must be done in accordance with the JSE Listings Requirements (par 21) |
| Issue of debt instruments | The directors may issue debentures (article 38) | The issue of debt instruments requires approval by every class of shareholders (par 22.1)<br>Debt instruments shall not be issued with special privileges (par 22.2) |

| Theme or paragraph | Existing regime in Memorandum and Articles | Proposed regime in MOI |
|---|---|---|
| Distributions | The company may make payments to its members (article 107) | All distributions must comply with section 46, meaning that a board resolution is required. Before doing so, the board must apply the solvency and liquidity test (par 23) |
| Unclaimed dividends | Unclaimed dividends may be invested or otherwise made use of for the benefit of the company until claimed (article 115.1) | May be declared forfeited by the board for the benefit of the Company after 3 years (par 23.13) |
| Composition of the board | The board shall comprise not less than 4 and not more than 15 directors (article 71) | The board shall comprise not less than 4 and not more than 15 directors (par 26.2) |
| CEO | The directors may appoint a managing director (article 87) | The board may, on recommendation of the remuneration committee, appoint a CEO (par 26.3.6) |
| Remuneration of directors | The directors shall be entitled to such remuneration as may be determined by the company in general meeting (article 74) | Par 26.5.1 provides that **non-executive directors** shall be entitled to such remuneration for acting as directors as may be approved from time to time by a special resolution of the holders passed at a general meeting within the previous two years |
| Director acting in another capacity | No such provision exists in the Memorandum and Articles | A director may be employed in any other capacity in the company or as a director or employee of a company controlled by, or itself a subsidiary of, the company, and in such event the appointment and remuneration in respect of such other office must be determined by a disinterested quorum of directors (par 26.5.3) |
| Directors' reimbursement for other services and costs | Directors shall be entitled to be reimbursed for all travelling and other expenses, as well as for extra services rendered (article 75) | Directors will be paid for travelling and other expenses, and for other services rendered (par 26.5.4) |
| Rotation of directors | One-third of all directors shall retire at each annual general meeting and if the number is not a multiple of three, then the nearest number to, but not less than one third, shall retire (article 83) A managing director shall not be subject to rotation during the period of his contract (article 87.2) | The same provision will apply, but rotation will be confined to non-executive directors (par 26.6.1) |
| Takeover regulations | No such provision exists in the Memorandum and Articles | The Takeover Regulations in the Act shall apply to the company (par 27) |
| Business rescue | No such provision existed in the Memorandum and Articles | A few provisions in respect of this new process are set out in par 28 |
| Whistle-blowers | No such provision exists in the Memorandum and Articles | The protection of whistle-blowers is established in par 30.1 |
| Shareholders' meetings | Meetings of members are regulated by articles 48 to 63 | Schedule 1 regulates shareholders' meetings |
| Record date | Indirectly referred to in article 69 | The record date for purposes of determining shareholder rights shall be determined in terms of the JSE Listings Requirements (Schedule 1 par 4.1) |

| Theme or paragraph | Existing regime in Memorandum and Articles | Proposed regime in MOI |
|---|---|---|
| Round robin resolution of shareholders | No such provision exists in the Memorandum and Articles | Not allowed if resolution is required in terms of JSE Listings Requirements (par 5.4) |
| Electronic participation in shareholders' meetings | No such provision exists in the Memorandum and Articles | New arrangement provided for in Schedule 1 par 8 |
| Notice period for annual general and other general meetings | 21 clear days' notice is required for an annual general meeting and 14 clear days' written notice for any other general meeting (article 51) | A shareholders' meeting for the company shall be called by at least 15 business days' written notice. This period is the same for the annual general meeting and any other general meeting (Schedule 1 par 9) |
| Quorum requirement at a general meeting | 3 members personally present and entitled to vote (article 55) | Sufficient persons to exercise in aggregate 25% of all the voting rights (Schedule 1 par 12.1) |
| Automatic postponement of a general meeting if no quorum | No such provision exists in the Articles | One week (Schedule 1 par 13) |
| Adjournment of meeting | Chairman may adjourn (article 63) | Between 15 and 30 days after meeting (Schedule 1 par 20) |
| Chairperson's casting vote at general meeting | Not allowed (article 58) | Not allowed (Schedule 1 par 23.4) |
| Special resolution | Defined in Companies Act, 1973, as at least 75% of the votes cast by all shareholders present in person or represented by proxy | Must be passed by at least 75% of the votes cast by all shareholders present in person or represented by proxy (article (a)(xxi)) |
| Board meetings | Proceedings of directors are set out in articles 90 to 97 | Schedule 2 regulates directors' meetings |
| Electronic participation | The Articles of Association contain no such arrangement | The pre-requisites for electronic participation are set out in Schedule 2 par 3 |
| Quorum | Two directors (article 90) | A majority of the board (Schedule 2 par 6.1) |
| Automatic postponement of a general meeting if no quorum | No such provision exists in the Articles | One week (Schedule 2 par 8) |
| Deemed quorum | No such provision exists in the Articles | At postponed or adjourned meeting, the directors present will be deemed to constitute a quorum (Schedule 2 par 12) |
| Continuing quorum | No such provision exists in the Articles | Required (Schedule 2 par 13) |
| Chairman's casting vote | In case of an equality of votes, the Chairman will have a casting vote (article 91) | In case the vote is tied, the Chairman will have a casting vote (Schedule 2 par 15.4) |
| Round robin resolutions by board | Provided for (article 94) | Provided for (Schedule 2 par 18) |

**Litigation statement**

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 12 months, a material effect on the financial position of the Company or its subsidiaries.

## Material change

Other than facts and developments reported on in the annual report, 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 3 of the annual report, 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.

## Statement in terms of section 62(3)(e)

Shareholders holding certificated shares and shareholders holding shares in dematerialised form in "own name":

- may attend and vote at the general meeting; alternatively
- may appoint an individual as proxy (who need not also be a shareholder of the Company) to attend, participate in and speak and vote in your place at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the transfer secretaries by no later than 10:00 on Thursday, 8 August 2013. Alternatively, the form of proxy may be handed to the Chairman of the annual general meeting at any time prior to the commencement of the annual general meeting. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Please also note that the attached form of proxy must be delivered to the transfer secretaries or handed to the chairman of the annual general meeting before your proxy may exercise any of your rights as a shareholder of the Company at the annual general meeting.

  Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the Companies Act requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) must provide satisfactory identification before they may so participate.

## Notice to owners of dematerialised shares:

Please note that if you are the owner of dematerialised shares held through a CSDP or broker (or their nominee) and are not registered as an "own name" dematerialised shareholder then you are not a registered shareholder of the Company, but your CSDP or broker (or their nominee) would be.

Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker, as the case may be:

- if you wish to attend the annual general meeting you must contact your CSDP or broker, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the annual general meeting but wish to be represented at the annual general meeting, you must contact your CSDP or broker, and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You must **not** complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, within the time period required by your CSDP or broker.

CSDP's, brokers or their nominees, as the case may be, recorded in the Company's register as holders of dematerialised shares should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the transfer secretaries by no later than 10:00 on Thursday, 8 August 2013. Alternatively, the form of proxy may be handed to the chairman of the annual general meeting at any time prior to the commencement of the annual general meeting.

## Voting at the annual general meeting:

In order to more effectively record the votes and give effect to the intentions of shareholders, voting on all ordinary and special resolutions will be conducted by way of a poll.

# 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 in the Board Room,1st Floor, 198 Oxford Road, Illovo at 10:00 on Wednesday, 14 August 2013 ("the Annual General Meeting").**

I/We (full name) ______________________________

of ______________________________ (address)

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

1. ______________________________

2. ______________________________

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 2012 | | | |
| 2. | Re-appointment of Mr VP Garg as a director of the Company | | | |
| 3. | Confirm the appointment of Mazars as independent auditors | | | |
| 4. | Confirm the appointment of Mr S Vorster as designated auditor | | | |
| 5. | Authorise the directors to determine the auditor's remuneration | | | |
| 6. | Ordinary Resolution Number 1 authorising the appointment of an Audit and Risk Committee in terms of section 94(2) | | | |
| 7. | Special Resolution Number 1 authorising the directors to remunerate non-executive directors for services rendered | | | |
| 8. | Ordinary Resolution Number 2 regarding placing the unissued ordinary shares under the directors' control | | | |
| 9. | Special Resolution Number 2 approving the rendering of financial assistance to Group companies | | | |
| 10. | Ordinary Resolution Number 3 regarding a general authority to issue shares for cash | | | |
| 11. | Special Resolution Number 3 granting a general authority for the Company and/or its subsidiaries to acquire its own shares | | | |
| 12. | Special Resolution Number 4 approving and adopting Memorandum of Incorporation | | | |
| 13. | Ordinary Resolution Number 4 advisory endorsement of remuneration policy | | | |
| 14. | Ordinary Resolution Number 5 authorising any director or the Company Secretary to sign documents to effect all the ordinary and special resolutions | | | |

Signed at ______________ on this ______________ day of ______________ 2013

Signature ______________________________

Assisted by me (where applicable) ______________________________

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

**Notes:**

1. Each shareholder is entitled to appoint one or more proxies (none of whom need to be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.

2. Shareholder(s) that are certificated or own name dematerialised shareholders may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting 'the chairman of the Annual General Meeting', but any such deletion must be initialled by the shareholder(s). The person whose name stands 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 follows. If no proxy is named on a lodged form of proxy the chairman shall be deemed to be appointed as proxy.

3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the chairman, to vote or abstain from voting as deemed fit and in the case of the chairman to vote in favour of any resolution.

4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.

5. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Where there are joint holders of shares, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.

6. The chairman of the Annual General Meeting may reject or accept any form of proxy which is completed and/or received, otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairman is satisfied as to the manner in which the shareholder concerned wishes to vote.

7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company or the transfer secretaries or waived by the chairman of the Annual General Meeting.

8. Any alteration or correction made to this form of proxy must be initialled by the signatories.

9. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

10. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.

11. Completed forms of proxy must be sent to:

    **Mailed:**
    Computershare Investor Services (Pty) Limited
    PO Box 61051
    Marshalltown
    2107

    **Hand delivered:**
    Computershare Investor Services (Pty) Limited
    Ground Floor
    70 Marshall Street
    Johannesburg, 2001

    to be received by no later than 10:00 on Friday, 2 August 2013.

## ADMINISTRATION

**SOUTH AFRICAN COAL MINING HOLDINGS LIMITED**
(Incorporated in the Republic of South Africa)
Registration number 1994/009012/06
JSE code: SAH
ISIN: ZAE000102034

**Directors**
QMSM Mokoetle (Chairman)
DGA Miller (Acting CEO/CFO)
VP Garg
PP Menon

**Registered office**
1st Floor, 198 Oxford Road
Illovo, Sandton
PO Box 55190
Northlands, 2196
Telephone: +27 (0)10 001 9460

**Company Secretary**
Patricia Smit
3rd Floor, 198 Oxford Road
Illovo, Sandton

**Banker**
The Standard Bank of South Africa Limited

**Sponsor and Designated Advisor**
Exchange Sponsors (2008) Proprietary Limited
Registration number 2008/019553/07
44A Boundary Road, Inanda
PO Box 411216
Craighall, 2024

**Transfer secretaries**
Computershare Investor Services Proprietary Limited
Registration number 2004/003647/07
Ground Floor
70 Marshall Street
Johannesburg
PO Box 61051
Marshalltown, 2107

**Auditors**
Mazars
Mazars House
5 St Davids Place
Parktown
PO Box 6697
Johannesburg, 2000

## SHAREHOLDERS' DIARY

| | |
|---|---|
| Annual General Meeting | 14 August 2013 |
| Financial year-end | 31 December |
| Annual financial statements issued | June |
| Interim results announcement | September |
| Provisional results announcement | March |