



# Scharrig Mining Limited

Incorporated in the Republic of South Africa  
 Registration number 1992/001973/06  
 Share code: SCN ISIN code: ZAE000006474  
 ("Schamin" or "the Company")

**Reviewed results**  
 for the year ended  
 31 March 2007



Open Cast Mining



Drilling and Blasting



Equipment and Spares Trading



Exploration and Drilling



Ritchie Crane Hire

Revenue increased  
 by **121%**  
 to **R1 361m**  
 (2006: R616,5m)

Operating profit  
 up **96%**  
 to **R297,4m**  
 (2006: R151,9m)

Core EPS improved  
 by **49,9%**  
 to **103,9 cents**  
 (2006: 69,3 cent)

DPS increased  
 by **41,7%**  
 to **17 cps**  
 (2006: 12 cps)

Net asset value per share  
 increased **95%**  
 to **468 cents**  
 (2006: 240 cents)

Debt to equity gearing  
 decreased to **54%**  
 from **102%**  
 (reported March 2006)

"It was a year of robust demand across our operating divisions and I am happy with our performance across the lines of traditional operations and the contributions from our new operations in exploration and opencast mining. Additionally, we have laid a good platform for growth and we are excited about the prospects and opportunities that lie ahead both in our core business and in new business opportunities."

- Robin Berry, COO, Scharrig Mining

Abridged Consolidated Income Statement		
for the year ended 31 March 2007	Reviewed year ended 31 March 2007 R'000	Audited year ended 31 March 2006 R'000
Revenue	1 361 028	616 468
Operating profit before finance charges	297 390	151 869
Finance charges	69 410	27 448
Net profit before taxation	227 980	124 421
Taxation	70 344	35 159
Net profit after taxation	157 636	89 262
Earnings attributable to outside shareholders	8 389	
Earnings/Headline earnings attributable to ordinary shareholders	149 247	89 262
Core earnings per share (cents)	103,9	69,3
Earnings/Headline earnings per share (cents)	98,6	69,3
Dividend per share (cents)		
Interim (Declared)	7,0	5,0
Final (Proposed)	10,0	7,0
	17,0	12,0
Supplementary information		
Shares in issue (000)		
- at end of period	188 431	137 431
- weighted average for the year	151 352	128 814
Reconciliation between core and headline earnings		
Headline earnings attributed to ordinary shareholders	149 247	89 262
Adjust for:		
Amortisation of customer base	19 333	
Fair value adjustments on vendor liabilities	14 030	
Foreign exchange adjustment on vendor liabilities	(19 173)	
	14 190	
	4 115	
Tax effect of adjustment	10 075	
Attributed to outside shareholders	2 015	
Attributed to ordinary shareholders	8 060	
Core earnings	157 307	89 262

Abridged Consolidated Cash Flow Statement			
for the year ended 31 March 2007	Reviewed year ended 31 March 2007 R'000	Audited year ended 31 March 2006 R'000	
Cash generated from operations	330 963	273 065	
Interest paid	(69 410)	(27 448)	
Dividends paid	(21 411)	(11 897)	
Taxation paid	(5 083)	(2 507)	
Cash flows from operating activities	235 059	231 213	
Cash flows from investing activities	(759 303)	(283 871)	
Purchase of property, plant and equipment	(576 494)	(329 448)	
Disposal of property, plant and equipment	19 190	45 577	
Net movements on loans receivable	(17 820)		
Purchase of investments	(184 179)		
Cash flows from financing activities	659 166	47 413	
Proceeds of share issue	424 811	654	
Instalment sale obligations	234 355	46 759	
Net increase in cash and cash equivalents	134 922	(5 245)	
Cash and cash equivalents at the beginning of year	23 640	28 885	
Cash and cash equivalents at the end of year	158 562	23 640	
Purchase of investments			
	Geosearch	Benicon	Total
Property, plant and equipment	120 021	100 234	220 255
Inventory	26 967	23 765	50 732
Loans	211		211
Trade and other receivables	121 361	28 495	149 856
Bank and cash	32 017	(4 259)	27 758
Long term liabilities		(36 509)	(36 509)
Deferred tax	(8 769)		(8 769)
Taxation	(3 065)		(3 065)
Trade and other payables	(130 706)	(57 826)	(188 532)
	158 037	53 900	211 937
Less: Cash acquired	32 017	(4 259)	27 758
Net assets acquired	126 020	58 159	184 179

**COMMENTARY**

**FINANCIAL REVIEW**

Revenue for the year to March 2007 increased by more than 100% on the corresponding period to R1 361 million. Opencast mining services contributed 67,2 % of revenue or R914 million and exploration drilling R293,3 million or 21,6%.

The operating margin amounted to 21,9% (2006: 24,6%). Increased revenue was at a lower than average margin due to the strategic Equipment and Spares Trading business. Excluding this factor the operating margin amounted to 23,2%. Mix of contracts and deferred escalation in return for longer term contracts accounted for the remaining decline in margin.

Finance charges increased to R55,4 million (2006: R27,4 million), excluding R14,0 million accounted for as the interest for the deferred payment on the exploration drilling business. This was on the back of increased Rand borrowings and higher interest rates.

Taxation increased to R70,3 million (2006: R35,2 million) resulting from an effective tax rate of 31% (2006: 28%) due to STC charges and foreign taxes.

Attributable earnings increased by 67,2% to R149,3 million and core earnings per share increased by 49,9% to 103,9 cents.

A final dividend of 10 cents per share is proposed compared to 7 cents per share last year for a total dividend of 17 cents per share (2006: 12 cents per share).

The debt to equity ratio decreased to 54% from 102% at 31 March 2006 following the acquisition of Geosearch in particular.

**STRATEGIC REVIEW AND OBJECTIVES**

**Mining Services**

Our vision is to grow into the mining services company of choice across the African continent. The company intends to realise this vision through organic growth and by acquisition. Schamin is currently a leading opencast coal mining contractor in South Africa and through the acquisition of Geosearch in 2006 it is also a leading exploration drilling company across Africa.

The company sought to achieve vertical integration in both upstream and downstream businesses. This resulted in the acquisition of Geosearch. Additionally, the company seeks to expand the mining services offering horizontally in support of the core opencast business. This resulted in the acquisition of JEF Drill and Blast and the recently announced acquisition of Ritchie Crane Hire.

A further objective is to diversify and grow the business from the platform established in coal, as seen recently by the acquisition of CCT which is a springboard into hard rock (non-coal) opencast mining.

The objective to broaden the company's footprint across Africa by developing open cast services and shifting towards mining will be achieved through joint venture partnerships or further acquisition opportunities.

**Coal Mining Opportunities**

Scharrig and Merafe Resources (Merafe) announced today the 50/50 joint venture in Merafe Coal. The transaction, based on the maximisation of the combined value of their respective existing coal resources in Mpumalanga, will provide the platform for future growth opportunities in the sector. Merafe Coal will be focused on coal mining and related services.

Further joint venture opportunities are currently being explored in anthracite and coal through Scharrig Mining Limited. Scharrig has acquired Benicon coal and its 60% share in Nkomati Anthracite and this operation has commenced production.

**OPERATING DIVISIONAL REVIEW**

**Opencast Mining**

Abnormally high rainfall in April and May of 2006 resulted in operations being below budget, however since then volumes increased and the performance has been satisfactory for the remainder of the year.

Benicon open cast mining was acquired on 1st June 2006 and has therefore contributed ten months of meaningful operational performance to these financial results. Trading is aligned with expectations.

During the year Schamin set up their specialist drilling and blasting operation as a standalone offering in support of open cast mining. This was further supported by the acquisition of JEF Drill and Blasting effective from 1st April 2007. This operating division services all of Scharrig opencast mining and in addition provides services to external clients.

The company will continue to drive its equipment replacement policy to optimise fleet efficiencies and overall availability of parts.

**EXPLORATION DRILLING**

Transbor and Geosearch are both trading strongly as the demand for exploration drilling services continues to be exceptionally strong across the continent. Schamin has secured 100% of this business by buying all the remaining outstanding shares in Geosearch and moving this holding to group level.

**PROSPECTS**

Although the company's focus in the short term is to integrate the acquisitions it has already concluded, it will continue to look at further opportunities that are consistent with its growth strategy. All of its acquisitions are trading well and the next focus will be to deepen the mining services offering across the continent. Strategic opportunities will also be considered where the company identifies significant growth opportunities in mining.

**BASIS OF PRESENTATION**

The abridged financial statements have been prepared in terms of International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa.

The financial statements are prepared on a historical cost basis.

The accounting policies are consistent with the previous period.

The results were reviewed by our auditors Siyabala Inc whose reviewed report is available for inspection at the registered address of the company.

**DIRECTORATE**

During the 12 months ended 31 March 2007 the following changes took place to the board of directors.

**APPOINTMENTS**

Sir Sam Jonah was appointed as non-executive Chairman and Mr D C M Gihwala assumed the role of Deputy Chairman of the Board. Mr Robin Berry was appointed to the board as an executive director and Chief Operating Officer.

**DIVIDEND**

A final dividend of 10 cents (2006: 7 cents) per share has been declared by the board in respect of the year ended 31 March 2007, payable on Monday, 27 August 2007 to those shareholders recorded in the register of the company at the close of business on Friday, 24 August 2007.

The salient dates of the final dividend are as follows:

Last date to trade "cum" dividend Friday, 17 August 2007  
 Shares trade "ex" dividend Monday, 20 August 2007  
 Record date Friday, 24 August 2007  
 Payment date Monday, 27 August 2007

No dematerialisation or rematerialisation of shares may take place between Monday, 20 August 2007 and Friday, 24 August 2007, both dates inclusive.

**On behalf of the board**

Sir Sam Jonah C Scharriguisen  
 Non-executive Chairman CEO, Managing Director

Boksburg  
 21 June 2007

Abridged Consolidated Balance Sheet		
as at 31 March 2007	Reviewed at 31 March 2007 R'000	Audited at 31 March 2006 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1 399 578	766 969
Intangible assets	38 667	
Goodwill	193 827	
Deferred taxation	1 115	
Long term loans	17 820	
	1 651 007	766 969
<b>Current assets</b>		
Inventories	137 752	29 140
Trade and other receivables	335 029	66 636
Bank balance and cash	158 562	23 640
	631 343	119 416
	2 282 350	886 385
<b>EQUITY AND LIABILITIES</b>		
Share capital and premium	517 843	93 032
Reserves	363 737	237 339
Ordinary shareholders funds	881 580	330 371
Outside shareholders interests	90 784	
Total shareholders funds	972 364	330 371
<b>Non current liabilities</b>		
Long term borrowings	322 855	178 169
Deferred taxation	181 296	121 255
	504 151	299 424
<b>Current liabilities</b>		
Trade and other payables	260 180	73 394
Vendor finance	202 190	
Current portion of long term borrowings	309 353	183 175
Taxation	34 112	21
	805 835	256 590
	2 282 350	886 385
Net asset value per share (cents)	468	240

Statement of Changes in Equity									
for the year ended 31 March 2007	Share capital R'000	Share premium R'000	Capital reserve R'000	Treasury share trust R'000	Foreign exchange translation reserve	Accumulated profit R'000	Non-distributable reserve R'000	Total R'000	
Balance at 31 March 2005	1 374	100 055	6 076	(9 051)		140 032	13 866	252 352	
Profit for the year ended 31 March 2006						89 262		89 262	
Share options exercised				369				369	
Dividend paid				285		(11 897)		(11 612)	
Balance at 31 March 2006	1 374	100 055	6 076	(8 397)		217 397	13 866	330 371	
Shares issued	510	432 315		(32 375)				400 450	
Profit for the year ended 31 March 2007					(2 264)	149 247		146 983	
Share options exercised			1 133	23 873				25 006	
Dividend paid				488		(21 718)		(21 230)	
Balance at 31 March 2007	1 884	532 370	7 209	(16 411)	(2 264)	344 926	13 866	881 580	

Segmental Analysis														
for the year ended 31 March 2007	2007							2006						
Turnover	Net profit before tax and interest	Trade and other receivables	Inventory	Trade and other payables	Property, plant and equipment	Net borrowings	Turnover	Net profit before tax and interest	Trade and other receivables	Inventory	Trade and other payables	Property, plant and equipment	Net borrowings	
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Opencast mining services	913 956	216 658	148 404	59 359	99 903	1 188 301	502 701	612 197	154 263	66 467	26 730	73 374	766 294	337 704
Exploration drilling	293 254	72 199	152 592	33 758	146 902	150 055	(72 885)							
Drilling and blasting	42 264	408	4 252		4 553	59 491	43 320							
Equipment trading and spares	111 554	8 125	29 781	44 635	8 822	1 731	510	4 271	(2 394)	169	2 410	20	675	
	1 361 028	297 390	335 029	137 752	260 180	1 399 578	473 646	616 468	151 869	66 636	29 140	73 394	766 969	337 704

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Sponsor  
 Sansara Independent Services (Pty) Limited

Directors: S E Jonah KBE\* (Chairman), D C M Gihwala\* (Deputy Chairman), C Scharriguisen (Managing), J Holland (Financial), T R Hendry\*, Dr P Huysamer\*, A Joffe\*, R Berry, R K Jonah\*, C Moorcroft, T Scharriguisen\*, E H J Stoyell\*  
 \*Non-Executive

Auditor  
 Siyabala Inc

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