South African Coal Mining Holdings Limited

(Registration number 1994/009012/06)

Integrated Annual Report 2011

CONTENTS

COMPANY OVERVIEW

South African Coal Mining Holdings Limited (SACMH) was formed in 2006 and was listed on the JSE Limited (JSE) on 20 August 2007.

SACMH is a junior coal producer with operations situated at Umlabu Colliery in the Ermelo/Breyten district of the Mpumalanga Province of South Africa, with sidings available for transport of product from the Umlabu and Blinkpan Sidings. The new order mining right covers the farms situated on the farms Mooifontein, Vlakfontein, Voorslag and Sterkfontein.

Total annual Run of Mine (ROM) and plant throughput are 811 000 and 1 080 000 tons per annum, respectively.

Staff complement, own employees and contractors at 31 December 2011 totalled 185.

The Board consisted of non-executive directors and two executive directors at the end of the financial year. At the time candidates were being interviewed for the post of independent non-executive Chairman, which appointment was finalised in February 2012.

Customers during the year under review included Vitol, Cargill and BHP Billiton.

SACMH was placed on care and maintenance in April 2009 and was followed by a complete overhaul of the Company in 2010. SACMH has committed itself to deliver a world-class export quality product through a comprehensive and sustainable turnaround strategy spear-headed by senior management. This includes the re-assessment of geological resources and the upgrading of equipment, in addition to a dedicated rehabilitation programme.

SCOPE AND BOUNDARIES OF THIS REPORT

This is the first integrated annual report produced by SACMH which 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.

As a junior miner that has only recently started operations, we continue to find our feet and endeavour to adhere to all of our reporting requirements. Our first integrated report aims to set out the broader aspects and frameworks of our integrated reporting based on what we believe is relevant to our stakeholders. We look forward to expanding on these themes as we develop our understanding of the needs of the stakeholders.

ACHIEVEMENTS DURING THE YEAR

Financial

- Turnover achieved was R347 million at an average selling price of US$109,63 per ton.

Safety

- An excellent safety record was achieved during the year under review, despite working in start-up conditions, with no fatalities, reportable or lost time injuries being recorded. Only two dressing station cases had been reported.
- 1 298 and 99 526 fatality free production shifts and man shifts, respectively, were recorded.

Production records

- Production volumes peaked at 99 000 tons ROM in November 2011, averaging at 77 000 ROM for the second half of the year.
- 811 000 tons of ROM was produced.
- Wash plant production of 362 000 tons was achieved.
- Sales of 425 000 tons were made to the export market during the year.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

Dear stakeholder

The Chairman's and Chief Executive Officer's report has been combined because, at the time of reporting, the Group had not yet appointed a replacement for Mr Thabo Mokgatlha, who resigned as Chairman following the acquisition by JSW Energy Natural Resources South Africa Proprietary Limited (JSW), a subsidiary of JSW Energy Limited (a company listed on the Indian Stock Exchanges), of the Royal Bafokeng Holdings shareholding in SACMH by the acquisition of its holdings in Royal Bafokeng Capital Proprietary Limited (RBC) and Mainsail Trading 55 Proprietary Limited (Mainsail).

Mr Solly Mokoetle joined the Board as independent non-executive Chairman on 7 February 2012.

Items traditionally covered in the Chairman's report will, therefore, be covered in this report.

Operational and financial performance

The Group is a junior coal producer with operations in the Ermelo Coalfield, located between Ermelo/Breyten in Mpumalanga Province of South Africa. The Group owns the Umlabu Colliery over which a mining right is held, a Coal Processing Plant, the Voorslag Rail Siding as well as Phase V and Quattro export allocation. The Group's main business is to mine and produce RB1 export quality coal, which it exports mainly through the Richards Bay Coal Terminal (RBCT).

It has been a notable achievement in that the mining operations recommenced in the third quarter of 2010 and, in the space of just over one year, 425 000 tons of finished product was exported, resulting in revenue of R347 million. In addition, a highly successful safety record has been notched up for the 2011 year, with zero fatalities and lost time injuries. This achievement is recognised, with the backdrop of some significant legacies inherited from the past operations.

As mentioned in the Directors' report, the mining experience was poor, particularly, in the first half of the year; the underlying resource providing continuing challenges and difficulties.

During the year management embarked upon a comprehensive 'clean up' of resource management and evaluation and regulatory compliance. This resulted in a comprehensive review and evaluation of the resource which, *inter alia,* comprised an in-fill drilling programme and analysis and culminated in the production of the SRK Independent Engineers' Report (IER) issued in May 2012.

While a better understanding of the resource, resulted in improved operational management, mining the resource continued to be challenging; it has been disappointing to note how significant the potential differences are between the previous SRK reports and the 2012 IER, reflecting both depreciation in quantity and quality of the resource.

Regulatory matters

The management of the Group have systematically moved through a range of regulatory compliance processes and concomitant requirements to reposition the operations for its current and future mining requirements. This has been a significant task, in the light of a number of deficiencies and gaps from the previous operations. Solid progress has been achieved in key processes.

The JSE suspended the trading of the Company's securities on 2 May 2012 due to the late submission of the Provisional Report which was published on 5 June 2012. As a result of the issue of a disclaimed opinion by the auditors in respect of the Group's ability to continue as a going concern and a material uncertainty regarding of the valuation of the mining rights in the provisional results in terms of section 3.25(d)(ii) of the JSE listings requirements the JSE is considering the listing of the Group. Revised reviewed condensed provisional annual results for the year ended 31 December 2011 were announced on 6 July 2012 and contained an unmodified audit opinion with an emphasis of matter paragraph regarding the going concern status of the Group and on subsequent events.

Market conditions

The trend of coal export prices at RBCT for the 2011 year has been buoyant, supported by Chinese and Indian demand with API4 prices reaching levels as high as US$123 per ton; prices, however, traded down in the last quarter reaching an average price of US$104 per ton during December 2011. Post-year-end, however, US supply has flooded the European market, overstocking in China and the weaker global economic environment has dampened demand and a Rand downward trend in the API4 has been experienced in the second quarter of 2012. The long-term trend for prices, however, remains positive, with the long-term forecast being above US$100 per ton. There has been some mitigation to the lower export price, due to the weakening Rand; however as SACMH is highly sensitive to the swings in commodity prices, management has embarked on a substantive cost-reduction programme.

Black Economic Empowerment (BEE)

The exit of Royal Bafokeng at the end of October 2011, resulted in the need for the Company to re-establish its BEE credentials. As JSW were required to purchase Royal Bafokeng's shareholding in the business, they have been the major shareholder in SACMH. JSW have awaited the completion, of the resource evaluation programme before embarking on a process to engage new BEE shareholders.

A process to invite bids from qualified candidates has been started by JSW in June 2012. The Board has been informed that a meaningful number of qualified parties are involved and it is expected that this process will reach maturity by end of August 2012, subject to any regulatory requirements.

Future prospects

While the resource within SACMH proves to be challenging, SACMH has a set of strategic logistics assets which are meaningfully unutilised. A strategic transaction to unlock these assets is an important part of the strategy looking forward. The potential BEE transaction, in respect of the specific counterparties, may well contain such an element and provide a structured solution to the challenges facing the Group.

Further evaluation of the resource is ongoing with the aim to optimise the full extent of the resource, in particular mining the C Upper and C Lower Seams in the new mining area, being an important evaluation to sustain the future LOM quantities and qualities. In this instance an engineering study to evaluate the economic means to extract this will be conducted by SACMH, with the assistance of JSW.

Appreciation

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

QMSM Mokoetle
Chairman

AJL Rayment
Chief Executive Officer

6 July 2012

CORPORATE GOVERNANCE REPORT

The Company is a public company listed on the JSE. The Company complies with the JSE listings requirements, applicable statutes, regulatory requirements and other authoritative directors regulating its conduct. In addition, SACMH abides by the principles set out in the King Report on Corporate Governance in South Africa 2009 (King III) which apply to all companies listed on the JSE with significant exceptions highlighted below:

King III application

Requirements of King III	Company's present position
Composition of the Board	During the year under review the only independent non-executive director and the non-executive directors representing shareholders resigned from the Board and the remaining Board members and the majority shareholder undertook an exercise to address the imbalance which occurred. An additional non-executive director was appointed to represent the major shareholder and an independent non-executive Chairman was appointed.
Audit and Risk Committee	Following the resignation of Mr Neil Gardyne in January 2011 and the changes taking place at shareholder level, the matters managed by the Audit and Risk Committee were considered by the Finance Committee and on a 'full Board basis'. The Board has now approved the appointment of members of the committee, the details of which are set out on page 6.
Remuneration and Nomination Committee	No formal meetings of the Remuneration and Nomination Committee were held during the year. The full Board was involved in the assessment of candidates for the position of independent non-executive director and Chairman. The recomposition of the Remuneration and Nomination Committee has been tabled for consideration by the Board.
Remuneration policy	Mindcor Consulting was appointed to prepare a framework for remuneration of executives during the year and has been presented to the Board for consideration. The Board approved an increase in non-executive directors' fees and the proposed fee structure will be submitted for shareholder approval at the annual general meeting.
IT governance	The Syspro system was implemented during the year under review. This system will assist in the management of risk in the Group.

Board composition

Details of the composition of the Board are set out on page 12.

Independence

The Board believes that the independent non-executive director and non-executive directors are of the appropriate independence, 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 Mokoetle was appointed by the Board on 7 February 2012 and the Board is of the opinion that he has the necessary strength of character to assert the required independence when decisions are taken.

Board Charter

An updated Board Charter was presented to the Board for consideration and comment at the Board meeting held on 29 March 2012.

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 Information Technology (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 stakeholders' 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.

Retirement by rotation

SACMH'S MOI calls for one-third of the previously elected directors to retire by rotation at each annual general meeting. Messrs VP Garg and DGA Miller are required to retire by rotation at the next annual general meeting and, being eligible, have made themselves available for re-election.

Directors co-opted to the Board since the last annual general meeting hold office until the conclusion of the next annual general meeting and are required to seek election, should they so wish, as directors. Messrs PP Menon and QMSM Mokoetle are required to be re-elected at that meeting.

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

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 because of the numerous changes which occurred during the year under review. The next assessment will be conducted in 2013.

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 Committee

Members: PP Menon (Chairman), VP Garg and QMSM Mokoetle

The Audit Committee which was formed on 29 May 2012 comprises two non-executive directors and one independent non-executive director all of whom meet the requirements of sections 94(4) and (5) of the Act.

Remuneration and Nomination Committee

Details are set out in the remuneration report on page 11.

Social and Ethics Committee

The Social and Ethics Committee will be formed in terms of the Act once the BEE transaction has been completed. A draft terms of reference has been prepared and will be considered by the said committee at its first meeting, prior to submission to the Board for approval.

The committee will be 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: AJL Rayment (Chairman), VP Garg, R Hugo, DGA Miller and G Murray.
- Finance Committee: AJL Rayment (Chairman), RM Chivinge, PP Menon, DGA Miller, 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

As the Group does not have an internal audit function the internal auditors of the ultimate holding company of SACMH, JSW Energy Limited, India, were engaged to conduct a review of the controls and systems of SACMH. Following the completion of the review, a report setting out areas needing attention was submitted to management and action to address all shortcomings was introduced and completed. This type of review will be regularly conducted by the JSW internal audit team as long as JSW remains the majority shareholder.

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.

Dealings in securities and insider trading policy

In order to ensure that directors, 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, arranging meetings of the Board, Board committees and the shareholders of the Company.

Advice and information

Information provided to the Board and its committees is derived from external sources and internally from minutes, plans and reports. No 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 held on 29 March 2012 for consideration and adoption.

Code of Ethics

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

In adhering to its Code of Ethics the Board is guided by the following broad principles:

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

Annual general meeting

The notice of annual general meeting is set out on pages 62 to 66.

Sponsor

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

Mine works programme

Following the recommencement of mining and production activities, an assessment of mining resources was conducted and an independent engineer's report prepared. The life of mine plan has been completed and an amended environmental management plan, mine works programme and social and labour plant were submitted to the Department of Mineral Resources in October 2011 and April 2012, respectively.

Labour relations

The Group subscribes to the principle of freedom of association. During 2010 the Company commenced employing staff and contracts in order to recommence operations. Employees initially decided not to engage with management through the formation of a Bargaining Forum. However, employees have subsequently decided to join a union and negotiations are currently under way to formalise the relationship between management and the National Union of Mineworkers (NUM).

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 Historically Disadvantaged South African (HDSA) employees, especially women, are developed. Umlabu has appointed Jaline Training and Consulting Services, who have identified women with potential for development and have 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).

The Group has submitted its employment equity report as required by the relevant Act. Training of staff is ongoing.

Environmental performance

The Integrated Water Use Licence Application (IWULA) for the new Voorslag mine has been compiled and submitted to the Department of Water and Forestry (DWAF) after a comprehensive wetlands study was performed.

A rehabilitation programme has been formalised, historical backlog rehabilitation commenced and is progressing very well. The Group's environmental liability was of the order of R51 million which included all historical liabilities. Current and historical rehabilitation is ongoing. All opencast operations had ceased and future mining would be mainly underground which has a lesser impact on the environment in terms of aesthetics, soil, vegetation, surface water, noise, dust and lighting.

Broad-based Black Economic Empowerment (BBBEE)

Royal Bafokeng Holdings, through a holding in Royal Bafokeng Capital Proprietary Limited, and Mainsail Trading 55 Proprietary Limited, sold their interests in the Group at the end of October 2011 to JSW the current majority shareholder of the Group. A process commenced in June 2012 to engage new BBBEE shareholders. This process will have reached maturity by the end of August 2012.

Skills development/Succession planning

Jaline Training and Consulting Services was 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. MMTI has been engaged to provide training on Electrical, Fitter an Boilermaker apprenticeships as well as Coal Preparation Training.

Corporate social investment

The Group implemented various initiatives during the year 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 the local Ward Committee of Ward 13;
- a tuck shop which had been set up and was operating successfully;
- a garden service;

- donation to Highveld Tourism;
- white magnetic board to SAPS;
- June 16 Sports against Crime campaign;
- donation of the black wattle trees to the community;
- provision of grazing land to neighbouring farmers;
- sponsored the Msukaligwa Municipality Job Summit;
- relocated and built three houses for the families;
- bought a hailer for SANCO;
- sponsored transport for the Ward Committees from Breyten to Ermelo; and
- upgraded the fence for the neighbouring farmers.

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

Preferential procurement

All procurement since the recommencement of operations 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.

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. An HIV/Aids awareness campaign is held annually.

Major shareholders and shareholder spread

The following non-public/public shareholders have a 4% (or more) interest in the issued share capital of the Company as at 31 December 2011:

Shareholder	**2011** ('000)	**(%)**	2010 ('000)	(%)
Royal Bafokeng Capital (Pty) Limited*	**244 583**	**54,1**	264 583	58,5
JSW Energy Natural Resources South Africa (Pty) Limited	**157 108**	**34,8**	94 361	20,9
Deutsche Bank (Pty) Limited	**–**	**–**	42 243	9,3
Mainsail Trading 55 (Pty) Limited*	**20 000**	**4,4**	20 000	4,4
	421 691	**93,3**	421 187	93,1

* *On 1 November 2011, JSW Energy Natural Resources South Africa (Pty) Limited acquired the entire issued share capital of Royal Bafokeng Capital (Pty) Limited and Mainsail Trading 55 (Pty) Limited from Royal Bafokeng Holdings resulting in it having an effective, direct and indirect, holding in SACMH of 93,3% of the total issued share capital of the Company.*

Shareholder	**2011** ('000)	**(%)**	2010 ('000)	(%)
Non-public				
Royal Bafokeng Capital (Pty) Limited	**244 583**	**54,1**	264 583	58,5
JSW Energy Natural Resources South Africa (Pty) Limited	**157 108**	**34,8**	94 361	20,9
Mainsail Trading 55 (Pty) Limited	**20 000**	**4,4**	20 000	4,4
Strider Holdings (Pty) Limited	**–**	**–**	16 752	3,7
	421 691	**93,3**	395 696	87,5
Public shareholders	**30 763**	**6,7**	56 758	12,5
	452 454	**100,0**	452 454	100,0

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**

Shareholder spread at 31 December 2010

	Number of shares	Percentage	Number of shareholders	Percentage of total
0 – 1 000	154 409	0,03	519	57,10
1 001 – 10 000	1 082 287	0,24	306	33,66
10 001 – 100 000	2 108 965	0,47	67	7,37
100 001 – 500 000	2 492 363	0,55	9	0,99
500 001 – 1 000 000	555 179	0,12	1	0,11
1 000 001 +	446 061 001	98,59	5	0,77
	452 454 204	100,00	907	100,00

Interests of directors

The are no direct, indirect and deemed interests of the directors of the Company in the issued share capital of the Company at 31 December 2011.

Role of the Remuneration and Nomination Committee

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 also 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 BEE 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 Company's 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.

The committee is required to meet at least twice each year.

During the year under review Mindcor Consulting was appointed to prepare a reward and remuneration policy, which includes key performance areas, for executives and management. The proposal has been submitted to the Board for consideration.

Composition of the Remuneration Committee

Due to the changes to the Board during the year under review, appointments to the committee were delayed pending the recomposition of the Board following a successful engagement with a new BEE partner.

The appointment of Mr PP Menon to the Board was as a result of a nomination by the majority shareholder. Several potential candidates for the appointment of the independent non-executive Chairman were considered and interviewed by the Board and the appointment of Mr QMSM Mokoetle was made following the completion of this process.

Terms of reference

The terms of reference, which have been updated, will be submitted to the Board for consideration and approval following the engagement with a new BEE partner.

Service contracts

All executive directors, prescribed officers and employees have employment contracts with stipulated notice periods by either party. Executive directors are not paid by the Company for their services and duties as directors of the Company. 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.

There are no other service contracts between the Company and its executive directors.

Non-executive directors' fees

As non-executive directors' remuneration have remained unchanged since 2007, levels of remuneration were reconsidered during the year and compared with companies of similar size. An increase was proposed to the Board and the Board has been authorised to remunerate directors for services rendered as directors at the annual general meeting held on 18 August 2011. The following increases were approved with effect from 1 January 2012:

	2011 fees	2012 fees	
	Annual R	Annual R	Per meeting R
Board			
Chairman	**100 000**	**130 000**	**10 000**
Member	**80 000**	**104 000**	**7 500**
Audit and Risk Committee			
Chairman	**10 000**	**30 000**	**10 000**
Member	**7 500**	**17 500**	**7 500**
Other committees			
Chairman	**10 000**	**13 000**	**5 000**
Member	**7 500**	**9 750**	**3 500**

BOARD OF DIRECTORS

QMSM Mokoetle, Independent non-executive Chairman, MA Journalism

Mr Mokoetle was appointed to the Board as independent non-executive director and Chairman on 7 February 2012. He has more than 30 years' experience in senior management and at executive director level in the media industry, with extensive operational knowledge in spear-heading and leading multi-million Rand management projects.

AJL Rayment, Chief Executive Officer, BCom, IFM Dipl AMP (Oxon)

Mr Rayment was appointed to the Board as CEO in 2010. He has more than 19 years' experience in financial management and investment banking. He has served as Director, Head of Mergers and Acquisitions and an Independent Advisor at Ernst & Young. He has also held several other independent advisor positions to listed companies and was previously Head of Investment Banking in India for Rand Merchant Bank and Standard Bank.

DGA Miller, Chief Financial Officer, BCom, Dipl Accounting, CA(SA)

Mr Miller was appointed to the Board as CFO in 2010. He is a Member of The South African Institute of Chartered Accountants. He has experience in financial accounting which have 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 mid-2010 and has 23 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 JSW Group and strategises the acquisition of overseas coal mining assets, also co-ordinating the operation of JSW Energy's overseas mines.

PP Menon, Non-executive Director, CA India

Mr Menon was appointed to the Board as non-executive director in November 2011. He is the Chief Financial Officer of JSW Energy Limited, a company listed on the Indian Stock Exchanges. 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 17 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.

DIRECTORS' RESPONSIBILITY

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

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

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

The directors have made an assessment of the Group's and the Company's ability to continue as a going concern. The Group's going concern status has been underwritten by the support of JSW Energy Limited (a company listed on the Indian Stock Exchanges) and operating through its subsidiary JSW Energy Natural Resources South Africa Proprietary Limited supporting SACMH. JSW has confirmed, in writing, its firm intention to continue its financial support to the Company and has provided ongoing financial and technical support through the financial year. Refer to Directors' report for further detail.

The auditors are responsible for reporting on whether the Group and Company financial statements are fairly presented in accordance with IFRS and the requirement of the Companies Act of South Africa. Their report appears on pages 14 and 15.

The Group and the Company financial statements, as identified in the first paragraph, as set out on pages 17 to 59 and the report of the Audit Committee set out on page 16 were approved by the Board of Directors and are signed on its behalf by:

QMSM Mokoetle
Non-executive Chairman

AJL Rayment
Chief Executive Officer

6 July 2012

CERTIFICATE OF THE COMPANY SECRETARY

I hereby confirm that in respect of the financial year ended 31 December 2011 and in terms of section 88(2)(e) of the Companies Act, 71 of 2008, the Company has lodged with the Commissioner all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Patricia Smit
Company Secretary

Sandton
6 July 2012

REPORT OF THE INDEPENDENT AUDITORS

To the shareholders of South African Coal Mining Holdings Limited

We have audited the consolidated and separate financial statements of South African Coal Mining Holdings Limited (SACMHL or the Company) set out on pages 17 to 59 which comprise the statements of financial position as at 31 December 2011, and the statements of comprehensive income, the statements of changes in equity and statements of 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 consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of South African Coal Mining Holdings Limited as at 31 December 2011, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Emphasis of Matter – going concern

Without qualifying our opinion, we draw attention to the Directors' report to the financial statements which indicates that the Company incurred a net loss of R98,5 million for the year ended 31 December 2011 and, as at that date, the Company's total assets exceeded its total liabilities by R59,3 million. The Directors' report highlights the fact that 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 SACMHL. 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.

Emphasis of Matter – subsequent events – Life of Mine assessment and related impairments of Mineral Rights

We also draw your attention to the Directors' report in the annual financial statements that details the changes in the assumptions used to assess the mineral rights valuation at year-end. The main change is the forecasted coal price that has declined post-year-end as detailed in the Directors' report. The impact of this results in an estimated impairment of R106,7 million.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2011, 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 financial statements. These reports are the responsibility of the respective preparers. Based on reading these 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.

Deloitte & Touche.

Deloitte & Touche
Registered Auditors

Per M Ajoodha
Partner

6 July 2012

REPORT OF THE AUDIT COMMITTEE

This report is provided in respect of the 2011 financial year of the Group in compliance with section 94 of the Companies Act, 2008 (the Act).

As a result of the changes to the Board during the year, the Company delayed the appointment of an Audit Committee pending the reconstitution of the Board by the majority shareholder. The full Board, therefore, carried out the duties of the Audit Committee, meeting with internal and external auditors, in order to ensure that the functions of the Audit Committee were carried out during the year under review.

An Audit Committee has been formed, the details of which are set out on page 6.

Execution of the functions of the Audit Committee

The functions of the Audit Committee, which have been carried out by the full Board during the year under review, 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 Board 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 its 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; and
- nominated Deloitte & Touche as the external auditor and Mr M Ajoodha as the designated auditor to the shareholders for appointment for the financial year ending 31 December 2012. It will be Mr Ajoodha's fifth year as designated auditor of the Company;

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 has confirmed its firm intention to continue its financial support of SACMH during 2012;
- 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 auditors' 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;

in respect of internal control, internal audit, risk management and legal and regulatory requirements:

- considered JSW's internal audit team's recommendations to manage risks, internal control and legal and regulatory matters to ensure that the highest possible standards of governance were maintained.

The Audit Committee is satisfied that the Chief Financial Officer has the necessary expertise and experience.

DIRECTORS' REPORT

The directors have pleasure in presenting their report and audited financial statements for the year ended 31 December 2011. These financial statements have been prepared using appropriate accounting policies, conforming to International Financial Reporting Standards and the Companies Act of South Africa, 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

The prevalent scenarios and current level of operations compels the Group and its directors to pursue a comprehensive strategic solution for the business. The Company's logistics assets and export capacity have significant value and a number of strategic options are being investigated which would leverage and unlock this value.

The impending BEE transaction comprises a set of potential investors and counterparties that could well provide a comprehensive strategic solution. The process in this regard commenced in June 2012.

Results of operations

Mining operations and operational performance

The mining operations included both open cast and underground operations and had resumed in the latter part of 2010 as per the decision of the Board and shareholders. The mining experience in the first quarter was poor and a decision was made to implement a comprehensive resource evaluation programme.

The geological information available from the most recent Competent Person's Report (CPR) at the time from 2008, proved lacking and/or inaccurate in allowing effective and detailed mine planning to be implemented, given the nature of conditions. Additional infill drilling was undertaken (as part of the resource evaluation programme) in the open cast pit operation, to assist in managing mining operations more effectively. The benefits of this came to bear in the last five months of the financial year as more effective mining controls were implemented. Production volumes reached a peak of 99K tons Run of Mine (ROM) (2010: 32K) in November 2011, with an average of 77K tons for the second half of 2011. During the year under review, 811K tons (2010: 89K) of ROM was produced. The ROM has been processed to a RB1 specification (save for the inherent sulphur levels which was between 1,0% and 1,2% on average), with an expected average processing yield of 52%.

Despite improved mining controls, resulting in an improved production and cost consistency, geological losses remained high and negatively impacted on the cost per ton, in particular in respect of open cast operations.

A total of 425K tons (2010: Nil) of product was sold on the export market during the year, representing R337 million (2010: Nil) of revenue at an average selling price of USD109,63 per ton (2010: Nil), with a total of 361K tons (2010: 37K tons) having been produced from operations.

Logistics

The Group utilised all rail entitlement to Richards Bay Coal Terminal (RBCT) for the year. The Group's rail allocation to RBCT in terms of the Quattro allocation scheme administrated by the Department of Minerals and Resources was reduced to 157K tons (2010: 207K tons). An additional 30K tons of allocation was declared in terms of the Phase V agreement with RBCT at a cost of R2,7 million resulting in the total entitlement in terms of the Group's Phase V increasing to 100K tons per annum (2010: 70K tons). The total rail allocation available to the Group decreased to 257K tons (2010: 277K tons).

Holding company

The Company's holding company is JSW South Africa, which holds 93,3% of the total issued capital, 34,8% directly and 54,1% and 4,4% indirectly through is shareholding in Royal Bafokeng Capital (Pty) Limited and Mainsail Trading 55 (Pty) Limited, respectively.

Foreign exchange (losses)/gains

The Group continued to be financially supported by JSW Energy India during the year, *inter alia*, through a loan of USD22,9 million loan (2010: USD19,0 million) from a step-down subsidiary of JSW Energy. Changes in the Rand/Dollar exchange rate resulted in an unrealised loss of R31,4 million (2010 gain of: R3,8 million) on this loan outstanding at the year-end.

Exchange (losses)/gains on revenue totalled R0,7 million (2010: Nil) for the year.

Depreciation

Depreciation on the wash plant was accelerated during the year to reflect the reduced estimated useful life of the plant. In terms of the revised Mine Works Programme and Environmental regulations the plant is to be relocated in 2013. This has resulted in an increased depreciation cost of R13,6 million (2010: Nil).

Impairments

Impairments of R4,2 million (2010: Nil) have been provided to reduce the carrying value of unused mining assets to expected market values.

Amortisation of mining rights

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

Taxation

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

Asset management

Capital expenditure

Capital expenditure of R36,3 million (2010: R13,9 million) was incurred during the year. The upgrade to the wash plant was fully commissioned at a cost of R12,8 million during the year and development of the Vlakfontein open cast reserve was completed together with the recommencement of mining operations on the Mooifontein underground section at a cost of R14,3 million.

Assets held for sale

An agreement to dispose of land and buildings with a carrying value of R3,2 million held by Ilanga Coal Mines (Pty) Limited was concluded of during the year. The rehabilitation liability of R6,1 million included in liabilities held for sale will be assumed by the purchaser. The transfer of the property is expected to take place by 31 August 2012.

Mineral rights

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 there is any impairment of the value of the mineral right at year-end.

Investigations into the valuation have been completed, and reveal that the reduction in value of the mining right relate to the period subsequent to the reporting date and is dealt with under subsequent events within this report.

Significant assumptions

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

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:

- *Selling prices* – the API4 index as quoted by McCloskeys.
- *Foreign exchange* – the forecast USD/ZAR as forecast by 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 10,5%.

Rehabilitation costs

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

Going concern

The Group incurred a net loss of R98,5 million (2010: R10,0 million) and its total assets exceed total liabilities by R59,3 million (2010: R173,2 million).

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

In terms of the loan agreements with JSW Energy, the Group has undertaken not to accept repayment of its loan accounts until such stage as SACMH's assets, fairly valued, exceed its liabilities. These loans were previously included with other non-current liabilities.

In terms of the Group's Life of Mine (LOM) plan, operations are expected to produce positive cash flows after servicing of all debt and capital requirements, by 2015. The Group's major shareholder, 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 fulfils all regulatory requirements as prescribed by Indian legislation; and
- JSW remains the majority shareholder.

JSW has demonstrated its on-going financial 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.

Repayment of amounts due in terms of the Phase V investment agreement with RBCT are due in full by 31 December 2012. In this respect, the amount of R48,2 million (2010: R6,0 million) has been included with current liabilities.

Updated statement of reserves and resources

With reference to prior communications on this issue, where the Company stated that it had embarked on a comprehensive resource evaluation and exploration drilling programme, which commenced in April 2011, the Company can now state that the drilling programme with all related results and analysis was completed in February 2012. Approximately 280 additional core holes were drilled with over 70% wireline logged. All three target seams were analysed by an accredited laboratory in Middelburg.

The updated geological information as evaluated by SRK Consulting (SRK) in their Independent Engineer's report (IER) reflects a reduction in the Resource and Reserves estimates from GTIS of 41 mt and ROM tons of 25,7 mt as per the CPR prepared by SRK in 2008 to GTIS of 39 mt and ROM tons of 11,2 mt.

Management is undertaking a full evaluation of the IER together with every aspect of the resource to identify opportunities to further maximise the economical extraction through detailed engineering and feasibility studies which will include:

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

Financing activities

JSW

During the year a further R27,1 million (2010: R19,1 million) was advanced by JSW to finance the upgrades to the wash plant and to supplement working capital requirements. The shareholder continues to provide ongoing financial support to the Group.

The loan from Mainsail Investments was acquired by JSW during the year as part of the put option exercised by Royal Bafokeng Holdings on 31 October 2011. JSW has elected not to convert the loan to equity, the loan has been disclosed as a long and short-term interest-bearing liability in the current period.

Subsequent events

The following events have occurred subsequent to the reporting date:

Funding

JSW Energy has made a further R14 million of funds available to replace Standard Bank's short-term facilities.

Mining operations

Environmental approval for the mining of the Voorslag area has been applied for from the Department of Water Affairs. As indicated in the announcement released on 18 April 2011 via SENS, the delays in the approval process, has resulted in a reduction in production levels, as the Vlakfontein opencast operations were completed during the month of March 2012. The Company is embarking on cost-reduction exercises to mitigate this situation.

Mineral rights

The Group assesses at reporting date whether there is objective evidence that either a financial asset or a group of financial assets is impaired. The expected economic gain that is expected from the Group's investment in the mining right is estimated based on information available at reporting date and includes forecasts of future costs and returns.

The estimated future 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:

	As at	
Index	**31 December 2011**	**15 June 2012**
Coal Export Price – API4 forecast 2012	**USD108,55**	**USD85,08**
– AP14 forecast 2013	**USD111,08**	**USD93,85**
– AP14 forecast after 2013	**USD116,13**	**USD101,73**
SA Rand/US Dollar exchange rate	**R8,01**	**R8,35**

The impact of these changes on the estimated future economic benefit of the mining right would have resulted in an impairment of R106,7 million if applied at the reporting date.

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

Mr GM Scrutton resigned as a non-executive director on 1 February 2011.

Dr V Lickfold, an independent non-executive director, was due for re-election by rotation as a director at the annual general meeting held on 18 August 2011. Due to increased responsibilities and commitments she advised that she would not be available for re-election at the latter meeting.

Mr LM Ndala resigned as a director on 31 August 2011 due to increased commitments at Royal Bafokeng Holdings.

Mr TV Mokgatlha, resigned as Chairman and as a director of the Board on 2 November 2011, following the acquisition by JSW of the entire shareholding of the Royal Bafokeng Group.

Mr PP Menon, a representative of JSW, the majority shareholder in the Company, was appointed as non-executive director on 16 November 2011.

Mr QMSM Mokoetle was appointed as an independent non-executive director and Chairman of the Board on 7 February 2012.

Meetings of directors and Board committees

Meetings held during the period 1 January to 31 December 2011 are as follows:

	Main Board
Non-executive Chairman	
TV Mokgatlha (resigned 2 November 2011)	4/4
Independent non-executive director	
V Lickfold (resigned 18 August 2011)	4/4
Non-executive directors	
VP Garg	3/4
LM Ndala (resigned 31 August 2011)	4/4
PP Menon (appointed on 16 November 2011)	–
GM Scrutton (resigned 1 February 2011)	1/1
Executive directors	
DGA Miller	4/4
AJL Rayment	4/4

Directors' emoluments

2011

Rand	**Directors' fees**	**Basic salary**	**Private use of motor vehicle**	**Medical aid**	**Pension**	**Other**	**Total**
Directors							
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**
R Hugo	**–**	**555 000**	**44 719**	**–**	**–**	**6 964**	**606 683**
D Slabbert	**–**	**570 000**	**–**	**–**	**–**	**–**	**570 000**

Preparer of the integrated report

The preparation of the consolidated and separate financial statements for the year ended 31 December 2011 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.

2010

Rand	Directors' fees	Basic salary	Bonus and performance related payments	Private use of motor vehicle	Medical aid	Housing allowance	Other	Total
Directors								
TV Mokgatlha	110 000	–	–	–	–	–	300 000	410 000
AJL Rayment	–	133 000	–	–	–	–	–	133 000
DGA Miller	–	250 000	–	–	–	–	–	250 000
WN Gardyne	115 000	–	–	–	–	–	–	115 000
VP Garg	45 000	–	–	–	–	–	–	45 000
KJ Gribnitz	18 000	–	–	–	–	–	–	18 000
V Lickfold	100 000	–	–	–	–	–	–	100 000
P Kotze	–	404 000	–	–	–	–	–	404 000
LM Ndala	110 000	–	–	–	–	–	–	110 000
GM Scrutton	–	750 000	–	–	–	–	–	750 000
Prescribed officer	–	–	–	–	–	–	–	–
D Slabbert	–	1 010 000	–	–	–	–	_	1 010 000

Directors' shareholding

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

External auditors

Deloitte & Touche (Deloitte) continued in office as external auditors of the Company. At the annual general meeting, shareholder approval will be sought for the re-appointment of Deloitte as SACMH's external auditors for the 2012 financial year and confirmation of Mr M Ajoodha as the designated auditor.

Company Secretary

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

Business address: 3rd Floor, 198 Oxford Road, Illovo, Sandton, 2196

Postal address: PO Box 55190, Northlands, 2116

The Board has assessed the qualifications, competence and expertise of the Company Secretary and are satisfied that her 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 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

Special resolutions were passed at the annual general meeting of shareholders held on 18 August 2011 with regard to general authority to directors to remunerate directors for services rendered, approving the rendering of financial assistance to Group companies and enable the Company to acquire its own shares.

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2011

	Notes	Group 31 Dec 2011 R'000	Group 31 Dec 2010 R'000	Company 31 Dec 2011 R'000	Company 31 Dec 2010 R'000
ASSETS					
Non-current assets		**525 715**	537 204	**51 376**	51 376
Property, plant and equipment	5	**111 360**	111 003	**876**	876
Intangible assets	6	**407 130**	421 666	**43 275**	45 965
Investments and investments in subsidiaries	7	**7 225**	4 535	**7 225**	4 535
Current assets		**58 731**	67 717	**16 614**	21 320
Inventories	10	**22 349**	44 286	**–**	–
Trade and other receivables	11	**35 681**	17 957	**–**	–
Group loans	9	**–**	–	**16 614**	21 320
Cash and cash equivalents		**701**	5 474	**–**	–
Current assets held for sale	8	**3 242**	–	**–**	–
Total assets		**587 688**	604 921	**67 990**	72 696
EQUITY AND LIABILITIES					
Capital and reserves		**59 384**	173 166	**(107 385)**	(62 956)
Issued capital and premium	12	**233 885**	233 885	**233 885**	233 885
Accumulated loss		**(174 501)**	(75 965)	**(341 270)**	(312 087)
Shareholders' loan		**–**	15 246	**–**	15 246
Non-current liabilities		**380 820**	372 420	**112 520**	122 153
Interest-bearing liabilities	13.1	**989**	47 943	**–**	44 619
Shareholders' loan	13.2	**213 353**	128 619	**103 907**	68 921
Non-interest-bearing liabilities	13.3	**34 800**	46 600	**–**	–
Non-current provisions	14	**34 540**	45 772	**–**	–
Deferred taxation	15	**97 138**	103 486	**8 613**	8 613
Current liabilities		**141 324**	59 335	**62 855**	13 499
Trade and other payables	16	**39 416**	27 066	**540**	1 984
Short-term borrowings		**–**	7 012	**–**	–
Group loans	9	**–**	–	**14 160**	5 428
Current portion of interest-bearing liabilities	17.1	**50 483**	8 737	**48 155**	6 087
Current portion of non-interest-bearing liabilities	17.2	**18 200**	11 400	**–**	–
Current portion of provisions	14	**16 001**	5 120	**–**	–
Bank overdraft	18	**17 224**	–	**–**	–
Current liabilities held for sale	8	**6 160**	–	**–**	–
Total equity and liabilities		**587 688**	604 921	**67 990**	72 696
Number of shares in issue ('000)		**452 454**	452 454		
Net asset value per share (cents)		**13,12**	38,27		
Tangible net asset value per share (cents)		**(54,34)**	(31,83)		

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

		Group		Company	
	Notes	**31 Dec 2011 R'000**	31 Dec 2010 R'000	**31 Dec 2011 R'000**	31 Dec 2010 R'000
Revenue	19	**347 338**	18 810	**–**	–
Cost of sales		**(341 039)**	(7 444)	**–**	–
Gross profit		**6 299**	11 366	**–**	–
Other (losses) and gains		**–**	(1 247)	**–**	161
Foreign exchange (loss)/gain		**(31 481)**	3 781	**(15 784)**	1 213
Net impairment/(charge reversed) of assets	20	**(4 226)**	385	**(5 563)**	(70 595)
Loss on sale/scrapping of assets		**(852)**	(11 150)	**–**	–
Depreciation		**(28 352)**	(10 877)	**–**	–
Amortisation of mining right		**(11 846)**	(1 340)	**–**	–
Rehabilitation provision	14	**(5 809)**	(296)	**–**	–
Operating expenses		**(17 412)**	(24 985)	**(504)**	(1 717)
Operating loss before finance costs and taxation	21	**(93 679)**	(34 363)	**(21 851)**	(70 938)
Finance costs	27.2	**(12 881)**	(11 683)	**(7 332)**	(3 013)
Finance income		**1 680**	–	**–**	–
Loss before taxation		**(104 880)**	(46 046)	**(29 183)**	(73 951)
Taxation	15	**6 344**	36 015	**–**	–
Total comprehensive loss attributable to ordinary shareholders		**(98 536)**	(10 031)	**(29 183)**	(73 951)
Weighted average number of shares in issue ('000)		**452 454**	452 454		
Basic loss per share (cents)	22	**(21,78)**	(2,22)		
Diluted average number of shares ('000)	22	**452 454**	487 303		
Diluted loss per share (cents)		**(21,78)**	(2,06)		

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2011

Group	Share capital R'000	Share premium R'000	Share-holders' loan R'000	Accumu-lated loss R'000	Total R'000
Balance at 1 January 2010	45 246	188 639	11 607	(65 934)	179 558
Increases in equity loans	–	–	3 639	–	3 639
Total comprehensive loss attributable to ordinary shareholders	–	–	–	(10 031)	(10 031)
Balance at 1 January 2011	**45 246**	**188 639**	**15 246**	**(75 965)**	**173 166**
Equity loans transferred to non-current liabilities (refer to note 13.2)	**–**	**–**	**(15 246)**	**–**	**(15 246)**
Total comprehensive loss attributable to ordinary shareholders	**–**	**–**	**–**	**(98 536)**	**(98 536)**
Balance at 31 December 2011	**45 246**	**188 639**	**–**	**(174 501)**	**59 384**
Company					
Balance at 1 January 2010	45 246	188 639	11 607	(238 136)	7 356
Increases in equity loans	–	–	3 639	–	3 639
Total comprehensive loss attributable to ordinary shareholders	–	–	–	(73 951)	(73 951)
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 31 December 2011	**45 246**	**188 639**	**–**	**(341 270)**	**(107 385)**

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2011

		Group		Company	
	Notes	**31 Dec 2011 R'000**	31 Dec 2010 R'000	**31 Dec 2011 R'000**	31 Dec 2010 R'000
Cash flows generated by/(utilised in) operations	27	**6 577**	(50 165)	**(1 750)**	(66 430)
Net finance charges paid	27.2	**(11 201)**	(11 683)	**7 332**	(3 013)
Taxation refunded	15	**(4)**	2 083	**–**	–
Net cash flow from operating activities		**(4 628)**	(59 765)	**5 582**	(69 443)
Cash flows from investing activities					
Purchase of property, plant and equipment	5	**(36 286)**	(13 942)	**–**	–
Increase in investment	7	**–**	(4 535)	**–**	(4 535)
Net cash used in investing activities		**(36 286)**	(18 477)	**–**	(4 535)
Cash from financing activities					
Net liabilities raised*/(paid)	27.3	**18 917**	76 734	**(5 582)**	73 978
Net cash from financing activities		**18 917**	76 734	**(5 582)**	73 978
Net decrease in cash and cash equivalents		**(21 997)**	(1 508)	**–**	–
Cash and cash equivalents at beginning of year		**5 474**	6 982	**–**	–
Cash and cash equivalents at end of year		**(16 523)**	5 474	**–**	–

* *Net liabilities raised includes short-term borrowings.*

PRESENTATION OF FINANCIAL STATEMENTS

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

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 on the inside back cover. The principal activities of the Company and its subsidiaries (the Group) are described in the Directors' report.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The following applicable standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2012 or later periods, but the Company has not early adopted them: *Effective 1 January 2011*

New/Revised International Financial Reporting Standards		**Effective date**
IFRS 1	First-time Adoption of International Financial Reporting Standards – Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'	Annual periods beginning on or after 1 July 2011
IFRS 1	First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from severe hyperinflation	Annual periods beginning on or after 1 July 2011
IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets	Annual periods beginning on or after 1 July 2011
IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	Annual periods beginning on or after 1 January 2013 and interim periods within those periods
IFRS 7	Financial Instruments: Disclosures – Amendments requiring disclosures about the initial application of IFRS 9	Annual periods beginning on or after 1 January 2015 (or otherwise when IFRS 9 is first applied)
IFRS 9	Financial Instruments – Classification and measurement of financial assets	Annual periods beginning on or after 1 January 2015
IFRS 9	Financial Instruments – Accounting for financial liabilities and derecognition	Annual periods beginning on or after 1 January 2015
IFRS 10	Consolidated Financial Statements	Annual periods beginning on or after 1 January 2013
IFRS 11	Joint Arrangements	Annual periods beginning on or after 1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	Annual periods beginning on or after 1 January 2013
IFRS 13	Fair Value Measurement	Annual periods beginning on or after 1 January 2013

New/Revised International Financial Reporting Standards		Effective date
IAS 1	Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented	Annual periods beginning on or after 1 July 2012
IAS 12	Income Taxes – Limited scope amendment (recovery of underlying assets)	Annual periods beginning on or after 1 January 2012
IAS 19	Employee Benefits – Amended Standard resulting from the post-employment benefits and termination benefits projects	Annual periods beginning on or after 1 January 2013
IAS 24	Related Party Disclosures	Applies to annual periods beginning on or after 1 January 2011
IAS 27	Consolidated and Separate Financial Statements – Reissued as IAS 27 *Separate Financial Statements* (as amended in 2011)	Annual periods beginning on or after 1 January 2013
IAS 28	Investments in Associates – Reissued as IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011)	Annual periods beginning on or after 1 January 2013
IAS 32	Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities	Annual periods beginning on or after 1 January 2014
Improvements to IFRSs	Amends seven pronouncements (plus consequential amendments to various others) as a result of the IASB's 2008 – 2010 cycle of annual improvements Key amendments include: • IFRS 1 – accounting policy changes in year of adoption and amendments to deemed cost (revaluation basis, regulatory assets) • IFRS 3/IAS 27 – clarification of transition requirements, measurement of non-controlling interests, unreplaced and voluntarily replaced share-based payment awards • Financial statement disclosures – clarification of content of statement of changes in equity (IAS 1), financial instrument disclosures (IFRS 7) and significant events and transactions in interim reports (IAS 34) • IFRIC 13 – fair value of award credits	Generally effective for annual reporting periods beginning on or after 1 January 2011 (IFRS 3/IAS 27 transition clarifications apply to annual reporting periods beginning on or after 1 July 2010)
Pre-payments of a Minimum Funding Requirement	Makes limited-application amendments to IFRIC 14 IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendments apply when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements, permitting the benefit of such an early payment to be recognised as an asset	Applies to annual periods beginning on or after 1 January 2011 (applied retrospectively from the beginning of the earliest comparative period presented)

New/Revised International Financial Reporting Standards		Effective date
Government Loans (Amendments to IFRS 1)	Amends IFRS 1 *First-time Adoption of International Financial Reporting Standards* to address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. The amendments mirror the requirements for existing IFRS preparers in relation to the application of amendments made to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* in relation to accounting for government loans	Applicable to annual periods beginning on or after 1 January 2013
Annual Improvements 2009 – 2011 Cycle	Makes amendments to the following standards: • IFRS 1 – Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets • IAS 1 – Clarification of the requirements for comparative information • IAS 16 – Classification of servicing equipment • IAS 32 – Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 *Income Taxes* • 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
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine – 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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

3.1 Basis of preparation

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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.

The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between: (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments*: *Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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 accumulated impairment losses. Depreciation is charged on a systematic basis over the estimated useful lives of the assets after taking into account the estimated residual value of the assets. Useful life is either the period of time over which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of the asset. Items of property, plant and equipment are capitalised in components where components have a different useful life to the main item of property, plant and equipment to which the component can be logically assigned.

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

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

Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are taken to profit or loss. Direct attributable expenses relating to mining and other major capital projects, site 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 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 3.16 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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction in rental expense on the straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.6 Intangible assets

Intangible assets acquired separately are carried at cost less accumulated amortisation and 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.

3.7 Research, development and exploration costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.8 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. 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.

3.9 Mineral rights

Mineral rights are stated at cost and are amortised according to units of production.

3.10 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.

3.11 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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

3.12 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.

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.

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.

3.13 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 tax

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 year

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.

3.14 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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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.

3.15 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.

3.16 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, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, '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.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset, other than a financial asset held for trading, may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income.

Fair value is determined in the manner described in note 4.3.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Listed shares and listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value. The Group also 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 in the 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.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Foreign exchange transactions

Foreign currency transactions are translated using the exchange rates prevailing at the date of the transaction or valuation where items are measured. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised under other income.

Loans and receivables

Trade receivables, loans, 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 listed and 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 redeemable notes classified as AFS and 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 credited against the allowance account. 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.

Reclassification of financial assets

The Group has reclassified certain non-derivative financial assets out of held-for-trading (part of the FVTPL category) to AFS financial assets. Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

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. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out in note 3.12.

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held-for-trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability, other than a financial liability held for trading, may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39: *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income.

Fair value is determined in the manner described in note 4.3.

Other financial liabilities

Other financial liabilities, including borrowings, 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 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 note 4.2), 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 reporting date whether there is objective evidence that either a financial asset or a group of financial assets is impaired.

Investments

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

Inventories

Impairment allowances are raised against inventory when it is considered that the amount realisable from such inventory's sale is considered to be less than its carrying amount.

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 whether there 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. The carrying value of the mineral rights at 31 December 2011 was R363 855 000 (2010: R375 701 000).

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 Property, plant and equipment

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

4.3.2 Intangible assets

The fair value of intangible assets is based on the original cost of the right of use of the mineral right and expected access to Richards Bay Coal Terminal.

4.3.3 Inventory

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

Inventory of mine production is valued a the lower cost including a proportion of overheads and the estimated selling price.

4.3.4 Investments

Fair value of listed investments is calculated by reference to stock exchange-quoted selling process at the close of business on the reporting date. 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.

4.3.5 Forward exchange contracts

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

4.3.6 Borrowings

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

4.3.7 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

	2011				2010			
Group **Owned assets**	**Cost** **R'000**	**Accumu-lated depre-ciation** **R'000**	**Accumu-lated impair-ment** **R'000**	**Carrying value** **R'000**	Cost R'000	Accumu-lated depre-ciation R'000	Accumu-lated impair-ment R'000	Carrying value R'000
Land and buildings	**86 520**	**(10 106)**	**(9 530)**	**66 884**	84 146	(6 992)	(6 048)	71 106
Plant and equipment	**77 409**	**(34 620)**	**(2 963)**	**39 826**	96 303	(21 007)	(42 346)	32 950
Motor vehicles	**1 171**	**(255)**	**(7)**	**909**	943	(85)	(6)	852
	165 100	**(44 981)**	**(12 500)**	**107 619**	181 392	(28 084)	(48 400)	104 908
Capitalised leases								
Plant and equipment	**17 274**	**(9 414)**	**(4 119)**	**3 741**	17 275	(7 061)	(4 119)	6 095
	182 374	**(54 395)**	**(16 619)**	**111 360**	198 667	(35 145)	(52 519)	111 003

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 assets held for sale R'000	Depreciation R'000	Carrying value R'000
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**
Total	**111 003**	**36 286**	**(4 226)**	**(109)**	**(3 242)**	**(28 352)**	**111 360**
Group 2010							
Owned assets							
Land and buildings	74 754	228	–	–	1	(3 877)	71 106
Plant and equipment	30 082	12 800	(11 674)	–	6 193	(4 451)	32 950
Motor vehicles	4 084	914	(45)	–	(4 030)	(71)	852
	108 920	13 942	(11 719)	–	2 164	(8 399)	104 908
Capitalised leases							
Plant and equipment	9 783	–	954	–	(2 164)	(2 478)	6 095
Total	118 703	13 942	(10 765)	–	–	(10 877)	111 003

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

A register of land and buildings is available for inspection by the members at the registered office of the Company.

Leased plant and equipment are pledged as security for the associated borrowings (refer note 13).

Company

Property, plant and equipment comprise 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 (2010: R876 000).

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

6. INTANGIBLE ASSETS

Group Owned assets	2011 Cost R'000	2011 Accumulated amortisation R'000	2011 Reclassification to investments R'000	2011 Carrying value R'000	2010 Cost R'000	2010 Accumulated amortisation R'000	2010 Reclassification to investments R'000	2010 Carrying value end of year R'000
Mineral rights	**392 257**	**(28 402)**	**–**	**363 855**	392 257	(16 556)	–	375 701
Export allocation	**50 500**	**–**	**(7 225)**	**43 275**	50 500	–	(4 535)	45 965
Total	**442 757**	**(28 402)**	**(7 225)**	**407 130**	442 757	(16 556)	(4 535)	421 666
Company Owned assets								
Export allocation	**50 500**	**–**	**(7 225)**	**43 275**	50 500	–	(4 535)	45 965
Total	**50 500**	**–**	**(7 225)**	**43 275**	50 500	–	(4 535)	45 965

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

	Carrying value beginning of year R'000	Reclassification to investments R'000	Amortisation R'000	Carrying value end of year R'000
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**
Group 2010				
Mineral rights	377 041	–	(1 340)	375 701
Export allocation	50 500	(4 535)	–	45 965
Total	427 541	(4 535)	(1 340)	421 666
Company 2011				
Export allocation	**45 965**	**(2 690)**	**–**	**43 275**
Total	**45 965**	**(2 690)**	**–**	**43 275**
Company 2010				
Export allocation	50 500	(4 535)	–	45 965
Total	50 500	(4 535)	–	45 965

Mineral rights

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 there 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 13 January 2012;
  - foreign exchange – the forecast USD/ZAR as forecast by The Standard Bank of South Africa Limited as at 31 January 2012; 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	USD108,14	178 790	Nil
SA Rand/US Dollar exchange rate	R8,01	Nil	170 420
WACC	10,5%	Nil	11 020

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

Part of the export allocation was reclassified as investments during the year ended 31 December 2011. The Group reclassifies the portion of the intangible asset in the Richards Bay Coal Terminal to investments as and when the shares become available.

The remaining export allocation will be reclassified as an investment once the remaining shares are issued. No amortisation is provided for. Market conditions indicate that no impairment of the carrying value is required.

7. INVESTMENT

Group	**2011** Cost R'000	**2011** Reclassification from intangible assets R'000	**2011** Carrying value R'000	2010 Cost R'000	2010 Reclassification from intangible assets R'000	2010 Carrying value R'000
Investment in RBCT	**4 535**	**2 690**	**7 225**	–	4 535	4 535
Total	**4 535**	**2 690**	**7 225**	–	4 535	4 535

This investment is represented by 2011: 1 000 (2010: 717) ordinary shares acquired in terms of the agreement with Richards Bay Coal Terminal Company Limited, which entitles the Group to export 2011: 100 000 (2010: 70 000) tons of product per annum through Richards Bay Coal Terminal.

Investments and investments in subsidiaries

Company	**2011 R'000**	2010 R'000
Investment in preference shares in subsidiary	**19 800**	19 800
Less: Impairments	**(19 800)**	(19 800)
Investment in RBCT	**7 225**	4 535
Total	**7 225**	4 535

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

Entity	2011 (%)	2010 (%)	Principal activity	Carrying value (R'000)	Profit/ (loss) after tax 2011	Profit/ (loss) after tax 2010
Ilanga Coal Mines (Pty) Limited	**100**	100	Dormant coal mine	–	**(3 460)**	(7 904)
Jigmining Operations No 1 (Pty) Limited	**100**	100	Dormant	–	**65**	(5)
Jigmining Operations No 3 (Pty) Limited	**100**	100	Dormant	–	**(13)**	–
SACM (Breyten) (Pty) Limited	**100**	100	Mine holding company	–	**(52 316)**	(3 278)
SACM (Newcastle) (Pty) Limited	**100**	100	Dormant	–	**–**	–
South African Coal Mining Equipment Company (Pty) Limited	**100**	100	Equipment leasing company	–	**(16 260)**	57
South African Coal Mining Operations (Pty) Limited	**100**	100	Mine operating company	–	**(60 703)**	(25 223)
Umlabu Colliery (Pty) Limited	**100**	100	Holder of mining right	–	**(13 176)**	(995)
Voorslag Coal Handling (Pty) Limited	**100**	100	Siding operating company	–	**(29)**	(233)
Yomhlaba Coal (Pty) Limited	**100**	100	Dormant	–	**(1 618)**	(1 156)

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

8. ASSETS HELD FOR SALE

	2011 R'000	2010 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.

At the date of release of the report the transfer of the property had not been finalised for the sale to be completed.

9. GROUP LOANS

Amounts owing by Group companies

Company	2011 R'000	2010 R'000
SACM (Breyten) (Pty) Limited	**162 296**	162 891
South African Coal Mining Equipment Company (Pty) Limited	**6 158**	6 158
South African Coal Mining Operations (Pty) Limited	**16 614**	15 162
Yomhlaba Coal (Pty) Limited	**33 365**	33 365
	218 433	217 576
Less: Impairments	**(201 819)**	(196 256)
Total	**16 614**	21 320
Amounts owing to Group companies		
Company		
South African Coal Mining Equipment Company (Pty) Limited	**(31)**	(31)
South African Coal Mining Operations (Pty) Limited	**(14 129)**	(5 397)
Total	**(14 160)**	(5 428)

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.

10. INVENTORIES

Group	2011 R'000	2010 R'000
Finished goods	**5 590**	36 034
Work in progress	**16 759**	8 252
	22 349	44 286

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

11. TRADE AND OTHER RECEIVABLES

Group	2011 R'000	2010 R'000
Trade and other receivables	**33 387**	11 660
Less: Provision for bad debts	**(7 658)**	(7 545)
Guarantee deposits	**–**	2 377
Deposits	**645**	584
VAT receivable	**9 307**	5 381
Payments in advance	**–**	5 500
	35 681	17 957

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 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.

12. SHARE CAPITAL AND PREMIUM (Group and Company)

Group	2011 R'000	2010 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

Unissued shares are under the control of the Board until the next annual general meeting.

13. NON-CURRENT INTEREST-BEARING LIABILITIES

13.1 Interest-bearing liabilities

	2011 R'000	2010 R'000
Group		
Liabilities secured under capitalised finance lease	**3 317**	5 974
Leases at prime linked interest rates, currently at 15,5% (2010: 15,5%) per annum, payable monthly at R255 353 (2010: R255 353) per month until 30 April 2013.		
Richards Bay Coal Terminal	**48 155**	50 706
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.		
	51 472	56 680
***Less*: Short-term portion**	**(50 483)**	(8 737)
Total	**989**	47 943

Comparative figures have been changed to reflect improved disclosure for the current reporting period.

	2011 R'000	2010 R'000
Company		
Richards Bay Coal Terminal	**48 155**	50 706
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.		
	48 155	50 706
***Less:* Short-term portion**	**(48 155)**	(6 087)
Total	**–**	44 619

13.2 Shareholders' loan

Group	2011 R'000	2010 R'000
Long-term loan – JSW Natural Energy Resources South Africa (Pty) Limited		
Loan from JSW to SACM (Breyten) (Pty) Limited for the amount of R109 446 415 (2010: R59 697 754), 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.	**109 446**	59 698
Loan from JSW to SACMH for the amount of R87 293 278 (2010: R68 921 078), which carried interest at the one-month LIBOR rate and at a fixed spread of 2,5%. Interest is repayable on the last business day of each calendar month and the capital is repayable on 17 December 2017.	**87 293**	68 921
Mainsail agreed to advance working capital to fund the care and maintenance of the mine up to a maximum 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.	**16 614**	–
Total	**213 353**	128 619

	2011 R'000	2010 R'000
Company		
The applicable loans for SACMH are as follows:		
JSW loan (refer to terms above)	**87 293**	68 921
Mainsail loan (refer to terms above)	**16 614**	–
	103 907	68 921

13.3 Non-interest-bearing liabilities

Group	2011 R'000	2010 R'000
Long-term loan – Standard Bank (secured) No interest is currently charged for this loan held at Standard Bank. Capital repayments commence 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.	**53 000**	58 000
	53 000	58 000
Current portion of long-term liabilities (note 17)	**(18 200)**	(11 400)
Total	**34 800**	46 600

For both interest and non-interest-bearing liabilities, please refer to note 24.1 for repayment schedule.

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
2011			
Minimum lease payments	**2 711**	**1 021**	**3 732**
Finance costs	**(383)**	**(32)**	**(415)**
Present value	**2 328**	**989**	**3 317**
2010			
Minimum lease payments	3 309	3 707	7 016
Finance costs	(659)	(383)	(1 042)
Present value	2 650	3 324	5 974

* *Prime interest rates were 9% per annum (2010: 9% per annum).*

14. NON-CURRENT PROVISIONS

Group	2011 R'000	2010 R'000
Balance at 1 January	**50 892**	50 596
Change in provision for the year	**5 809**	296
Total	**56 701**	50 892
Current portion of provisions	**(16 001)**	(5 120)
Reallocation to liability held for sale	**(6 160)**	–
Total	**34 540**	45 772

Current provisions relates to the provision for rehabilitation estimates were 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. While the mine was on care and maintenance in 2009, the rehabilitation provision increase in Umlabu offset the decrease at Ilanga. No deferred tax asset is provided for on the Ilanga rehabilitation provision which is now provided on a liability held-for-sale basis.

In October 2011 a contract was entered into with Ukufisa (Pty) Limited to sell off the assets of Ilanga and land. In return Ukufisa will take over the rehabilitation of the land to its original state. The rehabilitation provision has been reclassified to held-for-sale.

The present value of environmental and decommissioning costs has been established utilising CPI 6% (2010: 6% per annum) and an expected investment return of 8% (2010: 8%) per annum over the life of mine.

15. INCOME TAXES

Group	2011 R'000	2010 R'000
Deferred taxation		
Revaluation of mineral rights	**101 880**	104 712
Rehabilitation provision	**(13 355)**	(9 839)
Gain on loans acquired in subsidiaries	**8 613**	8 613
	97 138	103 486
Balance at 1 January	**103 486**	139 501
Statement of comprehensive income/credit	**(6 348)**	(36 015)
Total deferred tax liability	**97 138**	103 486
Deferred taxation assets for assessed losses not provided for due to the uncertainty surrounding their ultimate realisation	**(27 773)**	(8 292)
Taxation overpaid.		
Taxation liability		
Taxation recoverable 1 January	**–**	2 083
Taxation refunded	**–**	(2 083)
Taxation overpaid/(due) 31 December	**–**	–
Statement of comprehensive income (charge)/credit		
South African normal tax – current year	**–**	–
South African normal tax – prior year	**(4)**	–
Deferred taxation – current year	**6 348**	36 015
	6 344	36 015

Tax rate reconciliation	%	%
Tax at the standard tax rate	**(28,00)**	(28,00)
Deferred tax asset not raised	**21,95**	1,58
Deferred tax on restructure reversal	**–**	70,25
Permanent impairments	**–**	(37,55)
Tax rate per financial statements	**(6,05)**	78,20
Company		
Deferred taxation liability	**8 613**	8 613

Gain on restructure.

The Company has no taxable income.

16. TRADE AND OTHER PAYABLES

Group	2011 R'000	2010 R'000
Trade and other payables	**35 610**	20 798
Expense accruals	**2 730**	6 268
Leave pay	**1 076**	–
	39 416	27 066
Company		
Trade and other payables	**–**	274
Expense accruals	**540**	1 710
	540	1 984

The average credit period is 30 days. No interest is charged on trade and other payables which are recorded at fair value.

17. CURRENT PORTION OF NON-CURRENT LIABILITIES

17.1 Interest-bearing liabilities

Group	2011 R'000	2010 R'000
Liabilities under capitalised finance leases	**2 328**	2 650
Richards Bay Coal Terminal (refer to note 13)	**48 155**	6 087
	50 483	8 737
Company		
Richards Bay Coal Terminal (refer to note 13)	**48 155**	6 087

17.2 Non-interest-bearing liabilities

Group	2011 R'000	2010 R'000
The Standard Bank of South Africa Limited	**18 200**	11 400

18. BANK OVERDRAFT

Group	2011 R'000	2010 R'000
Overdraft facility: Standard Bank	**17 224**	–

The overdraft facility from The Standard Bank of South Africa Limited bears interest at prime rate (9% per annum). The credit facility is renewed annually.

Refer to 'Subsequent events' in the Directors' report.

19. REVENUE

Group

Major classes of revenue comprise:	2011 R'000	2010 R'000
Coal sales	**337 286**	–
Leasing income	**10 052**	18 810
	347 338	18 810

20. NET IMPAIRMENT/(CHARGE REVERSED) OF ASSETS

Group	2011 R'000	2010 R'000
Impairment of property, plant and equipment	**(4 226)**	(569)
Reversal of impairments on plant and equipment	**–**	954
	(4 226)	385
Company		
Impairment of Group loans	**(5 563)**	(70 595)

21. OPERATING LOSS BEFORE FINANCE COSTS AND TAXATION

Group	2011 R'000	2010 R'000
Operating loss for the year has been arrived at after:		
Auditors' remuneration – audit fees	**2 110**	723
Employee costs	**24 720**	8 424
Foreign exchange losses/(gains)		
– loans	**33 351**	(3 781)
– trade debtors	**(1 870)**	–
Directors' emoluments – services as directors	**34**	826
Directors' emoluments – managerial services	**3 040**	1 537
Directors' fees – services as directors		
KJ Gribnitz*	**–**	18
WN Gardyne*	**2**	115
VP Garg*	**80**	45
V Lickfold*	**71**	100
TV Mokgatlha	**92**	110
LM Ndala*	**82**	110
GM Scrutton	**7**	–
	334	608

* *These amounts were paid directly to their employers.*

Directors' fees – managerial services		
PJ Kotze	**–**	404
DGA Miller	**1 118**	250
AJL Rayment	**1 920**	133
GM Scrutton	**–**	750
Total directors' fees	**3 038**	1 537
Prescribed officers' remuneration		
P Buckle	**700**	–
R Hugo	**607**	–
D Slabbert	**570**	1 010
Total	**1 877**	1 010
Company		
Audit fees	**834**	273

22. LOSS PER SHARE

Group	2011 R'000	2010 R'000
Basic earnings loss	**(98 536)**	(10 031)
Weighted average number of shares in issue ('000)	**452 454**	452 454
Basic loss per share (cents)	**(21,78)**	(2,22)
Diluted average number of shares ('000)	**452 454**	452 454
Diluted loss per share (cents)	**(21,78)**	(2,22)
Basic earnings loss	**(98 576)**	(10 031)
Adjusted for:		
Impairment of property, plant and equipment	**4 226**	(385)
Loss on sale of non-current assets	**852**	11 150
Tax effect	**–**	(3 122)
Headline loss	**(93 458)**	(2 388)
Weighted average shares in issue for the year ('000)	**452 454**	452 454
Diluted average shares in issue	**452 454**	487 303
Headline loss per share (cents)	**(20,66)**	(0,53)
Headline diluted loss per share (cents)	**(20,66)**	(0,49)

23. FINANCIAL INSTRUMENTS

23.1 Categories of financial instruments

Group	Available-for-sale financial assets R'000	Loans and receivables R'000	Total R'000	Fair value R'000
Financial assets				
2011				
Investments	**7 225**	**–**	**7 225**	**7 225**
Trade receivables	**–**	**33 387**	**33 387**	**25 729**
Cash and cash equivalents	**–**	**701**	**701**	**701**
	7 225	**34 088**	**41 313**	**33 655**
2010				
Investments	4 535	–	4 535	4 535
Trade receivables	–	11 660	11 660	4 115
Cash and cash equivalents	–	5 474	5 474	5 474
	4 535	17 134	21 669	14 124

Company	Available-for-sale financial assets R'000	Loans and receivables R'000	Total R'000	Fair value R'000
Financial assets				
2011				
Investments	**7 225**	**–**	**7 225**	**7 225**
Group loans (see note 9)	**–**	**218 433**	**218 433**	**16 614**
	7 225	**218 433**	**225 658**	**23 839**
2010				
Investments	4 535	–	4 535	4 535
Group loans	–	217 576	217 576	21 320
	4 535	217 576	222 111	25 855

Group	Amortised cost R'000	Total R'000	Fair value R'000
Financial liabilities			
2011			
Interest-bearing			
Non-current borrowings	**989**	**989**	**989**
Current borrowings	**50 483**	**50 483**	**50 483**
Trade and other payables	**38 340**	**38 340**	**38 340**
Shareholders' loans	**213 353**	**213 353**	**213 353**
Non-interest-bearing			
Non-current liabilities	**34 800**	**34 800**	**34 800**
Current liabilities	**18 200**	**18 200**	**18 200**
	356 165	**356 165**	**356 165**
Group			
Financial liabilities			
2010			
Interest-bearing			
Non-current borrowings	47 943	47 943	47 943
Current borrowings	8 737	8 737	8 737
Short-term borrowings	7 012	7 012	7 012

Group	Amortised cost R'000	Total R'000	Fair value R'000
Trade and other payables	27 066	27 066	27 066
Shareholders' loans	143 865	143 865	143 865
Non-interest-bearing			
Non-current liabilities	46 600	46 600	46 600
Current liabilities	11 400	11 400	11 400
	292 623	292 623	292 623

Shareholders' loans have been restated to reflect the reclassification of the shareholder's loan.

Company	Amortised cost R'000	Total R'000	Fair value R'000
2011			
Interest-bearing			
Non-current borrowings			
Current borrowings	**48 155**	**48 155**	**48 155**
Trade and other payables	**541**	**541**	**541**
Shareholders' loan	**103 907**	**103 907**	**103 907**
Non-interest-bearing			
Group loan	**14 159**	**14 159**	**14 159**
	166 762	**166 762**	**166 762**

Company			
2010			
Interest-bearing			
Non-current borrowings	44 619	44 619	44 619
Current borrowings	6 087	6 087	6 087
Trade and other payables	1 984	1 984	1 984
Shareholders' loan	84 167	84 167	84 167
Non-interest-bearing			
Group loan	5 428	5 428	5 428
	142 285	142 285	142 285

Shareholders' loans have been restated to reflect the reclassification of the shareholder's loan.

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.

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 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.

Group	<1 year R'000	1 to 2 years R'000	2 to 5 years R'000	Thereafter R'000	Total R'000
2011					
Finance leases	**2 328**	**989**	**–**	**–**	**3 317**
Standard Bank loan	**18 200**	**11 800**	**23 000**	**–**	**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**
	108 099	**12 789**	**23 000**	**213 353**	**357 241**
2010					
Finance leases	2 650	2 650	674	–	5 974
Standard Bank loan	11 400	11 800	34 800	–	58 000
RBCT Phase V loan	6 087	44 619	–	–	50 706
Trade and other payables	27 066	–	–	–	27 066
JSW Energy Natural Resources SA	–	–	–	128 619	128 619
Short-term borrowings	7 012	–	–	–	7 012
	54 215	59 069	35 474	128 619	277 377
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**
Company					
2010					
RBCT Phase V loan	6 087	44 619	–	–	50 706
JSW Natural Energy Resources SA	–	–	–	68 921	68 921
	6 087	44 619	–	68 921	119 627

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 (which include interest accrued after the receivable is more than 60 days outstanding) 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 2011 R'000	**Impairment 2011 R'000**	Gross amount 2010 R'000	Impairment 2010 R'000
Ageing of trade and other receivables				
Not past due	**23 425**		1 824	–
Past due 0 – 30 days	**960**		2 224	–
Past due 30 – 90 days	**1 344**		(407)	–
Past due more than 90 days	**7 658**	**(7 658)**	8 019	(7 545)
	33 387	**(7 658)**	11 660	(7 545)

Movement in provisions

	2011 R'000	2010 R'000
Balance at beginning of year	**(7 545)**	(7 259)
Charge to statement of comprehensive income	**(1 949)**	(286)
Written-off during the year	**1 836**	–
Balance at end of year	**(7 658)**	(7 545)

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. On-going credit evaluation is performed on the financial condition of customers.

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

	2011		2010	
Customer	**Credit limited R**	**Carrying amount R**	Credit limited R	Carrying amount R
Cargil	**10 000 000**	**8 107 501**	–	–
Vitol	**25 000 000**	**20 543 268**	–	–
Total	**35 000 000**	**28 650 769**	–	–

The average credit provided to customers is 30 days from statement. No interest is charged on the trade receivables which are within their normal credit terms, however thereafter, the Company has the option to charge interest at a rate of prime plus 2% per annum on the outstanding balance.

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:

	2011 '000	2010 '000
Sensitivity analysis		
Profit and loss:		
USD 10% up	**2 865**	–
USD 10% down	**(2 865)**	–

Currency analysis	Rate at year-end	Average rate
2011 – US Dollar	**$1: R8,11**	**$1: R7,23**
2010 – US Dollar	$1: R6,73	$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, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

	2011 R'000	2010 R'000
Financial liabilities		
Variable interest rate borrowings – repayable	**304 242**	219 377
Variable interest rate borrowing – equity convertibles	**–**	15 246
Non-interest-bearing borrowings	**53 000**	58 000
	357 242	292 623

A 1% movement in the prime overdraft rate will have a R2,6 million (2009: R1,9 million) effect on the Group's interest charge/operating income.

25. CONTINGENT ASSETS AND LIABILITIES

25.1 Jigmining No 1 (Pty) Limited, Jigmining No 3 (Pty) Limited and Ingwe Collieries Limited

– Contingent asset

Jigmining Operations No 1 and No 3 issued summons against Ingwe Collieries where damages were claimed as a result of repudiation and breach of contract by Ingwe Collieries Limited. At this stage no counterclaim has been instituted by Ingwe Collieries Limited. The claim submitted on behalf of Jigmining Operations No 1 and No 3 total approximately R48 million. The Group's attorneys advised that the matter will not proceed to mediation in view of all the factual disputes. No estimate can yet be provided of any claim that might be instituted by Ingwe Colleries Limited. Therefore no financial effects have been recorded in the financial statements.

25.2 Commitments to deliver coal

SACMH has two outstanding contracts for 165 000 tons of coal to be delivered including deliveries for the period under 'care and maintenance'. The Group is endeavouring to find commercial and legal alternatives of completing the undelivered portions of these contracts and the potential liability is uncertain.

25.3 Mkhulu Resources (Pty) Limited

Subsequent to the year-end, the Group formally put this contractor in breach of the outsourced mining contract. Both parties have initiated claims against each other in excess of R30 million. Mkhulu Resources has since gone into liquidation and the South African Coal Mine Operations scheme of arrangements have been sanctioned by the courts. The directors do not anticipate any liability will arise, nor recovery realised on this matter.

26. RELATED PARTIES

Identity of related parties

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

Transactions between the subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

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:

	2011 R'000	2010 R'000
Interest paid		
– Mainsail Trading 55 (Pty) Limited	**1 452**	1 392
– JSW Interest	**4 826**	3 422
Management fees		
– Gandalf Trust	**–**	151
– Sylvan CSI (Pty) Limited	**–**	171
Rental paid		
Eldamar Estates	**–**	163

26.2 Loans from related parties

	2011 R'000	2010 R'000
Group		
Mainsail Trading 55 (Pty) Limited	**16 613**	15 246
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

	2011 R'000	2010 R'000
Loss before taxation	**(104 880)**	(46 046)
Adjusted for non-cash movements		
Depreciation and amortisation	**40 198**	12 217
Non-cash portion of compromise	**–**	1 247
Change in rehabilitation provision	**5 809**	296
Loss on disposal of plant and equipment	**852**	11 150
Impairment losses	**4 226**	(385)
Net finance costs	**11 201**	11 683
Forex gains/(losses)	**31 481**	(3 781)
Other non-cash items	**(2 690)**	3 292
Bad debts	**1 949**	–
	(11 854)	(10 327)
Movements in working capital		
Movements in inventories	**21 937**	(44 286)
Movements in trade and other receivables (see note 11)	**(15 856)**	(11 107)
Movements in trade and other payables	**12 350**	15 555
	6 577	(50 165)
Cash utilised in operations – Company		
Loss before taxation	**(29 183)**	(73 951)
Adjusted for non-cash movements		
Impairments	**5 563**	70 595
Foreign exchange gain	**15 784**	(1 213)
Net finance costs	**7 332**	3 013
Other non-cash items	**(2 690)**	4 537
Increase in Group loans advanced	**–**	(69 557)
	(3 194)	(66 576)
Movements in working capital	**–**	–
Movements in trade and other payables	**1 444**	146
	(1 750)	(66 430)

27.2 Finance costs

	2011 R'000	2010 R'000
Group		
Finance costs		
Interest on bank overdrafts and loans	**(5 694)**	(9 204)
Interest on obligations under finance leases	**(908)**	(1 087)
Interest on shareholder loans	**(6 279)**	(1 392)
Finance costs	**(12 881)**	(11 683)
Finance income	**1 680**	–
Total	**(11 201)**	(11 683)
Company		
Interest on loans	**4 738**	2 879
Interest on shareholder's loan	**2 594**	134
Total	**7 332**	3 013

27.3 Movement in borrowings

	2011 R'000	2010 R'000
Group		
Balance at 1 January	**265 557**	192 604
New loan raised from JSW	**34 416**	132 399
Repayments made on SBSA loan	**(12 012)**	(64 557)
New loans raised	**(4 855)**	5 253
Increase in shareholder loan	**1 368**	3 639
Movement	**18 917**	76 734
Unrealised gain in foreign exchange	**33 351**	(3 781)
Balance at 31 December	**317 825**	265 557
Represented by:		
Shareholder loans	**213 353**	15 246
Long-term borrowings	**989**	176 562
Current portion of long-term borrowings	**50 483**	8 737
Short-term loan	**–**	7 012
Non-interest-bearing long-term borrowings	**34 800**	46 600
Current portion of non-interest-bearing long-term borrowings	**18 200**	11 400
Company		
Balance at 1 January	**134 873**	62 107
Acquisition of investment	**(5 582)**	–
Shareholder loan	**–**	3 639
New loan raised from JSW (excluding foreign exchange gain)	**–**	70 340
Movement	**(5 582)**	73 978
Interest	**6 987**	–
Less: Unrealised foreign exchange gain	**15 784**	(1 213)
Balance at 31 December	**152 062**	134 873
Represented by:		
RBCT Phase V loan	**48 155**	50 706
Shareholder loan	**16 614**	15 246
JSW loan	**87 293**	68 921

27.4 Movement in trade and other receivables

	2011 R'000	2010 R'000
Group		
Balance at 1 January	**17 957**	6 850
Forex gain	**1 870**	–
Net increase/(decrease) in trade and other receivables	**15 856**	11 107
Balance at 31 December	**35 681**	17 957

28. SEGMENT INFORMATION

Segmental reporting will not be disclosed as at 31 December 2011 as the main source of revenue is from coal production and sales.

RESOURCE AND RESERVES STATEMENT

Umlabu is situated in the Ermelo coalfield, where all of the coal seams occur within the Vryheid Formation of the Ecca Group (Karoo Supergroup), with the major coal seams occurring in the Vryheid Formation.

During the year under review further exploration drilling was undertaken to further enhance the understanding of the resource and reserves. Geological modelling was undertaken on a mesh size of 25 m x 25 m across the whole project area. All drill-holes used in the model were validated against a valid Digital Terrain Model for elevation checks. Further validations were done using wireline logs for depth floor and thickness corrections for modelling purposes.

The resources and reserves statement is extracted from the Independent Engineer's Report (IER) on the Material Assets of South African Coal Mining Holdings Limited, dated 16 May 2012, with an effective date of 1 January 2012, as issued by SRK Consulting (South Africa) Proprietary Limited (SRK). The IER has been prepared in accordance with the 2007 South African Code for Reporting of Mineral Resources and Mineral Reserves known as the SAMREC Code. In accordance with the contents of the SAMREC Code, this IER has been prepared under the direction of the Competent Persons who assume overall professional responsibility for the IER. The IER however is published by SRK, the commissioned entity and, accordingly, SRK assumes responsibility for the views expressed therein. The full IER is available on the Company's website.

The report covers the new order mining right MP30/5/1/2/2/69MR, which is valid until 25 July 2027 and covering the farms RE of Ptn 1 of Mooifontein 109/IT, RE of Ptn 6 (a portion of Ptn 5) of Vlakfontein, Portion 10 (a portion of Ptn 5) of Voorslag 274IS, RE of Ptn 5 (portion of Ptn 2) of Voorslag 274IS, Ptn 2 of Sterkfontein 242IS. It also covers the prospecting right MP30/5/1/1/2/10562PR covering Ptn 1 of Sterkfontein 242IS, which is a new application submitted, with an acknowledgement of receipt received on 16 March 2012.

In the Voorslag and Sterkfontein areas, two potentially exploitable coal measures have been identified, the B Seam and C Seam (C Upper and C Lower). The B Seam will be mined via open cast and underground methods. Currently it is anticipated that the C Lower and C Upper Seams will be exploited by open cast methods with engineering studies being undertaken to determine the economic extraction of the C Seams by underground methods.

In the Mooifontein area only the B Seam is being exploited by underground methods and in the Vlakfontein are only the C Upper and C Lower seams are exploited by open cast mining methods.

Run of Mine production achieved during the 2011 financial year amounts to 811K tonnes (2010: 89K tonnes).

A comprehensive exploration/confirmatory drilling programme undertaken in 2011 has enabled SACMH to better define and model the resource, which has led to a material difference in the Resource and Reserves presented in the 2010 Audited Financial Statements. The GTIS presented in the 2010 financial statements amounted to 57 Mt compared to the 41 Mt presented in table 2 below. The Board, together with JSW, are undertaking a full evaluation to identify and understand the reasons for the changes.

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

- a minimum of 1 m seam thickness on the B Seam;
- a minimum of 0.5 m seam thickness for both the CU and CL Seams;
- a geological loss factor of 5% has been applied;
- a minimum CV of 12 MJ/Kg and VM of 18%;
- resource estimated within the tenure boundary and reported for both underground and open cast area as per LOM plan;
- un-weathered coal only.

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 plan are shown in Table 2.

Table 1: Umlabu underground mine design parameters

Parameter	Unit	Quantity
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: Umlabu opencast design parameters

Parameter	Unit	Quantity
Overburden thickness	m	9 – 19
Coal seam thickness	m	0,7 – 1,9
Mining block	m x m	50 x 100
Extraction ratio	%	83
Contamination	%	7

	GTIS (Resource)				MTIS (Resource)			
	Measured	Indicated	Inferred	Total	Measured	Indicated	Inferred	Total
Mining Area	**Mt**	**Mt**	**Mt**	**Mt**	**Mt**	**Mt**	**Mt**	**Mt**
Mooifontein Underground	0.90	–	–	**0.90**	0.86	–	–	**0.86**
Voorslag Underground	24.76	1.20	0.55	**26.51**	23.52	1.14	0.53	**25.19**
Sterkfontein Underground	5.00	1.15	1.68	**7.83**	4.75	1.09	1.60	**7.44**
Vlakfontein Opencast	0.29	0.01	–	**0.30**	0.28	0.01	–	**0.29**
Voorslag Opencast	5.01	0.12	0.31	**5.44**	4.76	0.11	0.30	**5.17**
Total	**35.96**	**2.48**	**2.54**	**40.98**	**34.17**	**2.35**	**2.43**	**38.95**

	Reserve			Saleable
	Proven	Probable	Total	
Mining Area	**Mt**	**Mt**	**Mt**	**Mt**
Mooifontein Underground	0.45	–	**0.45**	**0.20**
Voorslag Underground	9.32	0.09	**9.41**	**4.49**
Sterkfontein Underground	0.01	0.06	**0.07**	**0.02**
Vlakfontein Opencast	0.15	–	**0.15**	**0.08**
Voorslag Opencast	1.11	–	**1.11**	**0.56**
Total	**11.04**	**0.15**	**11.19**	**5.35**

Notes:

(a) Coal Resource and Reserves are quoted on an air dried moisture basis.

(b) Saleable Coal Reserves were based on a 27.0 Nz/kg product.

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, 14 September 2012.

Notice is hereby given that the annual general meeting of the shareholders of the Company will be held at the Regus Office Park, West Tower, 2nd Floor, Nelson Mandela Square, Ward Street, Sandown, Sandton on Thursday, 20 September 2012 at 13:00 for the following purposes:

ORDINARY BUSINESS

1. To receive, consider and adopt the annual financial statements for the 12 months ended 31 December 2011 of the Company and the Group, together with the Directors' and Independent auditors' reports.
2. To re-elect Messrs VP Garg and DGA Miller who retire by rotation in accordance with the Company's articles of association.
3. To re-elect Messrs PP Menon and QMSM Mokoetle, who were appointed directors since the last annual general meeting and who, being eligible, offer themselves for re-election.

Directors' *curriculum vitae* are available on page 12.

4. To confirm the appointment of Deloitte as independent auditors to the Company for the ensuing financial year.
5. To elect Mr M Ajoodha as designated auditor.
6. 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

7. ***Appointment of Audit and Risk Committee***

   "Resolved that Messrs PP Menon, as Chairman, VP Garg and QMSM Mokoetle, be and they are hereby appointed as members of the Audit and Risk Committee."

Special Resolution Number One

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

   "Resolved that, for the year ending 30 December 2012 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

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

   "Resolved that the authorised but unissued shares in the capital of the Company be and hereby placed under the control of the directors of the Company, 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 Memorandum of Incorporation and the listings requirements of the JSE Limited ("JSE Listings Requirements")."

Special Resolution Number Two

10. ***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

11. ***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 MOI, the provisions of the Companies Act, 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 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

12. ***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 MOI, 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 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 15 months from the date of passing this special resolution;
- in determining the price at which the Company's securities are acquired by the Company and/or subsidiary of the Company, in terms of the general authority, the maximum premium at which such securities may be acquired will be 10% of the weighted average of the market price at which such securities are traded on the JSE, as determined over the five 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;
- 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."

Ordinary Resolution Number Four

13. ***Advisory endorsement of remuneration policy***

"Resolved that the Company's remuneration policy set out on page 11 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 views 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 resolution number one and ordinary resolutions numbers one, two, three and four."

By order of the Board

Mrs PF Smit
Company Secretary

3rd Floor, 198 Oxford Road, Illovo, Sandton, 2196

7 July 2012

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

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

The following information is required by the JSE listings requirements with regard to the resolutions granting a general authority to the Company to repurchase its securities for cash and to make payments to shareholders.

The JSE listings requirements require the following disclosure, some of which are elsewhere in the annual report of which this notice forms part as set out below:

- Directors – page 12;
- Major shareholders of the Company – page 9;
- Directors' interests in securities – page 21;
- Share capital of the Company – page 46.

Statement by the Company's Board of Directors in respect of repurchases of shares and payments to shareholders

Pursuant to and in terms of the JSE listings requirements, the directors of the Company hereby state that:

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

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

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

1. the Company and its subsidiaries will be able to pay their debts as they become due in the ordinary course of business for a period of 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 listings requirements, and will not undertake any such repurchase or payment until the sponsor has signed off on the adequacy of its working capital, advised the JSE accordingly and the JSE has approved such documentation.

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

Litigation statement

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 12 of the annual report, collectively and individually, accept full responsibility for the accuracy of the information given in this notice of annual general meeting and 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 annual 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 13:00 on Tuesday, 18 September 2012. 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.

CSDPs, 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 13:00 on Tuesday, 18 September 2012. 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: ZAE000102034
("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 boardroom, Regus Office Park, West Tower, 2nd Floor, Nelson Mandela Square, Ward Street, Sandown, Sandton at 13:00 on Thursday, 20 September 2012 ("the annual general meeting").

I/We(full names) 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 2011			
2.	Re-appointment of directors			
2.1	Re-appointment of Mr VP Garg as a director of the Company			
2.2	Re-appointment of Mr DGA Miller as a director of the Company			
3.1	Re-appointment of Mr PP Menon as a director of the Company			
3.2	Re-appointment of Mr QMSM Mokoetle as a director of the Company			
4.	Confirm the appointment of Deloitte as independent auditors			
5.	Confirm the appointment of Mr M Ajoodha as designated auditor			
6.	Authorise the directors to determine the auditor's remuneration			
7.	Ordinary Resolution Number One authorising the appointment of an Audit and Risk Committee in terms of section 94(2)			
8.	Special Resolution Number One authorising the directors to remunerate non-executive directors for services rendered			
9.	Ordinary Resolution Number Two regarding placing the unissued ordinary shares under the directors' control			
10.	Special Resolution Number Two approving the rendering of financial assistance to Group companies			
11.	Ordinary Resolution Number Three regarding a general authority to issue shares for cash			
12.	Special Resolution Number Three granting a general authority for the Company and/or its subsidiaries to acquire its own shares			
13.	Ordinary Resolution Number Four advisory endorsement of remuneration policy			
14.	Ordinary Resolution Number Five authorising any director or the Company Secretary to sign documents to effect all the ordinary and special resolutions			

Signed at on this day of 2012

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 follow. 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 of the Company.

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

ADMINISTRATION

SOUTH AFRICAN COAL MINING HOLDINGS LIMITED
Registration number: 1994/009012/06
Share code: SAH
ISIN: ZAE000102034

Directors
QMSM Mokoetle (Chairman)
AJL Rayment (CEO)
DGA Miller (CFO)
VP Garg
PP Menon

Registered office
3rd Floor, 198 Oxford Road
Illovo, Sandton, 2196
PO Box 55190
Northlands, 2196
Telephone: +27 11 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
Deloitte & Touche
Building 1, Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead
Private Bag X6
Gallo Manor, 2052

Annual general meeting	20 September 2012
Financial year-end	31 December 2011
Annual financial statements issued	July 2012
Interim results announcement	September 2012
Provisional results announcement	March 2013