



**SEPHAKU**  
HOLDINGS LTD

**/ Supporting  
industrial growth /**



**ANNUAL REPORT 2011**

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## Scope of the report

This annual report presents the operating and financial results for the 12-month period from 1 July 2010 to 30 June 2011 for Sephaku Holdings Limited (Sephaku Holdings). In addition, certain key sustainability information has been included in the report as the company moves toward providing an integrated account of its activities.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the report has been prepared in compliance with the South African Companies Act No. 71 of 2008 (as amended) and the Listings Requirements of the JSE Limited (JSE). The guidelines of the revised King Report on Corporate Governance, 2010 (King III) have also been taken into account.

The annual financial statements set out on pages 40 to 103 have been prepared under the supervision of NR Crafford-Lazarus, CA(SA) and S Steyn, CA(SA). The annual financial statements have been audited by PKF (Pta) Inc.

The Sephaku Holdings Annual Report is submitted to the JSE, being the company's registered exchange.



**/ A more  
streamlined  
and focused  
investment  
opportunity /**



## Corporate profile

**Sephaku Holdings is an HDSA-compliant industrial minerals development company, focused on assets in southern Africa, with a strategic vision of realising shareholder value by developing medium-term mineral assets up the value curve. The company's focus lies in the cement and fluorspar sectors.**

The Aganang cement project, located between Lichtenburg and Mafikeng in the North West Province of South Africa, is the company's flagship cement asset. It is being developed through Sephaku Cement (Pty) Limited (Sephaku Cement), of which Sephaku Holdings holds 36% and Dangote Industries (Dangote) 64%. Production is targeted for August 2013.

The company's second most advanced project is the Nokeng fluorspar project, located approximately 70km north-east of Pretoria in Gauteng, South Africa and being developed by the company's wholly-owned subsidiary, Sephaku Fluoride Limited (Sephaku Fluoride). Nokeng consists of a mine atop two major

fluorspar deposits. Beneficiation is anticipated by means of a planned hydrogen fluoride and aluminium fluoride plant located 52km from the mine. The mine is targeted to come on stream in the first quarter of 2014.

From inception, Sephaku Holdings has maintained a high level of HDSA ownership, currently at 43%. The company's executive team comprises highly respected and experienced individuals with a wealth of financial, legal and technical expertise in all aspects of the mining industry. Sephaku Holdings is listed on the JSE in the mining sector and trades under the share code SEP.

### Aganang cement plant

The Aganang project is the single most important project held by Sephaku Cement. The primary objective is to establish and operate a new clinker and cement production plant using the secured limestone deposit situated on the Stiglingspan, Verdwaal and Klein Westerford farms located 7km south-west of Itsoseng and 34km west of Lichtenburg. Aganang will consist of a limestone mine and a cement manufacturing plant and is contractually guaranteed to be in production by August 2013, producing 1,7Mtpa of clinker and 1,1Mtpa of cement.

### Delmas milling plant

A cement grinding plant is being established in Delmas, Mpumalanga, closer to the markets in Gauteng and the fly ash source at Kendal Power Station, some 35km to the west. Approximately 50% of the clinker produced in Aganang will be transferred to Delmas for further processing with an estimated annual production of 1,4 million tonnes of cement.



### Sephaku Ash

Sephaku Ash has a nine-year contract with Eskom to acquire and remove waste ash from the coal burning process at Kendal Power Station. The ash produced from this plant will be used as a cement extender at the Delmas milling plant to produce cement. The classification plant was commissioned in September 2009 and has the capacity to produce up to 800 000 tonnes per annum (tpa).

### Dwaalboom

During the financial year, the company announced its intention to develop a 3 000-tonne per day integrated cement production facility near Dwaalboom in Limpopo. This plant is set to further secure Sephaku Holdings' position both within the South African market and the greater African infrastructure development environment.

### Nokeng fluorspar project

The second most advanced project is the Nokeng fluorspar project, located about 70km north-east of Pretoria in Gauteng, South Africa. The Nokeng concentrator is targeted to come on stream in early 2014, positioning Sephaku Holdings as a major supplier of fluorspar to the local and international market.

### Hydrogen and aluminium fluoride beneficiation plant

The plant forms part of Sephaku Fluoride's planned fluorspar beneficiation hub, located within close proximity of Nokeng mine.



## Group structure



1

### Sephaku Cement

/ Aganang cement plant

/ Delmas milling plant

/ Sephaku Ash

/ Dwaalboom

2

### Sephaku Fluoride

/ Nokeng fluorspar project

/ Sephaku aluminium fluoride  
beneficiation plant

# / Producing the building blocks for growth /



## Operations

■ / Aganang cement plant /

■ / Delmas milling plant /

■ / Sephaku Ash /

■ / Dwaalboom cement plant /

■ / Nokeng fluorspar project /

■ / Aluminium and hydrogen  
fluoride beneficiation plant /



A close-up portrait of Dr. Lelau Mohuba, a Black man with a goatee, wearing a dark suit, a patterned tie, and a black flat cap. He is looking directly at the camera with a serious expression.

## Letter to shareholders

from the Chairman and the Chief Executive Officer

**Dr Lelau Mohuba**  
/ Executive Chairman

**The theme of this year's annual report – supporting industrial growth – is a portend of the year ahead, signifying not only the focus of the group in the near future, but also our intention to consolidate our position as an emerging cement and fluorspar producer.**

Looking back, the year under review has recorded several significant milestones for Sephaku Holdings, as we have moved closer to delivering to shareholders a more streamlined and focused investment opportunity. We have been able to secure a significant strategic and financial relationship with one of Africa's leading industrial companies, Dangote, revise our corporate structure, make significant progress in establishing our cement operations, announce the establishment of our second major cement project and grow our fluorspar story.

Key corporate, operating and financial features include:

- the R1 129 million rand equity-funding agreement with Dangote for a 64% share of Sephaku Cement, representing a significant cash injection into Sephaku and South Africa;
- construction now under way at Aganang and Delmas;
- the unbundling of Incubex Minerals Limited;
- the announcement of plans to build our second, 3 000-tonne per day integrated cement production facility near Dwaalboom in Limpopo; and
- the completion of further feasibility studies at our fluorspar project at Nokeng.

### Market review

Our share price performance has continued to be disappointing albeit on the back of particularly low volumes, yet we are of the firm view that as we start to deliver, so will the market recognise the intrinsic value of our investment offering.

The global economic environment has continued to be challenging during the year under review. While the immediate after-effects of the global financial crisis have abated to some extent, it has undoubtedly resulted in a greater reluctance to invest in assets that are further than one or two years from production. This kind of confidence will take a long time to rebuild, and will depend on several market factors beyond the control of individual companies.

We remain convinced that our strategy of streamlining our asset base through unbundling has been the correct approach and will continue to release value for shareholders. We believe that when

construction starts to accelerate at our Aganang and Delmas project and our fluorspar story begins to gain traction, our share price will respond accordingly and start to reflect the higher value that many analysts have conferred on our company.

Sephaku Ash, our fly-ash business that will eventually supply Delmas with fly-ash for use as a strategic cement extender, is already supplying fly-ash to the local market. Sales volumes and prices were disappointing during the year, but the overall results of the business were acceptable given current market conditions.

### **The Dangote partnership – cementing growth**

In October 2010, our shareholders approved the decision to issue 217 597 765 shares in Sephaku Cement to Dangote of Nigeria for R779 million in equity. This was a deeply satisfying result for us as it means that the total equity requirement for our first cement project is now fully funded. These resources will be directed towards construction at both Aganang and the milling plant at Delmas. That we have secured all necessary equity at this stage is a significant landmark, and will go a long way to facilitate the securing of the remaining funding.

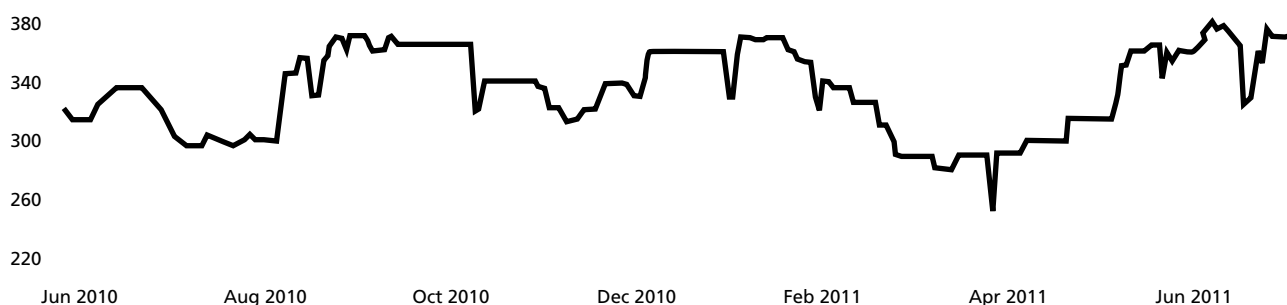
**/ If you  
believe in  
the future  
of this  
country,  
you have  
to believe  
in cement /**



**Neil Crafford-Lazarus**  
/ Chief Executive Officer

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## Sephaku Holdings' share price (JSE: SEP) / cents



Significantly, Dangote has also agreed to finance any project overruns (to a maximum of R265 million) by way of shareholder loans, and have furthermore agreed to guarantee the project's debt.

Dangote is currently the second largest producer of cement in sub-Saharan Africa in terms of capacity and it is that company's vision to be the largest cement producer in Africa by 2014, an ambition that it is on track to achieve. Dangote has the necessary technical capacity, the continental footprint and the balance sheet to achieve this ambition. It is a great vote of confidence for Sephaku Holdings' assets and management, and indeed South Africa as a whole, that Dangote considers us to be the right partner to make this possible. It bears witness to the attractiveness of South Africa to foreign investors and the importance of continuing to open up strategic growth opportunities that draw this kind of investment.

Dangote's stake in Sephaku Cement has now risen to 64% from its previously held interest of 19,76%. While this means that our shareholders' interest is reduced to a collective 36% in volume, this is 36% in what has now become a R3,7 billion business. The value that this transaction has unlocked is already a significant return on investment that we are very proud to have created for our shareholders.

The material impacts of this achievement were felt immediately on site. Construction activities began at both Aganang and Delmas, including the completion of all temporary structures, namely

accommodation for 1 800 construction workers, site offices, water and temporary electricity supplies, temporary access roads and fencing. Construction also began on the Eskom substations and main access road to Aganang.

The start of construction was slightly delayed due to a joint technical review undertaken by the Sephaku Cement and Dangote teams, which has resulted in a positive amendment to the contract, changing clinker production capacity from 2,2Mtpa to 2,5Mtpa.

Another highlight was the securing of the last outstanding piece of regulatory approval – an Integrated Water Use Licence – which we obtained in April 2011.

Finally, work continued tirelessly behind the scenes at head office, to ensure that our business readiness progress is in sync with plant development so that we are open for business as soon as we enter production.

## Sustainable cement

One of the reasons why Sephaku Cement's projects are seen as the right platform for the ambitions of the Dangote Group is our commitment to building more modern, more efficient and world-class cement infrastructure in the southern African region.

Even in the present state of alleged over-capacity that many of our competitors cite as a block to new entrants to this market, it cannot be ignored that old capacity needs to be replaced. International best



practice is to de-commission plants that have not been upgraded after 30 years in operation. The average South African kilns are 33 years old, and the oldest has been running for 51 years, most operating without the necessary upgrades to bring them in line with today's environmental practices.

This means that emissions as well as electricity and water consumption exceed international norms. While the regulators are increasingly concerned about resource utilisation and emissions, it is often the consumer who makes the sustainable choice, and we are well positioned to provide that option.

Conserving scarce natural resources and minimising our environmental footprint has been a key priority in the design of our plants from inception, and will characterise all of our future operations. By way of example, our newly-constructed cement facilities will be – on average – 15% more energy efficient than older plants, and therefore responsible for less carbon emissions. As energy costs continue to rise, and with the possibility of carbon taxes on the horizon, our 'greener' plants simply make better business sense.

We are also highly cognisant that – as a resources and beneficiation company whose role it is to give life to the spirit of South Africa's new minerals legislation – we are a committed and responsible corporate citizen. The jobs we will create – directly and indirectly – are likely to have the greatest impact on our communities, and will be supported by deliberate programmes for training and development, corporate social investment and local economic development.



## Streamlining our offering

Realising shareholder value is not only a reflection of the share price. The unbundling of Incubex Minerals will ensure that those assets receive the attention and focus they need, within the right timeframe, so that mineral wealth can be brought to account.

Sephaku Holdings distributed all of the issued shares in Incubex to its shareholders in the form of a dividend in specie of R13,6 million in the ratio of one Incubex share for every 10 Sephaku Holdings shares held.

Those shareholders who were originally attracted by the diverse exploration portfolio that was contained previously in Sephaku Holdings will now find a more consistent and accurate reflection of their original investment choice in Incubex. Those who were more interested in our larger projects that are nearer production will similarly feel more comfortable now with the resulting Sephaku Holdings profile of medium-term assets with more concrete production timelines.

## Fluorspar – a unique opportunity

Similarly, our fluorspar division has the appearance of being the 'Cinderella' within the group, overshadowed by the more publicised developments that have occurred on the cement side. Nokeng is also further from production than Aganang and Delmas, and as previously mentioned, the market has remained wary of these longer-term investment options.

But fluorspar is a fascinating and particularly important mineral, with a myriad of downstream applications that are integral to a variety of vital industrial processes. Its primary use is in the production of hydrogen fluoride, the main consumption of which is driven by the need for gas for refrigeration. Hydrogen fluoride is also used in the production of aluminium fluoride. This is used to significantly lower the melting point of aluminium and therefore reduce the costs in the production of aluminium in smelters. Furthermore, it is also used inter alia in the production of lithium batteries and importantly, fluoro-chemicals and uranium enrichment.

Fluorspar, like so many minerals, is a typical example of one of the many mineral resources we have in South Africa on which we have never truly capitalised. We are, in fact, host to the greatest fluorspar reserves in the world. Yet there has been a prolonged reluctance to invest in the technology and infrastructure required for its beneficiation. Like so many other minerals, this has meant



**Letter to shareholders** continued  
from the Chairman and the Chief Executive Officer





that once we have worked to release them from the ground, there is little we can do except sell them for raw material prices to international buyers, losing out on all the economic activity and benefits that accrue in the eventual sale of the downstream finished product.

Fluorspar is currently produced by China and Mexico, who also have significant deposits and the capacity and infrastructure to beneficiate the mineral. We believe we have the opportunity to challenge the market by providing an alternative stream of beneficiated supply.

There are several large European producers who mine South Africa's fluorspar and then ship it back in raw form for beneficiation. To construct a beneficiation plant in South Africa, 52km from the mine itself, would allow us to beneficiate the product ourselves and create a fluoro-chemical 'hub', a unique value-add opportunity.

Our vision is borne out by government's plans for the country's future and we are confident that the success of Sephaku Fluoride will form part of an exciting shift in the South African resources sector.

We have so far completed the bankable feasibility study on the Nokeng project, with production of 130 000tpa of 97.2% CaF<sub>2</sub>-content fluorspar planned for early 2014.

In the meantime, we are concentrating on securing the right kind of funding for the next phase of the fluorspar story, with the aim of taking it to market at as advanced a stage as possible.

## The year ahead

The year ahead will be an important one for us as construction at Aganang gets into full swing. With the cement projects now fully funded in terms of their equity requirements, we look forward to building our relationship with Dangote as we continue to raise the profile of Sephaku Cement within the regional cement industry.

It has taken a great deal of focus and preparation to get to this point on the cement side and now that we are in a position to make these great strides forward, the upcoming year will also present the opportunity to turn more attention to the development of our fluorspar assets. The right management team is now in place at Nokeng and the plant is still targeted to come on stream in the first quarter of 2014. We look forward to securing further partnerships and investments on this side of our business during the year.

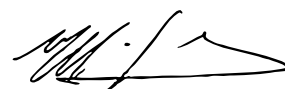
# / Targeting local bene- ficiation to build value /

We trust that our corporate activity over the past year has demonstrated to our shareholders our commitment to maintaining a more streamlined investment vehicle with core assets that will add significant value to the South African economy. While we do not anticipate a major global economic upswing, we are confident that our share price will respond to the milestones we have achieved and will continue to achieve in the year ahead.

Finally, we would like to thank the directors, management and employees of Sephaku Holdings for their valued contributions to our company, as well as to our shareholders who have continued to show their faith in our vision.



**Dr Lelau Mohuba**  
Chairman



**Neil Crafford-Lazarus**  
CEO

**Sephaku Cement will be the first new entrant into the South African cement market since 1934 and has secured one of the last economical limestone deposits in South Africa with proven raw materials supporting a minimum 30 year life of mine.**

### **The Aganang project**

#### **Executive summary**

The Aganang project, with its integral Delmas milling plant, is the main driver and the single most important project held by Sephaku Cement. The primary objective of this cement project is to establish and operate a new cement production plant utilising the secured limestone deposit situated on the farms Stiglingspan, Verdwaal and Klein Westerford located 7km south-west of Itsoseng and 34km west of Lichtenburg. The Aganang project will consist of limestone quarries and a cement manufacturing plant. The operations to be conducted on the Aganang project will include:

- the mining of the principal raw material (limestone mining)
- the chemical processing of the raw materials to produce clinker; and
- the grinding and milling of approximately 50% of the clinker and blending with other components to produce the finished cement product.

The quarrying operation will be confined to surface and entails the removal of a calcrete deposit, which will then be crushed, screened, homogenised, proportioned, milled and blended to form the basic raw meal fed to the cement manufacturing plant. The expected life of the limestone quarry and the cement project is 30 years based on the delineated mineral resources and new guaranteed kiln production figures of 6 000 tonnes per day of clinker. The name of the project, Aganang, is a Setswana name meaning 'empowering each other'. It was formerly known as the Itsoseng project.

#### **1. Location of the Aganang project site**

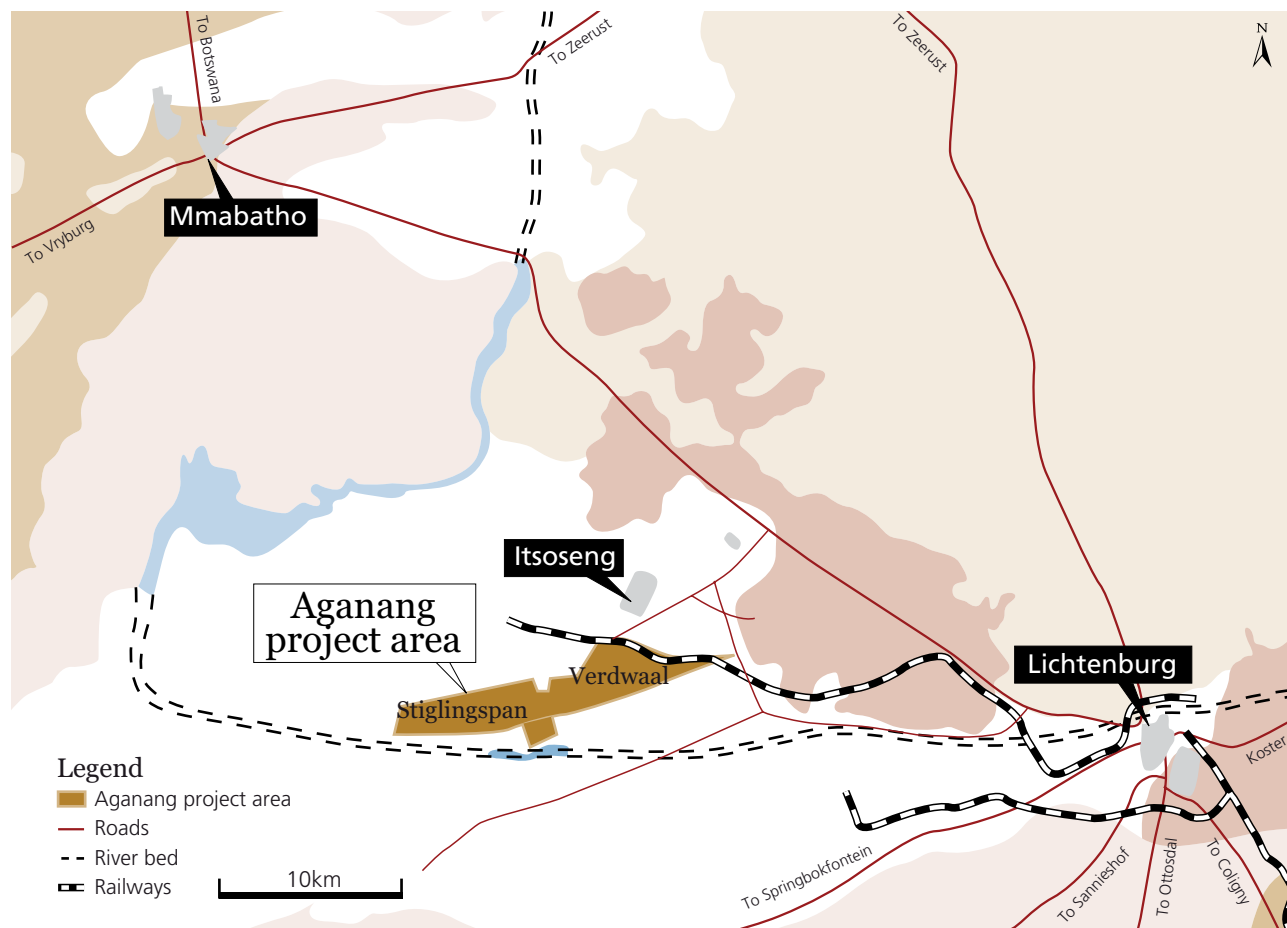
The Aganang limestone deposit is located approximately 34km west of the town of Lichtenburg in the North West Province of South Africa. There the deposit covers an area of c. 3 600ha over portions of the farms of Verdwaal 57-IO, Klein Westerford 78-IO and Stiglingspan 73-IO. The map opposite illustrates the location of the project site within the North West Province of South Africa.

#### **2. Legal aspects and tenure**

The mining right for the Aganang project was granted in terms of Section 23(1) of the Minerals and Petroleum Resources Development Act (MPRDA) whilst the environmental



### Aganang project – location map



authorisation was granted in terms of Section 24(2)(a) of the National Environmental Act (NEMA). The relevant mineral titles to the properties Verdwaal 57-IO, Klein Westerford 78-IO and Stiglingsspan 73-IO are held under this mining right and are valid for 30 years. The Minister of Mineral Resources granted Sephaku Holdings the sole and exclusive right to mine and recover minerals in, on and under the mining area for the benefit of the company and to sell the minerals subject to the terms and conditions of this mining right. The provisions of the MPRDA and any other relevant law will remain in force for the duration of this right.

### 3. Geological setting

Karoo age sediments, in the form of the Dwyka and Ecce Group tillites and shales, are developed in the vicinity of the tarred road linking Lichtenburg and Mafikeng, as well as immediately east of Lichtenburg. The youngest formations are the Lichtenburg calcretes, estimated to be of Late Pliocene age (5Ma old), and the Quaternary Kalahari sands in the Mafikeng area. The limestone deposit occupies a surface area of approximately 3 600ha. The calcrete is covered by a thin layer of soil. Due to silica contamination during mining, it is

estimated that the topmost 0,5m of calcrete and topsoil will generally be removed as waste and used for rehabilitation purposes. The usable seam of calcrete is on average approximately 6m thick.

### 4. Exploration

Before Sephaku Cement's involvement, Anglo American PLC (Anglo) had explored the area, a process which began in 1990. Exploration had been carried out on the Sephaku Cement mineral rights area in phases. Anglo completed five phases of regional drilling in the North West Province and drilled in excess of 500 boreholes on the Sephaku Cement mineral rights area alone. The boreholes were spaced either 200m or 500m apart on a regular grid on a selected basis, providing coverage over almost the entire mineral rights area.

Sephaku Cement reviewed the results obtained from the Anglo drilling and used this information to plan further drilling programmes to be carried out under their own supervision. Percusso Boor (Pty) Limited (Percusso) was chosen as the drilling contractor on the basis of previous work on similar projects.

In 2007, Sephaku Cement carried out two additional phases of exploration drilling which were completed in March and September of that year. No further exploration drilling was planned for the foreseeable future.

The original database was supplied to Venmyn Rand (Pty) Limited (Venmyn), before the introduction and use of Surpac™. This was reported on in the Feasibility Study Report (FSR) dated 27 February 2008 and was presented as a summary database. It consisted of the following:

- an aerial photograph draped over a farm boundary map, indicating the three mineral resource blocks (A, B and C), showing defined mine blocks derived from exploration drilling for each block; and
- tables presented thereafter displaying summary borehole information for each mining block, including the associated geochemical criteria and other assay data.

## 5. Mineral Resources and Mineral Reserves statement

Consultants Riaan Herman Consulting (RHC) were employed to formally capture all exploration data into one contiguous database and then to model this data according to criteria specified by the Sephaku Cement technical management team. Venmyn assisted Sephaku Cement in January 2008 to publish a mineral resource

estimation and classification using best practice by following the principles and guidelines of the SAMREC Code. This code is recognised as the basis for reporting mineral project valuation and ensures compliance with the JSE Listing Requirements.

The main Resource-defining criteria agreed upon were

- a limestone saturation factor (LSF) of >107%;
- a magnesium oxide content (MgO) of <2,5%; and
- a silica content of <14%.

Subsequently, the modifying factors applied to the conversion of the Indicated and Measured Limestone Resources to Proven and Probable Limestone Reserves were carefully considered. In October 2009, these modifying factors were finally reviewed. Those applied for the sequential conversion of raw data to Mineral Resources and then on to Mineral Reserves were as follows:

- an LSF >107%;
- a MgO content of <2,5%;
- a silica content of <14%;
- removal of isolated blocks (minimum of 200 by 200m mining area);
- sidewall straightening (minimum of 200m wall length in mining direction); and
- mining restriction of infrastructure, statutory constraints and farm boundaries (farm boundary: 50m, railway line: 100m, grave: 50m, water boreholes: 50m and water courses: 100m).

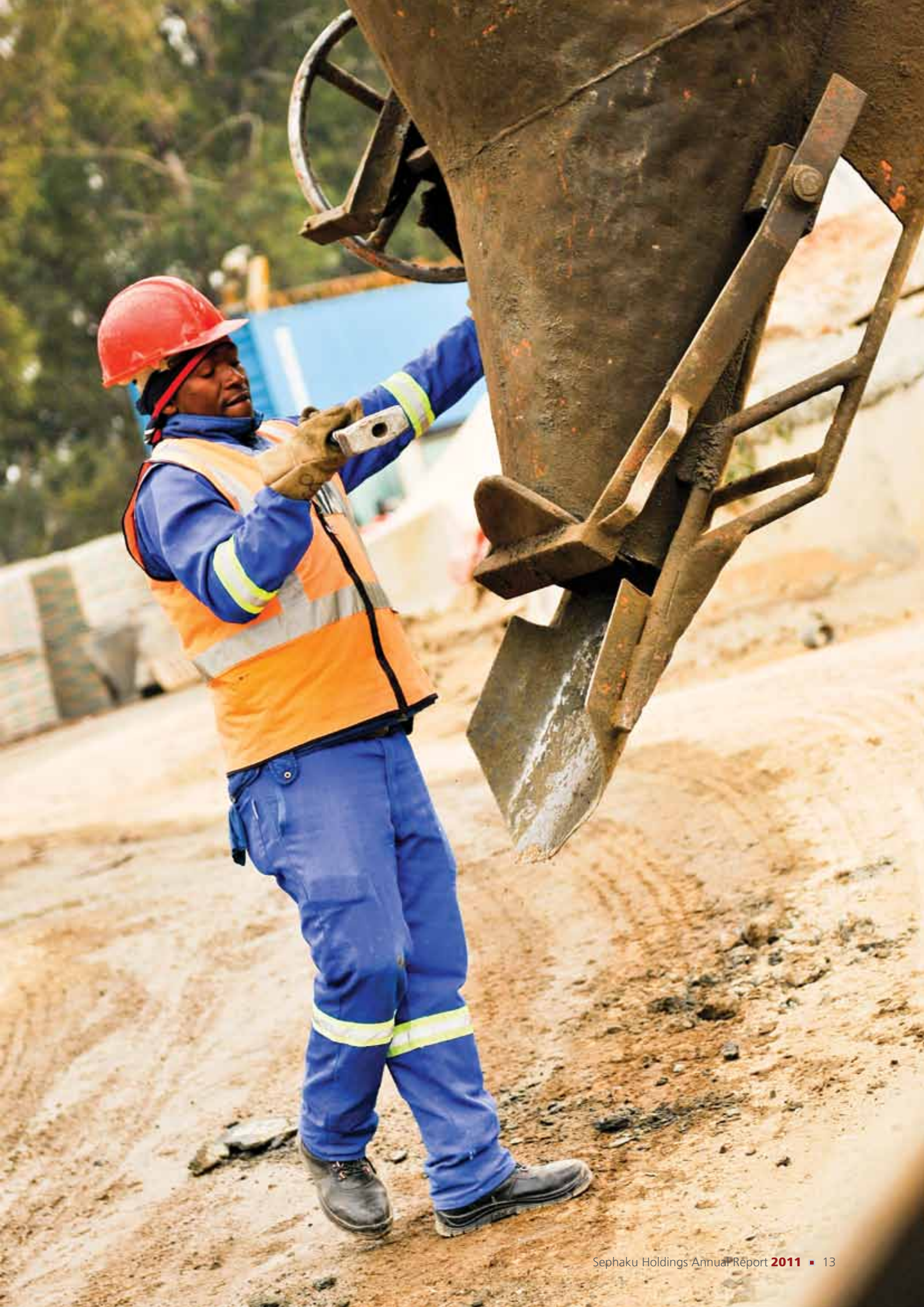
The initial, independent Mineral Resource and Mineral Reserve statement for the limestone deposit of the Aganang project was compiled by Venmyn and reported on in a technical statement dated 31 January 2008, based on the final revision of modifying factors. The initial Mineral Resources and Mineral Reserves statement was updated on 30 October 2009 on the basis of the detailed geological modeling, mine planning and scheduling conducted by RHC on the mineral asset. Surpac™ software was again used to assist in generating more accurate and precise estimates of the limestone Mineral Resources and Mineral Reserves. Venmyn reviewed the Mineral Resource and Mineral Reserves in the generation of the competent person's report (CPR). The results are summarised in the table below.

| Mineral Resources |              |                  |   |                 |
|-------------------|--------------|------------------|---|-----------------|
|                   | Area<br>(ha) | Thickness<br>(m) | Volume<br>(10 <sup>6</sup> m <sup>3</sup> ) | Tonnage<br>(Mt) |
| Measured          | 788          | 4,71             | 44,34                                       | 93,11           |
| Indicated         | 237          | 4,45             | 10,52                                       | 22,09           |
| Inferred          | 140          | 4,89             | 6,84  | 14,37           |
| <b>Total/ave</b>  | <b>1 165</b> | <b>4,68</b>      | <b>61,70</b>                                | <b>129,57</b>   |

| Mineral Reserves |              |                  |   |                 |
|------------------|--------------|------------------|---|-----------------|
|                  | Area<br>(ha) | Thickness<br>(m) | Volume<br>(10 <sup>6</sup> m <sup>3</sup> ) | Tonnage<br>(Mt) |
| Proved           | 761          | 5,66             | 43,05                                       | 90,41           |
| Probable         | 205          | 4,56             | 9,35  | 19,64           |
| <b>Total/ave</b> | <b>966</b>   | <b>5,42</b>      | <b>52,40</b>                                | <b>110,05</b>   |







## The Dwaalboom project

### 1. Location of the Dwaalboom project site

The Dwaalboom calcrete deposit is located approximately 8km northwest of PPC's Dwaalboom Cement Plant, 8km southwest of the town of Dwaalboom and some 80km west-southwest of the town of Thabazimbi in the Limpopo Province of South Africa. There the deposit covers an area of approximately 3 052 ha over portions of the farms of Beaufort 228KP and London 229KP. The map below illustrates the location of the project site within the Limpopo Province of South Africa.

### 2. Legal aspects and tenure

The prospecting right for the Dwaalboom project was granted in terms of Section 17(1) of the MPRDA.

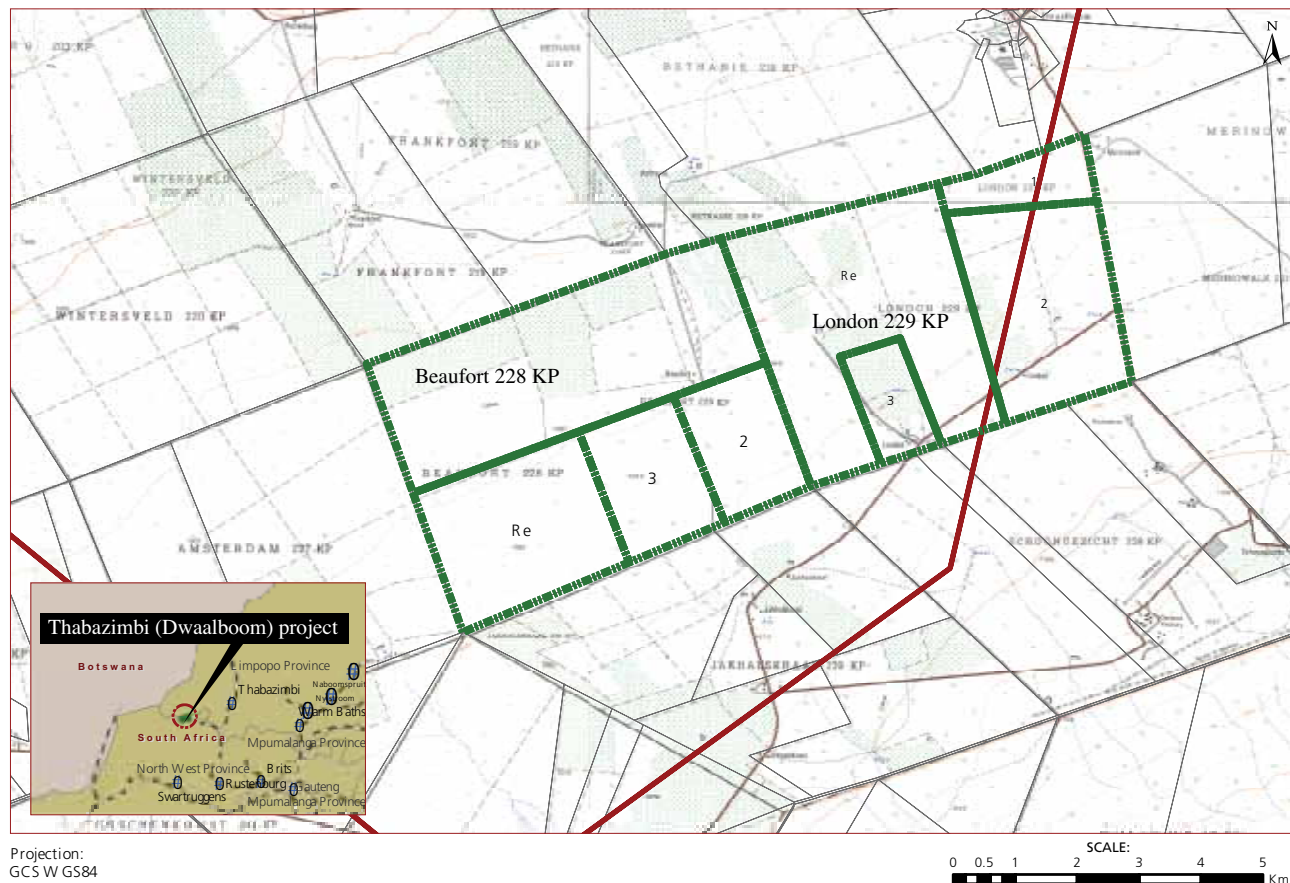
The relevant mineral titles to the properties Beaufort 228KP and London 229KP are held under prospecting right no. LP 1390PR (Application No G071205002) and are valid for a period of five years, commencing on 15 October 2008 and ending on 14 October 2013.

In terms thereof, the Minister granted Sephaku Development the sole right to prospect for Iron Ore, Limestone, Oil Shale and Silcrete (Silica) on and under the prospecting area, for the benefit of the company. The provisions of the MPRDA and any other relevant law will remain in force for the duration of this right.

### 3. Geological setting

Quaternary sediments in the form of two distinct phases of calcrete cover approximately 75% of the prospecting right on the farms Beaufort 228KP and London 229KP. The upper 12 to 15m of the type profile is represented by an average of 0 to 0,5m of ferrous topsoil, 0 to 2,5m of nodular calcrete and 2,5 to 12m of hardpan calcrete. In the west, the floor is generally composed of Swazian granitic gneiss. The calcrete profile thins to the east and generally pinches out on the farm London 229KP where the basement granitic gneiss and syenitic intrusives tend to sub-crop. On the eastern-most 50% of the farm London 229KP Ongeluk, lava displaces the granitic gneiss as basement sub-outcrop. It is generally accepted that the  $\text{CaCO}_3$  has been derived by the solution and migration of the Malmani Dolomite Sequence which occurs to the south of the target area.

### Dwaalboom project – location map





The two phases of calcrete are an immature upper nodular phase within a siliceous loamy matrix with a lower, annealed hardpan calcrete occurring below. The nodular phase may be mechanically beneficiated by screening out the excess silica in the interstitial matrix, although tests have shown this to lead to a concomitant increase in residual MgO content. The underlying hardpan calcrete tends to be of a lower grade although the recombination with screened nodular phase has been shown to be of sufficient quality to produce viable Portland Cement clinker.

#### 4. Exploration

Before Sephaku Development's involvement, JCI and Pretoria Portland Cement (Pty) Ltd (PPC) had explored the area. This process commenced in the 1960s. JCI investigated the remaining extent and Portion 3 of the farm Beaufort 228KP and came up with a very rudimentary resource estimate.

PPC opted not to renew their rights to limestone over the farms Beaufort 228KP and London 229KP and Sephaku Development then successfully applied for the right to prospect in 2008.

In May 2009 Sephaku Development commenced with a limited bulk pitting program, comprising 9 pits located on the JCI target area spanning the remaining extent and Portion 3 of the farm Beaufort 228KP. Digging was done by TLB and the final depth was logged as the depth at which mechanical refusal took place. In the resultant sample two subsets were submitted for chemical analysis: nodules were separated out by hand and bagged and the remaining matrix was also bagged. Chemical analysis proved the nodules to be of a high quality whilst the matrix was shown to be siliceous with much lower carbonate content. This phase confirmed the earlier JCI results.

In April 2010 Sephaku Development continued with a second phase of prospecting which comprised the digging of an additional 47 bulk pits spaced evenly over both Beaufort 228KP and London 229KP.

The combined results from the first two phases of bulk pitting were reported by RHC with Surpac™ software on 30 August 2010. These results were draped over the farm boundaries and showed the majority of the nodular resource to occur on Beaufort 228KP.

Data was reported on both in terms of pre- and post-screened nodular phases.

Between 5 January 2011 and 4 March 2011 a third phase of exploration was carried out on the farm Beaufort 228KP. This comprised a total of 690m of reverse circulation (RC) drilling, split between 47 boreholes. Borehole depths varied between 5 and 31m depending on the under-footing encountered at each hole and were spaced roughly 1 000m apart.

The results of all three phases of bulk pitting and RC drilling were combined and reported on by RHC in May 2011. One contiguous database was created and results overlain over relevant farm boundaries.

#### 5. Mineral Resources and Mineral Reserves statement

Consultants RHC were employed to formally collate all exploration data into one contiguous database and then to model this data according to criteria specified by the Sephaku Cement technical management team. Sephaku Cement assisted RHC in May 2011 to publish a mineral resource estimation and classification using best practice by adhering to the principles and guidelines of the SAMREC Code. This code is recognised as the basis for reporting estimates of the nature and extent of Mineral Resources and Mineral Reserves and ensures compliance with the JSE Listing Requirements.

The main Resource-defining criteria agreed upon were:

- where no hardpan calcrete was intersected, the deleterious part of the nodular phase was screened-out at >10mm and this post-beneficiation phase was used as basis for estimation; and
- where both nodular and hardpan calcrete were encountered, a composite "seam" of calcrete was defined within the farm boundaries as containing
  - > 39% Calcium Oxide (CaO) and
  - < 4,5% Magnesium Oxide (MgO).

No further physical modifying factors have been considered yet and consequently the conversion of raw data was limited to Mineral Resources as follows:

| Mineral Resource      |                               |                   |
|-----------------------|-------------------------------|-------------------|
|                       | Farm                          | Tonnage           |
| Measured              | —                             | —                 |
| Indicated             | Beaufort 228KP                | 44 425 000        |
| Inferred              | London 229KP & Beaufort 228KP | 24 278 000        |
| <b>Total Resource</b> |                               | <b>68 703 000</b> |

**Sephaku Fluoride is a 100% subsidiary of Sephaku Holdings and its anchor project is based on the Nokeng opportunity, consisting of the Plattekop and Outwash Fan deposits, situated near the world-renowned Vergenoeg fluorspar mine.**

This area has been subject to various exploration campaigns over the past few decades, which have resulted in the delineation of two relatively high-grade fluorspar deposits. Sephaku Fluoride's subsidiary Nokeng Fluorspar Mine (Pty) Ltd (Nokeng) has converted the ownership of the prospecting title over these deposits and has recently (July 2011) been granted, and has executed, a new order mining right for Nokeng.

During 2010 Venmyn was appointed by Sephaku Holdings to complete a Definitive Feasibility Study (DFS) to guide the funding and implementation strategies for the lucrative Nokeng project. This has allowed the Nokeng project to be developed to the stage where funding opportunities for the implementation of the mine and concentrator are being pursued in earnest.

Global demand for calcium fluoride ( $\text{CaF}_2$ ), also known as fluorspar, is estimated at around 5,5Mtpa with supply shortages envisaged in the short to medium term. This is likely to have a positive impact on the prices anticipated for the  $\text{CaF}_2$  production from Nokeng. It is worth noting that fluorspar is currently listed on the strategic minerals list in the USA (4<sup>th</sup>) and Europe (11<sup>th</sup>).

**/ The  
strategic  
mineral  
for the  
future /**



Sephaku Fluoride anticipates the construction of a chemical plant in the Ekandustria Industrial Zone near Bronkhorstspuit, some 52km distant from Nokeng. This will cause the  $\text{CaF}_2$  from Nokeng to be used for the production of hydrogen fluoride (HF), and aluminium fluoride ( $\text{AlF}_3$ ) for supply to both local and international users. The technical and financial feasibility studies for the chemical plant are well advanced

The implementation of these projects will create some 200 direct jobs for the mine and concentrator and around 220 direct jobs for the chemical plant. The indirect job creation associated with these opportunities is well in excess of 1 000 jobs.

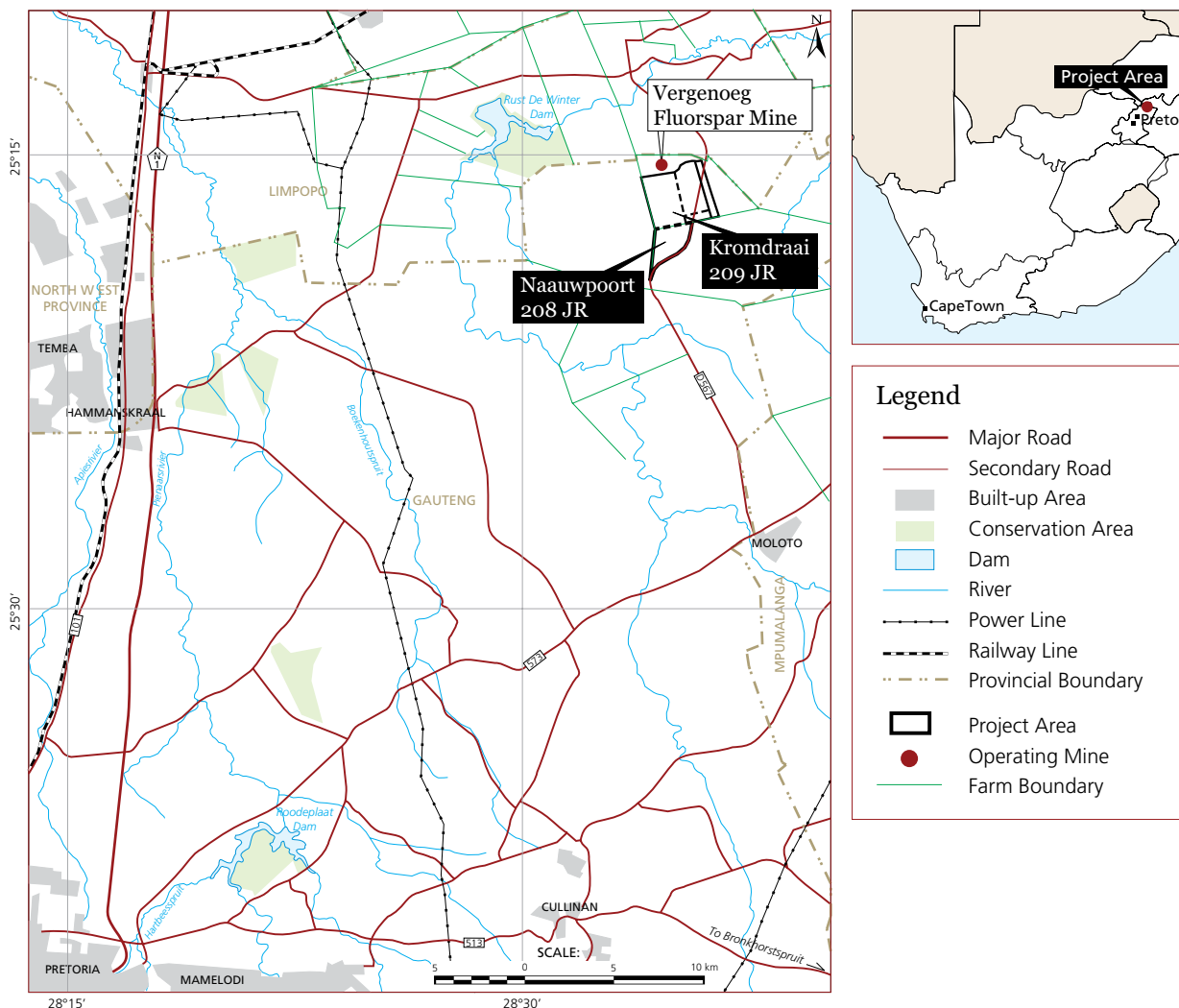
The local communities in both areas have been engaged by the company and opportunities to provide entrepreneurs with avenues to establish and grow SMEs have been identified. In addition, commitments to tertiary education and non-company

specific training for members of the community are envisaged. Community-related infrastructure projects are highlighted for implementation, such as a pedestrian bridge over the busy provincial road and power upgrading.

## Background and tenure

Historical exploration by the Watercross Mining Company, which included the two Nokeng project farms, culminated in the discovery of the world-renowned Vergenoeg volcanic breccia pipe in the late 1950s, which later became the Vergenoeg Mine. In the 1970s, Gold Fields conducted an extensive drilling programme on Naauwpoort 208JR, which resulted in the delineation of an alluvial outwash fan with a fluoritic ironstone horizon. The programme at that stage supported the definition of a deposit of 8,94Mt of ore at 21,9%  $\text{CaF}_2$  or 1,95Mt of contained fluorspar.

### Locality and infrastructure of the Nokeng project



## Mining rights for the proposed Nokeng mine

| Property                                 | Preference number      | Start date   | Expiry date  | Size (ha) | Holding company | Minerals                                 |
|--|------------------------|--------------|--------------|-----------|-----------------|--|
| Kromdraai 209JR (Ptns 3, 4 11 and RE 12) | GP/30/5/1/2/2 (293) MR | 25 July 2011 | 25 July 2031 | 1 395,55  | Nokeng          | All minerals excluding coal and iron ore |
| Naauppoort 208JR (Ptn 1 and RE)          | GP/30/5/1/2/2 (293) MR | 25 July 2011 | 25 July 2031 | 2 424,29  | Nokeng          | Fluorspar                                |

The Nokeng fluorspar project is located on two adjoining farms located in Gauteng, namely the Naauppoort 208JR and Kromdraai 209JR (Ptns 3, 4, 11, RE 2). Caltlin Investments (Pty) Ltd (Caltlin), now Nokeng, a wholly-owned subsidiary of Sephaku Fluoride, was awarded a new order prospecting right for all minerals excluding coal and iron ore on the farm Kromdraai 209JR (Ptns 3, 4, 11 and RE 2) on 13 December 2005 while BHP Billiton Limited (BHP) was awarded a new order prospecting right for fluorspar on the Farm Naauppoort 208JR on 13 December 2007. Following a sales agreement entered into between Caltlin and BHP on 21 January 2009, an application in terms of Section 11 of the MPRDA was submitted to the then Department of Minerals and Energy on 17 March 2009. This application provided for the transfer of BHP's prospecting right on Naauppoort 208JR to Caltlin.

## New Order Mining Right for Nokeng

The application for a New Order Mining Right for Sephaku Fluoride's Nokeng fluorspar mine has been granted and Mining Right GP/30/5/1/2/2 (293) MR was notarially executed by the Department of Mineral Resources and Nokeng on 26 July 2011 and is valid until 25 July 2031 (a period of 20 years).

New Order Mining Rights are issued in accordance with the requirements of the MPRDA, which include, among others, comprehensive environmental management programmes and social and labour plans.

## Deposits of the Nokeng mine

### Plattekop Deposit

The Nokeng mine area is broadly dominated by Rooiberg Group volcanics and Waterberg sediments and comprises two geographically separate fluorspar deposits: the Plattekop and the Outwash Fan deposits. The Plattekop deposit forms a 200m by 400m plateau capping the Plattekop Hill and represents an erosional remnant of a presumably larger original deposit. The sedimentological features of the sequence suggests only limited re-working of the primary material and the deposit is currently interpreted as a froth flow channel lag deposit feeding from the Vergenoeg exhalative vent. Geologically the deposit comprises a 6m to 27m thick horizon of fluorspar haematite within a sequence of ferruginous pyroclastics associated with the Vergenoeg vent immediately to the north. The ore body thickens in the north-east area from 6m to over 27m and there is a lens-shaped body of waste material within the economic horizon in this area. The mineralised horizon thickness decreases towards the south-west along the ore body. The Plattekop deposit has a Measured Resource of 2 810 000 tonnes at a  $\text{CaF}_2$ -grade of 39,59%.

### Outwash Fan deposit

The Outwash Fan deposit is interpreted as a placer, outwash fan-delta conglomerate, formed as a result of sedimentary deposition after erosion of the primary pyroclastic rock suite. The sequence comprises alternating, laminated beds of fine grit and coarse



ferruginous conglomerate. The horizon of economic interest is a single fluor spar bearing ferruginous conglomerate/breccia, 1m to 9m thick (average 4m), with a fine-grained matrix of fluor spar, rhyolite, tuff, quartzite and haematite. The horizon dips between approximately 7° to 15° east and is approximately 1,1km by 1,3km in aerial extent.

The deposit is transected by a central east-west fault which divides it into three areas, a northern block within which the ore body thickness ranges between 3m and 8m; a south-eastern block within which the ore body thickness reduces to between 2m to 3m and a south-west block with thicknesses of 1m to 4m. The overburden thickness is less than 2,5m in the north and over 80m in the east. A series of sub-parallel, east-west, north-east or north-west faults have produced graben-like structures across the area of the proposed Nokeng mine and these structures are responsible for the uplift and erosion of sections of the ore body, resulting in the removal or preservation in various places, of the mineralised horizons. The Outwash Fan deposit has a Measured Mineral Resource estimate of 8,2Mt at a  $\text{CaF}_2$  grade of 24,6%  $\text{CaF}_2$ .



# / Nokeng targeting production in 2014 /

## Exploration programme and budget

In addition to the 104 boreholes (2 155m) drilled by Gold Fields SA and the seven boreholes (245m) drilled by BHP, the exploration programme by the Nokeng mine has so far included the following:

- remote image and aerial Ground Topographic Global Positioning System (GPS) Surveys;
- development of geo-referenced base maps and a Digital Terrain Model (DTM);
- geological mapping;
- diamond drilling programme totalling 1 300m;
- drilling on the Outwash Fan deposit consisted of 45 boreholes on a 100m by 100m grid to depths of between 6m and 59m;
- a first round of drilling on the Plattekop deposit comprising 28 boreholes drilled to depths of between 8m and 70m;
- sample assaying of approximately 600 samples;
- borehole surveying by independent surveyors; and
- bulk sampling for bench scale metallurgical test work.

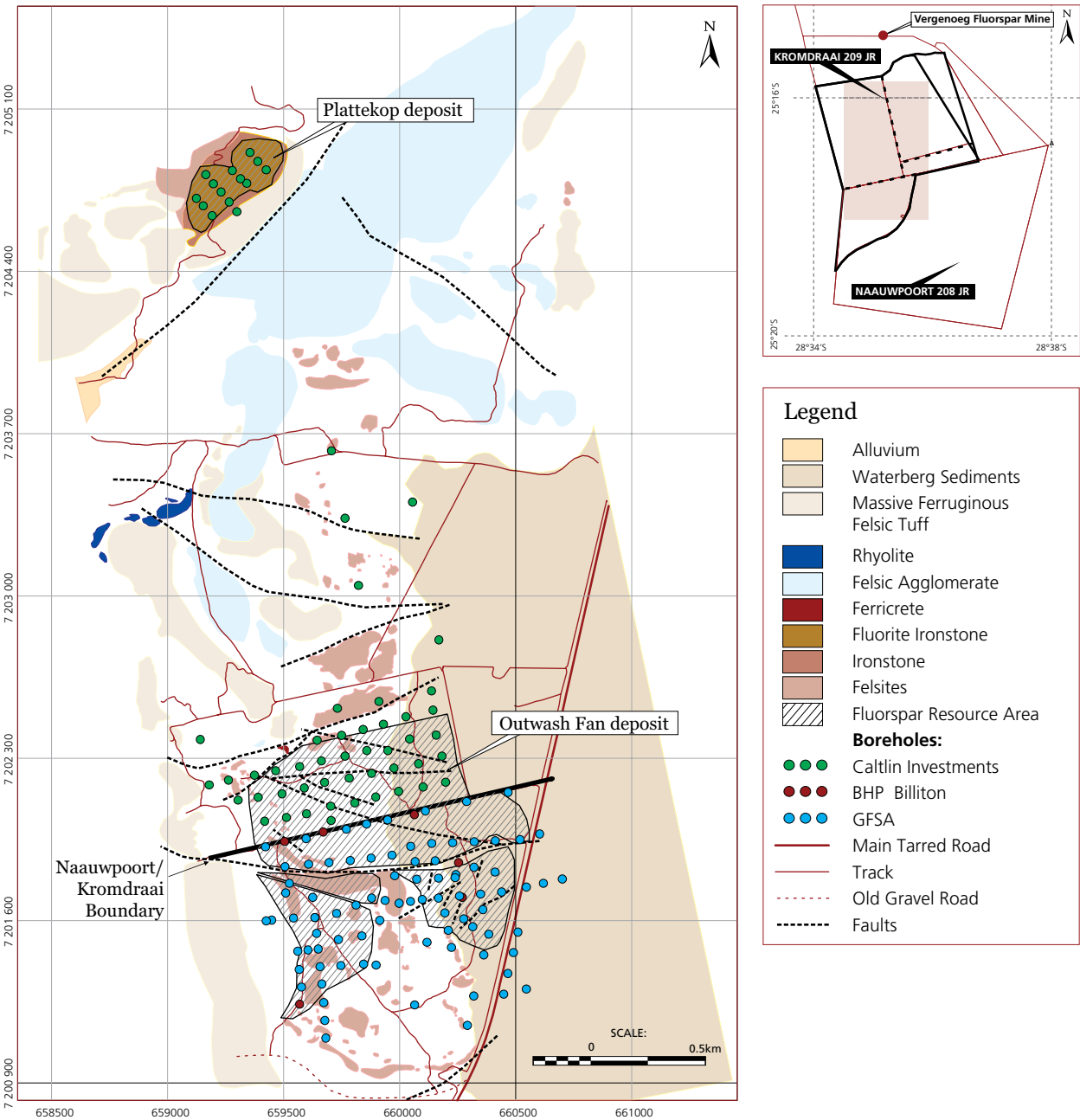
A second round of drilling was completed on Plattekop between March and April 2009:

- Diamond drilling totaling 1 232m
- 15 boreholes of between 8m and 70m
- Assaying of an additional 50 samples.

# Sephaku Fluoride continued

The figure below shows the position of the two deposits and the extent of exploration work done on the Nokeng project.

## Detailed geology and exploration of the Nokeng project





Assay samples were submitted to the following independent laboratories:

- M and L Laboratory Services (Pty) Limited which is South African National Accreditation Service (SANAS) accredited, Laboratory Accreditation Number T00440, ISO/EC17025:2005; and
- SGS Lakefield Research Africa (Pty) Limited, in Booysens, Johannesburg, SANAS Accreditation Number T0169 and ISO/EC 17025:2005.

The historical and future (committed, but not yet incurred) expenditure by the then Caltlin and the Nokeng mine on the Nokeng project is summarised in the following table:

| Expenditure  | Cost (ZAR)<br>Historical | Cost (ZAR)<br>Future* |
|--------------|--------------------------|-----------------------|
| Exploration  | 5 752 138,86             | 0                     |
| Other        | 19 028 790,04            | 3 289 049,00          |
| <b>Total</b> | <b>24 780 928,90</b>     | <b>3 289 049,00</b>   |

\* Planned expenditure committed, but not yet incurred

The results of the drilling programme have defined the aerial extent of the two deposits, permitted the construction of cross sections through the ore bodies and allowed the construction of wireframe models and Mineral Resource block models for the Mineral Resource estimation.

## Mineral Resources and Mineral Reserves statement

SRK performed Mineral Resource estimates on both the Plattekop and Outwash Fan deposits. Mineral Reserve estimates, based on the SRK Mineral Reserve estimates, were then drawn up by Sound Mining Solutions (Pty) Limited (SMS) during the DFS, taking cognisance of all the required modifying factors, as prescribed by the SAMREC Code and determined during the DFS.

SRK has recently reviewed the resource statement on Plattekop given the additional exploration information available on this deposit. This has resulted in the resource being updated from an Indicated Mineral Resource to a Measured Mineral Resource, recognising the greater level of confidence that we now have in the resource on this high-grade deposit.



| Mineral Resource estimate (inclusive of Mineral Reserves) |                  |                             |                         |
|---|------------------|-----------------------------|-------------------------|
| Deposit   | Tonnes<br>(‘000) | CaF <sub>2</sub><br>(‘000t) | CaF <sub>2</sub><br>(%) |
| <b>Inferred Mineral Resources</b>                         |                  |                             |                         |
| Plattekop   | 361,0            | 138                         | 38,4                    |
| Outwash Fan   | 0,0              | 0                           | 0,0                     |
| <b>Sub-total</b>  | <b>361,0</b>     | <b>138</b>                  | <b>38,4</b>             |
| <b>Indicated Mineral Resources</b>                        |                  |                             |                         |
| Plattekop   | 0,44             | 163                         | 36,98                   |
| <b>Sub-total</b>  | <b>0,44</b>      | <b>163</b>                  | <b>36,98</b>            |
| <b>Measured Mineral Resources</b>                         |                  |                             |                         |
| Plattekop   | 2 810,0          | 1 113,0                     | 39,59                   |
| Outwash Fan   | 8 182,5          | 2 010,9                     | 24,6                    |
| <b>Sub-total</b>  | <b>10 922,5</b>  | <b>3 123,9</b>              | <b>28,0</b>             |
| <b>Total Mineral Resources</b>                            |                  |                             |                         |
| <b>Total</b>  | <b>11 353,5</b>  | <b>3 424,9</b>              | <b>29,5</b>             |

Notes: Quoted at a cut-off grade of 15% CaF<sub>2</sub>  
 Plattekop based on April 2009 SRK Mineral Resource Estimate  
 Outwash Fan based on November 2008 SRK Mineral Resource Estimate  
 All tabulated data have been rounded to one decimal point for tonnage,  
 grade and contained CaF<sub>2</sub> and to two decimal points for density.

| Mineral Reserve estimate         |                  |                             |                         |
|----------------------------------|------------------|-----------------------------|-------------------------|
| Deposit                          | Tonnes<br>(‘000) | CaF <sub>2</sub><br>(‘000t) | CaF <sub>2</sub><br>(%) |
| <b>Proven Mineral Reserves</b>   |                  |                             |                         |
| Plattekop                        | 0                | 0                           |                         |
| Outwash Fan                      | 9 065,10         | 2 055,10                    | 22,70                   |
| <b>Sub-total</b>                 | <b>9 065,10</b>  | <b>2 055,10</b>             | <b>22,70</b>            |
| <b>Probable Mineral Reserves</b> |                  |                             |                         |
| Plattekop                        | 3 129,60         | 1 259,10                    | 40,20                   |
| Outwash Fan                      | 0,0              | 0                           |                         |
| <b>Sub-total</b>                 | <b>3 129,60</b>  | <b>1 259,10</b>             | <b>40,20</b>            |
| <b>Total Mineral Reserves</b>    |                  |                             |                         |
| <b>Total</b>                     | <b>12 194,70</b> | <b>3 314,10</b>             | <b>27,20</b>            |

Based on an air-dried basis

# / World-class fluorspar assets /

## Fluorspar concentrator

The process design and operational aspects are discussed in more detail in the Competent Person’s Report that can be found on the Sephaku Holdings website. In summary, the design of the concentrator includes the following key areas:

- ROM ore reception and primary crushing
- Coarse ore receiving and storage facilities ahead of screening, secondary crushing
- Ore receiving and storage facilities ahead of high pressure grinding rolls (HPGR) and primary ball milling
- Flash flotation stream
- Acid grade flotation with re-grind milling
- Dedicated acid-grade concentrate thickening, filtration and concentrate storage facilities.

## Downstream beneficiation

Sephaku Fluoride is planning a beneficiation production facility consisting of a hydrogen fluoride plant as well as an aluminium fluoride plant. A high-level financial analysis was performed to validate the feasibility and opportunities associated with the specific products and quantities intended to be produced by the production facility. Sephaku Fluoride, through Nokeng mine, will be a major supplier of fluorspar to this production facility following the commissioning of the Nokeng concentrator.

The key technology to be utilised in the production facility will include the production of 60 000tpa anhydrous hydrogen fluoride from a feed of 129 600tpa acid-grade fluorspar, and thereafter will produce 60 000tpa aluminium fluoride.

## Fluoride hub

The production of aluminium fluoride will consume 42 000tpa of the hydrogen fluoride produced and the balance of 18 000tpa AHF will be available for sale to the market or to further develop the fluoro-chemical industry in South Africa.



## Sustainable development review

**Sephaku Holdings is focused on growth for its shareholders and for South Africa's economy as a whole. Integrated into this strategy is our commitment to conduct our business ethically with respect for the interests of all stakeholders, and with a sense of responsibility for the resources under our management.**

### Commitment to sustainable development

The board of directors of Sephaku Holdings subscribes wholeheartedly to the belief that companies, particularly those operating in the minerals and resources sectors, should be accountable for all aspects of their performances, whether measurable in financial or non-financial terms. Environmental impact mitigation, sustainable community development, a safe, healthy and reputable workplace and comprehensive and transparent governance systems are all significant indicators of overall business success and need to be monitored and reported on accordingly.

As confirmation of this commitment, the board has taken the decision to publish the company's first full Sustainable Development Report, summarised here in this abridged review. The full report will be available on our website, [www.sephakuholdings.com](http://www.sephakuholdings.com), in early 2012.

### Code of ethics

The board of directors has approved and adopted a Code of Business Ethics and Conduct which re-affirms the high standards of integrity, honesty, respect and good business conduct required of all employees, officers and directors of Sephaku Holdings. The Executive Committee currently takes responsibility for the ethics of the company's representatives and investigates all instances of non-compliance brought forward. During the year under review, no such cases were reported.

### Stakeholder engagement

The board is committed to honest, open and regular communication with all stakeholders on financial and non-financial matters. A process of stakeholder identification has been undertaken and communication with these groups and/or individuals occurs either on a regular basis or when necessary.



## Sustainable development review continued

| Stakeholder   | Engagement  | Most material concerns raised 2011   |
|---|---|--|
| Shareholders  | Half-yearly and annual financial results reports<br>AGM<br>Website announcements<br>Press releases<br>Investor presentations                                | Project progress<br>Share performance<br>Company future<br>Infrastructure supply, eg power<br>Sustainability<br>Value creation   |
| Employees   | Circulars and company announcements<br>Ad hoc discussions<br>Open-door policy with directors and management<br>Regular performance and remuneration reviews | Long-term job security<br>Project progress<br>Rates of remuneration<br>Effects of unbundling process   |
| Contractors   | Formal contracts and agreements<br>Regular ad hoc discussions   | Language translation<br>Accommodation security<br>Compliance with correct legal authority<br>Security of funding   |
| Government  | Regular correspondence relating to permit applications and Mining Rights  | Contribution to MPRDA success <ul style="list-style-type: none"> <li>• Dilution of BEE holding</li> <li>• Employment creation</li> <li>• Access to funding</li> <li>• Environmental degradation</li> </ul> Mining Charter compliance |
| JSE   | Regular discussions, meetings, both formal and ad hoc   | Compliance with Listings Requirements<br>Compliance with King III  |
| Community members:<br>Ditsobotla Local Municipality,<br>Lichtenburg, Delmas<br>Municipality | Community forum meetings<br>Needs analyses<br>Ad hoc discussions with community representatives   | Job opportunities<br>Sinoma employees<br>Implementation timing<br>Education and training opportunities   |
| Community members;<br>Kungwini Local Municipality,<br>Ekundustria                           | Community forum meetings<br>Needs analyses<br>Ad hoc discussions with community representatives   | Project commencement<br>Employment opportunities<br>Community development commitments<br>SME development opportunities   |
| Community members:<br>Dinokeng Tsa Taemane and<br>surrounding municipalities                | Community forum meetings<br>Needs analyses<br>Ad hoc discussions with community representatives   | Employment opportunities<br>Community development commitments<br>HIV/Aids  |
| Adjacent landowners   | Formal discussion meetings<br>Statements of intention and developments  | Project progress<br>Environmental degradation<br>Noise<br>Dust   |



## Governance

Sephaku Holdings and its subsidiaries strive constantly to develop and improve existing corporate governance structures and practices to ensure continued good governance. Significant effort is directed towards the integration of key concepts from the King III Code of Corporate Governance for South Africa into its business and structures. Processes are adjusted where necessary to comply with the provisions of the Companies Act of 2008.

The board of directors of Sephaku Holdings consists of nine directors: three executive directors and six non-executive directors, of whom one is considered to be independent. The board delegates several areas of responsibility to various board committees. These comprise:

- **Executive committee**
  - (Chairman: Dr L Mohuba): four meetings during the year
- **Audit committee**
  - (Chairman: MG Mahlare): two meetings during the year
- **Nomination and remuneration committee**
  - (Chairman: MM Ngoasheng): one scheduled meeting during the year, with ad hoc meetings held as required
- **Risk management committee**
  - (Chairman: MG Mahlare): two meetings during the year
- **Safety, health and environmental committee**
  - (Chairman: Dr GS Mahlati): one meeting during the year
- **Social and ethics committee**
  - Responsibilities currently undertaken by the executive committee

The company is aware of the “apply or explain” principle of King III, with which it is obliged to comply. There are several areas where compliance has not been achieved as a result of the delay in the finalisation of the ongoing unbundling of Sephaku Holdings. Once this is in place, the company will be in a position to make the changes to its governance structures that are necessary to bring it in line with King III, or to explain why it would not be appropriate to do so.

A full statement of corporate governance is given in this report on pages 32 to 35. Please refer to this section for more detailed information.

## Economic sustainability

The key performance indicators of economic sustainability performance include the value generated and distributed by the company during the period under review, as well as the achievements made with respect to the targets set by the South African Mining Charter Scorecard, namely: direct empowerment through ownership and management of assets by historically

disadvantaged South Africans (HDSAs), human resource development and employment equity, and indirect empowerment through preferential procurement and enterprise development.

## Value created and distributed

When laying the foundation for a sustainable business, it is critical to have an accurate understanding of the measurable economic value that the business is generating, and of how that value is being distributed. A value-added statement for the year ended 30 June 2011 is provided in the full economic sustainability section of the company’s Sustainable Development Report 2011.

## Transformation and compliance with the South African Mining Charter

Compliance with the South African Mining Charter is a particular priority for us at Sephaku Holdings. It is aimed at facilitating the socio-economic transformation of the mining sector, through a framework of guidelines and targets that mining companies are required to meet in order to retain their Mining Rights.

## HDSA ownership

At Sephaku, we are committed to promoting the fair and equal participation of HDSAs in South Africa’s mining industry. Sephaku Holdings began as an HDSA-owned company and throughout its corporate transactions, has retained a high level of HDSA-ownership, which is currently at 43%.

## Procurement

Sephaku Holdings has reviewed the procurement spend targets set by the Mining Charter and with due consideration paid to the relevant economic factors that apply to Sephaku Cement and Sephaku Fluoride, we are targeting a minimum of 60% for our overall procurement spend with HDSA-owned companies by 2016 at Nokeng, and 20% at Aganang.

## Beneficiation

In support of the Mining Charter, the South African government has drawn up a beneficiation strategy for the country’s mineral resources with the aim of:

- improving the ratio of beneficiated products to primary products exported and so enhancing the value of our exports;
- advancing progress towards a skills-based economy; and
- ensuring that South Africa’s mineral wealth is developed to its full potential.

## Sustainable development review continued



In line with these objectives, our fluorspar project at Nokeng was identified as an excellent candidate where beneficiation potential could be exploited, and a beneficiation plant was proposed in 2009, within 52km from the Nokeng concentrator, in the local municipality of Kungwini in Gauteng.

The beneficiation facility has been designed with the capacity to produce 159 000tpa of sulphuric acid, 60 000tpa of hydrogen fluoride, 216 000tpa of anhydrite and 60 000tpa of aluminium fluoride.

During construction, an independent economic impact study estimated that the project would generate approximately R660,5 million GDP per region, and create 2 145 employment opportunities. Once operational, the study concluded that the project could generate R996,2 million of added value per annum, through direct and indirect effects, while sustaining over 1 283 jobs. In addition, the plant would create approximately R189 million in extra government revenue and make a lasting contribution towards skills development, both locally and in other regions where supporting businesses might take advantage of the opportunities created by the plant's operating demands.

### Environmental sustainability

The company acknowledges that it is prudent to consider the potential negative impacts that its operations could have on the natural environment where each is located, as well as the cumulative contributions made to overall environmental challenges such as water scarcity and climate change.

We consider regulatory compliance with South African environmental legislation as the minimum acceptable standard of conduct and our long-term environmental aims extend well beyond this. Sephaku Cement and Sephaku Fluoride have completed Environmental Impact Assessments (EIAs) and Environmental Management Plans (EMPs) in support of their applications for New Order Mining Rights. In all cases, these have been approved by the South African Department of Mineral Resources (DMR) and are updated annually. Both divisions have conducted thorough risk assessments of the potential environmental risks faced on site, and a breakdown of these risks and the mitigation measures proposed is set out in the Sephaku Holdings Sustainable Development Report 2011.

With the unique advantage we have of being able to build what will be the most advanced and modern plants in the country, our key long-term objectives in terms of our environmental performance are:



- To be the most carbon-efficient cement producer in southern Africa
  - Our cement plant will give off 15% fewer CO<sub>2</sub> emissions than the industry standard.
- To be a fluorspar producer with an overall positive environmental impact
  - Through sustained stakeholder engagement, we will identify and develop projects and initiatives that give back to the natural environment around Nokeng and other operations that we may commission in future.
- To continuously embrace new technologies and develop our own innovations which reduce our environmental footprint and set an example for other industry players
  - By incorporating modern advances, such as vertical cement mills and our own system of electricity co-generation, due for development after the start of production at Aganang, we will reduce our energy consumption by up to 20%.

## Social sustainability

### Safety and health

Sephaku Holdings places significant emphasis on maintaining the best possible safety record it can achieve. Both Sephaku divisions have established safety and health policies that have been approved by the DMR.

To date, there has been no incidence of lost time injuries or fatalities. Notwithstanding, adequate training in matters related to health and safety is provided to all employees and vigilance in respect of safety performance is expected of operational management teams.

Our contractors, including Sinoma International, are required to comply with our own safety requirements as well as those stipulated by all applicable South African legislation, and their safety procedures are evaluated before they come on site.

A potential risk that has been identified in this regard is the possibility of communication difficulties as a result of language differences. For this reason, translators have been employed to ensure that standards are understood and met.

Occupational health programmes are also planned for the company's operations once a greater contingency of full time employees and contractors is in place. Focus areas will include the provision of adequate education, testing, counselling and care for employees affected by HIV/Aids and tuberculosis prevention plans.

### Employment

Sephaku Holdings aims to create sustainable employment opportunities and is committed to the provision of decent work and fair and ethical employment practices. We adhere to the commitments of the South African Mining Charter in terms of employment equity and promoting the participation of women in mining.

In 2011, we employed a total of 98 people, 62 working for Sephaku Cement and 14 for Sephaku Fluoride, and 22 in the corporate office.

With construction now under way at Aganang, this figure will increase dramatically over the upcoming reporting period. Sinoma International, who are responsible for the construction of the cement plant will be bringing a total temporary contingent of approximately 1 500 Sinoma employees from China, where the company is based. An additional 400 - 500 jobs will be made available during construction for local employees. Once in operation, Sephaku Cement is anticipated to sustain 300 permanent employment opportunities and 600 indirect employment contracts.

Nokeng's construction has been estimated to require approximately 600 employees, while in operation it will provide jobs to roughly 160 people.

Sephaku Holdings respects the human rights upheld by the South African Constitution and Bill of Rights. It is group-wide policy not to employ individuals below the age of 18 and not to engage in the forced labour of any person.

A commitment to maintaining a non-discriminatory, respectful working environment is outlined in the Social and Labour Plans (SLPs) for the group.

### Community development

Community development initiatives are still in their early stages around our operations but detailed action plans for various projects that will stimulate the local economy and enhance the skill levels of our host communities are laid out in the group's SLPs.

Many of the development programmes that will be available to our employees will also be made available to local community members, so that the benefits of such programmes as Adult Basic Education and Training (ABET) can be felt as widely as possible.

For more information on some of these projects, please refer to the community development section of the Sephaku Holdings Sustainable Development Report 2011.

## Board of directors

### **Dr Lelau Mohuba** / Executive Chairman

*MB ChB (University of Natal, now Nelson Mandela School of Medicine)*

Lelau is a retired medical practitioner, having qualified in 1980 at the University of Natal. His medical experience spans over 22 years, 18 of which was spent in private practice in Mankweng Township. His commercial experience started in 2002 with the formation of Shikisha Tyre and Rubber (Pty) Ltd, a JV company with Goodyear Holdings, where he served as both Chairman and CEO. He was a co-founder of Kiba Investments Holdings (Pty) Ltd, a mining beneficiation company, and the founding Chairman and CEO of Lekgotla Investments (Pty) Ltd in 2003, a platinum exploration company. He was director of Boynton Platinum (Pty) Ltd, a subsidiary of TSX, AIM and JSE listed Platmin Ltd, and played a significant role in these listings. Lelau is the co-founder and Chairman of Sephaku Holdings.

### **Neil Crafford-Lazarus** / Chief Executive Officer

*Chartered Accountant (South Africa), BCompt (Hons) (UNISA)*

Neil started his career in mining finance when he joined Anglo American Corporation as a tax advisor in 1988. In 1990, he joined Gencor and held senior management positions in taxation, business development and corporate finance through the Gencor unbundling and listing of Billiton on the London Stock Exchange. In 1998, he joined Xstrata SA (Pty) Limited as Chief Financial Officer and was appointed Financial Director in 1999. In October 2005, Neil joined Platmin as Chief Financial Officer in anticipation of the company's simultaneous listing on the TSX and AIM, a position that he held until May 2007. He joined Sephaku Holdings on 1 June 2007 and was appointed CEO in May 2008.

### **Stefanus Steyn** / Acting Chief Financial Officer

*Chartered Accountant (South Africa), BCompt (Hons) (UNISA)*

Stefanus qualified as a Chartered Accountant (South Africa) in 1991 and was employed for two years by the South African Revenue Services, where he worked as an inspector in the Special Investigations Department. He returned to public practice for two years before being appointed as Financial Manager in a company that was awarded a contract to pay out Social Welfare Pensions. After three years, he returned to Pretoria and was employed as a Financial Manager in a company supplying office furniture to corporate clients before returning to public practice in 1998. Stefanus acted as auditor to a number of listed companies before joining the Taung Gold group in April 2007.

### **Rose Matjiu** / ISD Executive Director

*Certification in Mining and Minerals (Wits), MA (Medical Social Work) (University of Pretoria), BA (Social Work) (University of the North)*

Rose has extensive experience as a professional community and social worker having practiced for 16 years in both government and the private sector. Her previous experience includes being a director of Boynton, a subsidiary of TSX, AIM and JSE listed Platmin Ltd; Managing Director of SM2 Social and Training Consultants, where she was involved in training on government developmental projects; Provincial Director of the Deaf Federation of South Africa and working on the establishment of disability desks in the office of the deputy president to address the needs of the disabled in South Africa. She is also a member of South African Women in Mining and the Business Women Association.

### **Modilati Mahlare** / Independent Non-executive Director (Chairman of the Audit Committee)

*BCom (Accounting), BCompt (Hons)*

Modilati joined National Sorghum Breweries in July 1992 as a financial controller and internal auditor and was later promoted to the position of Financial Manager. He was employed by PricewaterhouseCoopers from July 1995 to April 2007 as a senior manager and joined SEMA Integrated Risk Solutions in May 2007 as a director. Modilati has a wealth of experience in internal audit, corporate governance, risk management and management consulting.

### **Pieter Fourie** / Non-executive Director

*BCom (Accounting), Executive Development Program (PRISM) for Global Leaders (Switzerland)*

Pieter completed his articles at Ross & Co. Chartered Accountants in 1978. In 1979, he joined Grinaker as an accountant and, in 1993, was promoted to Managing Director of Grinaker's housing division. In 1995, Pieter left Grinaker and joined Blue Circle Cement as Marketing Director after Lafarge acquired Blue Circle Cement, becoming Marketing Director of the cement business unit of Lafarge in 1999. After a year at Lafarge's head office in Paris, Pieter joined Tyco Trucks as the Chief Executive Officer in 2003. Prior to assuming the position of Chief Executive Officer of Sephaku Cement in May 2007, Pieter pursued various business opportunities in the cement related market. Pieter was appointed a director of Sephaku Holdings in November 2009.



**/ We are  
proud  
of our  
status as  
an HDSEA-  
compliant  
company /**

From left to right:

Moses Ngoasheng  
Jennifer Bennette  
Jan Wessels  
Pieter Fourie  
Dr Lelau Mohuba  
Neil Crafford-Lazarus  
Rudolph de Bruin  
Shibe Matjiu  
Dr Gil Mahlati  
Modilati Mahlare



## Board of directors continued

### **Rudolph de Bruin** / Non-executive Director

*BCom (University of the Free State), LLB (Rand Afrikaans University)*

Rudolph practiced as an advocate at the Pretoria Bar from 1977 to 1989. Since then he has concentrated on finding, acquiring and developing mineral exploration and mining projects in various African countries. He was a founding member of the Platmin group and focused, during his time with the company, on building Platmin into a credible platinum explorer and producer. With the advent of the new MPRDA in 2004, Rudolph supervised the conversion of Platmin's rights to new order rights and the application for new order prospecting rights. He was also involved in the various fund raisings done by the group in the United Kingdom and North American markets. Rudolph left Platmin in 2006 and co-founded the Sephaku group. He subsequently established the Sephaku group's flagship projects as well as the companies for which members of the Sephaku group are currently the BEE partners.

### **Dr Gilimamba Mahlati** / Non-executive Director

*MB ChB (University of Natal), Fellow of College of Surgeons (SA), Clinical Fellow in Liver Surgery (King's College Hospital, London)*

Gilimamba is a former surgeon who specialised in liver transplant surgery in Cape Town and London. After three years in private practice in Pretoria, he entered the business arena as Medical Director of Primecure Clinics and two years later joined Professor Wiseman Nkuhlu as Managing Director of Meeg Strategic Investments. Gilimamba set up a small and medium enterprise private equity fund and participated in the first empowerment venture with trade unions in Netcare Limited. He moved from banking and private equity to life insurance, health risk management, employee benefits and administration when he joined the Channel Group as Executive Director and served as Chairman of Channel Life Namibia and the Health Monitor Group. In 2004, he became Chief Operating Officer of Amabubesi Healthcare (Pty) Limited. Since then he has participated in the empowerment consortium that partnered with Old Mutual Plc, Nedbank Group Limited and Mutual and Federal Insurance Company Limited. He also participated in the Aspen Pharmacare empowerment transaction.

### **Moses Ngoasheng** / Non-executive Director

*MPhil (University of Sussex), BSocSci (Hons) (University of Natal), BA (Economics and International Politics) (UNISA)*

Moses holds an MPhil in Development Studies from the University of Sussex, as well as a number of other degrees. He was pivotal in the industrial policy development of the African National Congress (ANC) and was the economic advisor to President Thabo Mbeki from 1995 to 2000. He was the co-founder and Chief Executive Officer of Safika Holdings, one of the pre-eminent investment holding companies to emerge in the post-1994 era. Moses also

serves on numerous boards, including SA Breweries Ltd (the local unit of SABMiller), Dimension Data (Middle East and Africa), Business Leadership South Africa, Safika Oosthuizen Transport, and Safika Highbury Media. Moses also chairs the board of The Kelly Group.

### **Dr David Twist** / Non-executive Director

*BSc (Hons) (Geology), PhD (Geology)*

David completed his doctorate in 1980, after which he joined Impala Platinum Holdings Limited for two years. He then joined the research team at the University of Pretoria and specialised on the Bushveld Complex. In 1990, he teamed up with Rudolph de Bruin, and together they concentrated on exploration in Africa. He was a founding member and Chief Executive Officer of Platmin until 2006, after which he co-founded Sephaku Holdings. David is a registered member of the South African Council of Natural Scientific Professions, a member of the Geological Society of London and a member of the American-based Society of Economic Geologists.

### **Jan Wessels** / Alternate Director

*BJuris (North West University), LLB (University of South Africa)*

Jan joined the Sephaku group in early 2007. He serves as a non-executive or executive director of various companies in the group including, amongst others, Sephaku Cement, Sephaku Fluoride, African Nickel Limited and Cross Company Management (Pty) Ltd (previously Sephaku Management (Pty) Ltd). He is part of the executive teams in a number of companies in the group and is, inter alia, responsible for legal advice, negotiations and deal making and contractual arrangements. After the completion of his studies, Jan undertook his articles with Adams & Adams and was in private practice until he joined the Sephaku group. He was a founding partner of the firm Truter & Wessels and was a senior partner of that firm from 1987 until the firm's amalgamation with Couzyn, Hertzog & Horak Incorporated in 2000, after which he became head of the commercial department of the new Couzyn, Hertzog, Horak & Wessels Incorporated. Jan still serves the firm as a consultant.

### **Jennifer Bennette** / Alternate director

Jennifer matriculated in 1980 at Cambridge High, East London. From 1980 till 1999 she was employed by several firms of attorneys as a para-legal. From 1999 to 2007, she was the Company Secretary for Platmin Ltd. Since 2008, she has been the Company Secretary for Sephaku Holdings and, since 2010, has been the Company Secretary of Sephaku Cement as well. She has attended to all company secretarial work, including mineral rights searches, the sub-divisions of farms, servitudes, the drawing up of prospecting contracts, and related administrative work. Jennifer has attended several courses on company secretarial work.



## Senior management

### **Duncan Leith** / Commercial Manager: Sephaku Cement

*BCom (UNISA), Young Managers Program (INSEAD, France), MBA (GIBS)*

Duncan has extensive experience in all commercial aspects of the cement industry, having worked for Lafarge (formerly Blue Circle) for 10 years, where his role was to establish a fully integrated logistics process after the disbanding of the cartel in 1994. After the acquisition of Blue Circle by Lafarge, Duncan was promoted to Distribution Manager, where he was responsible for logistics as well as all distribution depots. He was later promoted to Commercial Manager with total responsibility for marketing, sales, distribution and logistics. Before joining Sephaku Cement, Duncan spent three years with the Imperial Group managing their Renault Trucks franchise. He is currently responsible for marketing, sales and distribution.

### **Duan Claassen** / Operations Manager: Sephaku Cement

*BEng (Metallurgical Engineering) (University of Pretoria), Young Manager's Programme (INSEAD, France), MDP (Duke University, USA)*

Duan completed his in-service training as a graduate engineer at De Beers' Venetia Mine, a greenfields project, in 1993. He left De Beers in 1997 as a minerals processing engineer and joined Blue Circle Cement in as a process engineer. Duan held various management positions at the Lichtenburg Plant, participated in the integration into Lafarge, and left Lafarge in 2006 as Plant Operations Manager. He was recruited by PPC in March 2006 as Operations Manager of the Dwaalboom factory, where a new kiln line was being installed. He left PPC for Sephaku Cement at the end of 2007, when he was recruited by Pieter Fourie, CEO of Sephaku Cement, to start a new cement project.

### **Gay de Witt** / Chief Financial Officer: Sephaku Cement

*BCom (Honours) (University of Pretoria), CTA (University of SA), CA (SA) (SAICA)*

Gay has comprehensive experience in fields ranging from finance and operations to risk. She joined Danone, Clover as finance controller where she gained valuable experience in the FMCG market. From there she moved into a business control role where she broadened her general business experience. Gay was instrumental in establishing the Sub-Saharan Africa expansion plan with exports to Angola.

### **Puseletso Makhubo** / Organisational Performance Manager: Sephaku Cement

*BA Admin (Hons) (Industrial Psychology) (University of Durban Westville), MDP (University of Durban Westville), MBL (UNISA)*

Puseletso has extensive generalist experience in human resources management, particularly in the banking sector and manufacturing industry. She has held various key positions in the human resources field while working for Nedcor Electronic Banking, the Development Bank of Southern Africa and Lafarge Gypsum, where she was the Human Resources Director for the business unit. Her responsibilities have ranged from developing and aligning human resources strategies and systems to implementing business strategies.

### **Heinrich de Beer** / Engineering Project Manager: Sephaku Cement

*BEng Mechanical (PU for CHE), MDP (PU for CHE), LDP (GIBS)*

Heinrich started his career as a project engineer and later as Maintenance Manager at Mittal (Isacor), Vanderbijlpark Carbonisation Plant. He then joined Lafarge as Depot Manager for their Kaalfontein terminal and was later promoted to Depot Operations Manager responsible for all of Lafarge Cement's distribution facilities as well as their Richards Bay grinding plant. Heinrich was also promoted to Development Manager at the Lichtenburg plant where he was responsible for major projects (including involvement in Lafarge SA's recent new kiln line), automation and IT, quality and environment.

### **Loek van den Heever** / Project Manager: Sephaku Fluoride

*Nat Higher Dip: Mechanical Engineering, GCC, BCom (UNISA)*

Loek is a mechanical engineer with 30 years' experience in the mining sector – predominantly in fluorspar. Some of his previous positions have been with Transvaal Mining and Finance, IMP Buffalo Fluorspar, Witkop Fluorspar and Sasol.

## Statement of corporate governance

**While the board of directors of Sephaku Holdings (the board) provides leadership, based on an ethical foundation, and oversees the overall process and structure of corporate governance, each business area and every employee of the group is responsible for acting in accordance with sound corporate governance practices.**

The Sephaku Holdings group and its directors are committed to the principles of good corporate governance, to applying the highest ethical standards in conducting business, seeking to guide and oversee the company as it balances the need to be a good corporate citizen, while generating sustainably superior levels of performance and a good return on shareholder's investment. The group strives constantly to develop and improve existing corporate governance structures and practices to ensure continued good governance, continues to integrate the key concepts of King III into its business and adjust structures and processes to comply with the provisions of the Companies Act of 2008. This process was the topic of many a debate during the year under review as changes in the structure were earmarked for implementation upon finalisation of the unbundling process.

Currently the board and committees of the Sephaku Holdings group are not yet fully in line with certain requirements of King III and the Companies Act of 2008 due to the envisaged unbundling of Sephaku Holdings and the resulting restructuring of the board implementation of changes having been delayed. On completion of the unbundling process Sephaku Holdings will continue forthwith to proceed further to integrate the key concepts of King III into its business and comply with the provisions of the Companies Act of 2008.

### The board

The board supports the long-term sustainability of corporate capital, balanced economic, social and environmental performance and due consideration of legitimate stakeholder involvement. Sephaku Holdings has a unitary board that takes overall responsibility for the success of the company. The board exercises leadership and sound judgment in directing the company to achieve sustainable growth and to act in the best interest of the company and its stakeholders.

The board comprises of nine directors, three of which (including the chairman) are executive directors, six are non-executive directors and one of these is considered to be an independent non-executive director. Five of the executive and non-executive directors are previously disadvantaged individuals and one of these is a woman.

The board is satisfied that the balance of skills, knowledge and experience on the board, as well as its size and diversity, makes it effective. Post unbundling, however, it is envisaged that both the boards of Sephaku Holdings and Sephaku Cement will change substantially, being smaller in number but with more independent non-executive directors.

Four board meetings were held during the year under review.

#### Attendance at meetings

| Name                                | 26 Aug<br>2010 | 16 Oct<br>2010 | 29 Mar<br>2011 | 27 Jun<br>2011 |
|-------------------------------------|----------------|----------------|----------------|----------------|
| Dr L Mohuba                         | ✓              | ✓              | ✓              | ✓              |
| NR Crafford-Lazarus                 | ✓              | ✓              | ✓              | ✓              |
| RR Matjiu                           | ✓              | ✗              | ✓              | ✓              |
| MG Mahlare                          | ✗              | ✓              | ✓              | ✓              |
| PF Fourie                           | ✓              | ✓              | ✓              | ✓              |
| CRD de Bruin                        | ✓              | ✓              | ✓              | ✗*             |
| Dr GS Mahlati                       | ✓              | ✓              | ✓              | ✗              |
| MM Ngoasheng                        | ✗              | ✗              | ✓              | ✓              |
| Dr D Twist (appointed<br>29.3.2011) |                |                |                | ✓**            |
| ME Smit (resigned<br>28.2.2011)     | ✓              | ✓              |                |                |

✗ Submitted apologies and was granted a leave of absence in terms of the company's articles of association.

\* Represented by JW Wessels, his alternate.

\*\* Participated by way of teleconference.

The board is responsible to shareholders for the conduct of the business of the Sephaku Holdings group, which includes providing Sephaku Holdings with clear strategic direction. The schedule of matters reviewed by the board includes:

- approval of the group's strategy and annual budget;
- overseeing group operational performance and management;
- ensuring that there is adequate succession planning at senior levels;
- overseeing director selection, orientation and evaluation;
- approval of major capital expenditure or disposals, material contracts, material acquisitions and developments;
- reviewing the terms of reference of board committees;
- determining policies and processes which seek to ensure the integrity of the group's risk management and internal controls;
- maintaining and monitoring the group's systems of internal control and risk management;
- communication with shareholders, including approval of all circulars, prospectuses and major public announcements; and
- approval of the interim statement and annual report and accounts (including the review of critical accounting policies and accounting judgments and an assessment of the company's position and prospects).



The board retains full and effective control over the business of Sephaku Holdings. At the level of Sephaku Cement the board has defined levels of materiality through a written delegation of authority, which sets out decisions the board wishes to reserve for itself. The delegation will be regularly reviewed and monitored.

In accordance with the company's articles of association, all of the directors are subject to retirement by rotation and re-election by shareholders at least every three years. The board intends to meet at least four times a year, or more frequently if circumstances so require. Information relevant to meetings is supplied on a timely basis to the board; ensuring directors can make informed decisions. The directors have unrestricted access to information, management and the company secretary in relation to Sephaku Holdings. All directors are entitled to seek the advice of independent professionals on matters concerning the affairs of the group, at Sephaku Holdings' expense.

## Division of responsibility

There is a clear division between the roles of the chairman and the chief executive officer (CEO). The board is chaired by an executive director. The chairman is responsible for providing leadership to the board, overseeing its efficient operation and has been tasked with ensuring effective corporate governance practices. The CEO is responsible for formulating, implementing and maintaining the strategic direction of Sephaku Holdings and ensuring that the day-to-day affairs of the group operations are appropriately supervised and controlled. The non-executive directors all have a high degree of integrity and credibility, and the composition of the board provides for objective input into the decision-making process, thereby ensuring that no one director holds unfettered decision-making powers or too much influence. The directors come from diverse backgrounds and bring to the board a wide range of experience.

## Board committees

In line with the recommendations of King III, the board delegates certain functions to various board committees on which executive and non-executive directors play an active and pivotal role. All committees operate under board-approved terms of reference, which are reviewed and updated regularly to further align them with best practice and to take into consideration the recommendations set out in King III. The audit committee is chaired by an independent non-executive director who attends the annual general meeting (AGM) in order to respond to shareholder queries. The chairman of the committees are, in conjunction with the board, elected by the members of each committee and hold office for not more than five consecutive years, unless sound reasons cause the nomination committee and the board to determine otherwise.

In view of the fact that the audit committee is a statutory committee under the new Companies Act and in terms of the recommendations set out in King III, shareholders will elect the members of the committee at the company's 2011 AGM.

## Executive committees

| Sephaku Holdings Ltd   | Sephaku Cement (Pty) Ltd | Sephaku Fluoride Ltd   |
|------------------------|--------------------------|------------------------|
| <b>Members</b>         |                          |                        |
| Dr L Mohuba (chairman) | PF Fourie (chairman)     | Dr L Mohuba (chairman) |
| NR Crafford-Lazarus    | D Leith                  | NR Crafford-Lazarus    |
| JW Wessels             | D Claassen               | Dr D Twist             |
| S Matjiu               | G De Witt                | LA vd Heever           |
|                        | P Makhubo                | JW Wessels             |
|                        | H De Beer                | S Matjiu               |

The executive committees are responsible for the operational activities of the group, developing strategy and policy proposals for consideration by the board and implementing the board's directives. In assisting the Sephaku Holdings CEO in the performance of his duties, the executive committees' roles include:

- developing and implementing strategy, operational plans, policies, procedures and budgets;
- monitoring operational and financial performance;
- assessing and controlling risk;
- prioritising and allocating resources; and
- monitoring competitive forces in each area of operation.

The executive committees meet monthly with additional meetings convened when necessary. They have a properly constituted mandate and formalised level of authority document which they abide by.

## Audit committee

|   |
|---|
| <b>Members</b>                          |
| MG Mahlare (chairman)                   |
| PF Fourie                               |
| NR Crafford-Lazarus (ex-officio member) |

*\* King III requires the audit committee to have at least three members. Due to the imminent unbundling of Sephaku Cement and the resulting changes to the board, the new King III compliant audit committee will be elected at the AGM.*

The audit committee acts in terms of written terms of reference and meets regularly with the group's external auditors and Sephaku Holdings' executive management. Others, who attend audit committee meetings by invitation, do not have a vote, including Sephaku Holding's CEO and acting chief financial officer (CFO).

The role of the audit committee is to:

- nominate a registered and independent auditor, determining fees to be paid and terms of engagement;
- determine any non-audit services that the auditor may provide and pre-approve these;
- prepare a report for the annual financial statements for that financial year: describing how the audit committee carried

## Statement of corporate governance continued

out its functions, stating whether the audit committee is satisfied that the auditor was independent of the company, and commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the company;

- deal appropriately with any concerns or complaints relating to the accounting practices and audit of the company, the content or auditing of the company's financial statements, and the internal financial controls of the company;
- make submissions to the board on any matters concerning the company's accounting policies, financial control, records and reporting; and
- perform other functions determined by the board, including the development and implementation of a policy plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the company.

The committee met twice in the year under review.

The board has determined that the audit committee fulfilled its responsibilities for the year under review and as required, reports that it is satisfied with the expertise and experience of the acting CFO and the independence of PKF (Pta) Inc.

### Attendance at meetings

| Name                         | 15 Sept 2010 | 29 Mar 2011 |
|------------------------------|--------------|-------------|
| MG Mahlare                   | ✓            | ✓           |
| PF Fourie                    | ✓            | ✓           |
| NR Crafford-Lazarus          | ✓            | ✓           |
| ME Smit (resigned 28.2.2011) | ✓            |             |
| H Grobler (PKF) (invitee)    | ✓            |             |
| M Manilal (PKF) (invitee)    | ✓            |             |
| A de Waal (PKF) (invitee)    | ✓            |             |
| A Verster (invitee)          | ✓            | ✓           |
| S Steyn (acting CFO)         |              | ✓           |

### Nomination and remuneration committee

| Members                                 |
|---|
| MM Ngoasheng (chairman)                 |
| CRD de Bruin                            |
| Dr L Mohuba                             |
| NR Crafford-Lazarus (ex-officio member) |

The nomination committee is responsible for reviewing the composition of the board and to identify and make recommendations to the board regarding the appointment of new directors. Appointments to the board are made taking into account the need for ensuring that the board provides a diverse range of skills, knowledge and expertise, the necessity of achieving a balance between skills and expertise, the professional and industry

knowledge necessary to meet the company's strategic objectives and the need for ensuring demographic representation.

It also satisfies itself that appropriate succession plans are in place for the board and senior management of the Sephaku Holdings group and reviews the performance of non-executive directors to ensure that they have devoted sufficient time to their duties.

The remuneration committee approves the remuneration policies for the executive directors and senior management, having considered relevant market norms and independent advice where appropriate. No director or manager is involved in any decision as to his or her own remuneration.

One meeting is scheduled annually with special meetings called as and when required.

### Attendance at meetings

| Name                                    | 17 Sept 2010 |
|---|--------------|
| MM Ngoasheng (chairman)                 | ✓            |
| CRD de Bruin                            | ✗            |
| Dr L Mohuba                             | ✓            |
| NR Crafford-Lazarus (ex-officio member) | ✓            |

✗ Submitted apologies and was granted a leave of absence in terms of the company's articles of association. The meeting and decisions taken was the subject of a telephonic discussion between the chairman and the absent member immediately after the meeting.

### Risk management committee

The tasks of the risk management committee which include identifying strategic risks, reviewing their impact, assessing the probability of occurrence and monitoring the perceived effectiveness of existing controls are currently performed by the audit committee. Sephaku Cement is in the process of appointing a separate risk management committee.

In understanding the risk universe, both the impact and probability of risk are ranked on a nine-point scale: from 'catastrophic' to 'negligible' in relation to the impact and from 'negligible' to 'confidently expected' for probability. Inherent risk is ranked similarly to the impact of risk while control effectiveness is measured as either 'good', 'satisfactory', 'corrective action required' or 'deficient'. In terms of the range of risks, the risk management committee is guided by the ten strategic sustainability issues, covering not only operational and financial sustainability, but economic, environmental and social impacts and opportunities as well.

### Safety, health and environmental committee

| Members                  |
|--------------------------|
| Dr GS Mahlati (chairman) |
| PF Fourie                |
| NR Crafford-Lazarus      |



The role of the safety, health and environmental committee is to monitor and review safety, health and environmental performance and standards. A qualified safety, health and environmental non-executive director is employed to oversee induction and safety procedures at each exploration site. The safety procedures of all contractors are evaluated before they come on site. The company is in the pleasing position that, to date, there has been no incidence of lost time injuries or fatalities. Notwithstanding this, adequate training in matters related to health and safety is provided to all employees and vigilance in respect of safety performance will continue. Sephaku Holdings is striving for continuous improvement and ensuring that a safe work area is maintained for all employees.

#### Attendance at meetings

| Name                     | 18 Sept 2010 |
|--------------------------|--------------|
| Dr GS Mahlati (chairman) | ✓            |
| PF Fourie                | ✓            |
| NR Crafford-Lazarus      | ✓            |

#### Social and ethics committee

Sephaku Holdings is committed to the highest ethical standards and the function of a social and ethics committee is currently performed by the executive committee. The code of ethics has been aligned with corporate governance trends and practices. It has been adopted as part of the company's continuing effort to comply with all applicable laws and regulations, to observe the highest standards of honesty and integrity, to have due regard for the interests of stakeholders, to conduct our business sustainably, ensuring safety, health and the protection of the environment and for the education and training of employees, officers and directors.

#### Company secretary

To enable the board to function effectively, all directors have full and timely access to all information that may be relevant to the proper discharge of their duties and obligations. This includes information such as agenda items for board meetings, corporate announcements, investor communications and any other developments, which may affect Sephaku Holdings or its operations. Where appropriate, the directors may also consult with independent professionals and advisors, at Sephaku Holdings' expense.

Induction of directors includes a briefing on their fiduciary and statutory duties and responsibilities (including the JSE Listings Requirements). Training of directors includes the provision of ongoing support and resources in order to enable them to extend and refresh their skills, knowledge and understanding of the group. Professional development and training is provided through regular updates on changes and proposed changes to laws and regulations affecting the group or its businesses and professional and skills training.

The group company secretary is responsible for the functions specified in chapter 88 of the Companies Act 71 of 2008

(as amended), including that all meetings of shareholders, directors and board sub-committees are properly recorded. The removal of the group company secretary would be a matter for the board as a whole.

#### Conflicts of interest

Board members disclose their interests in material contracts involving the group, any other directorships they may hold and their shareholdings in Sephaku Holdings which may pose potential conflicts of interest. Directors recuse themselves from making decisions which could in any way be affected by vested interests.

#### Share dealings

Directors, officers, participants and staff who may have access to price-sensitive information are precluded from dealing in Sephaku Holdings shares during closed-periods which include the lead-up to the release of interim and final results as well as during sensitive periods.

Details of share dealings by Sephaku Holdings directors as well as the directors of its major subsidiaries are disclosed to the board and the JSE Limited through the Securities Exchange News Service (SENS).

Written requests to trade in the company's shares by directors and their associates, officers and senior personnel and the requisite approval to trade in the company shares, outside of closed periods, are kept on record at the company's offices.

#### Donations to political parties

Sephaku Holdings did not make any donations to political parties during the year under review.

#### Other

The board is committed to honest, open and regular communication with all stakeholders on financial and non-financial matters. The company reports formally to shareholders when half-year and full-year results are announced. Shareholders are invited to attend AGMs and to pose questions to the directors. All executive and non-executive directors are required to attend the meeting. The AGM provides an opportunity for the chairman to present to the shareholders a report on current operations and developments and enables the shareholders to question and express their views about the company's business.

A separate resolution is proposed on each substantially separate issue, including the receipt of the financial statements and shareholders are entitled to vote either in person or by proxy. The company secretary acts as advisor to the board, plays a pivotal role in ensuring compliance with statutory regulations, the code and the King Code, the induction of new directors, tabling information on relevant regulatory and legislative changes and giving guidance to the directors regarding their duties and responsibilities. The directors have unlimited access to the advice and services of the company secretary.

# Report of the audit committee

for the year ended 30 June 2011

The audit committee is a committee of the board of directors and in addition to having specific statutory responsibilities in terms of section 94 of the Companies Act of South Africa, 2008, it assists the board through advising and making submissions on financial reporting, oversight of the risk management process and internal financial controls, external and internal audit functions and statutory and regulatory compliance of the company.

## Terms of reference

The audit committee has adopted formal terms of reference that have been approved by the board of directors, and has executed its duties during the past financial year in accordance with these terms of reference.

## Composition

The committee consists of two non-executive directors of which the chairman is independent.

At 30 June 2011 the audit committee comprised of:

| Name                             | Qualifications                      |
|----------------------------------|-------------------------------------|
| MG Mahlare                       | BCom (Accounting), BCompt (Honours) |
| PF Fourie                        | BCom (Accounting)                   |
| NR Crafford-Lazarus (ex officio) | BCompt (Honours) CA (SA)            |

All committee members, with the exception of Morrison Smit who resigned as director of the company on 28 February 2011, served on the committee for the full financial year.

## Meetings

The audit committee held two meetings during the period.

Attendance at these meetings is shown in the table below:

| Director            | 15 Sept 2010 | 29 Mar 2011 |
|---------------------|--------------|-------------|
| MG Mahlare          | ✓            | ✓           |
| PF Fourie           | ✓            | ✓           |
| NR Crafford-Lazarus | ✓            | ✓           |

The external auditors, in their capacity as auditors to the group, attended and reported at all meetings of the audit committee. The group's risk management function was also represented. Executive directors attended meetings by invitation.

## Functions of the audit committee

In execution of its statutory duties during the past financial year, the audit committee:

- Reviewed the interim, provisional and year-end financial statements and annual report, culminating in a recommendation to the board to adopt them. In the course of its review the committee:
  - took appropriate steps to ensure the financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa;
  - considered and, when appropriate, made recommendations to the board on internal financial controls, accounting policies, records and reporting; and
  - dealt with concerns or complaints on accounting policies, internal audit, the auditing or content of annual financial statements, and internal financial controls.
- Verified the independence of the external auditor and nominated PKF (Jhb) Inc. as auditor for 2012

- Approved audit fees and the terms of engagement of PKF (Pta) Inc.
- Ensured the appointment of PKF (Jhb) Inc. complies with the provisions of the Companies Act of South Africa
- Determined the nature and extent of allowable non-audit services and approved contract terms for non-audit services by the external auditor
- Reviewed external audit reports on the annual financial statements.

## Internal financial controls

- Reviewed the effectiveness of the risk management, controls and governance processes including receiving assurance from management and external audit
- Reviewed significant issues raised by the external audit process
- Reviewed policies and procedures for preventing and detecting fraud.

Based on the processes and assurances obtained, we believe that significant internal financial controls are effective.

## Regulatory compliance

The audit committee has complied with all applicable legal and regulatory responsibilities.

## Internal audit

Due to the size of the accounting function in a company that is still in a pre-production stage, an internal audit function is not viable at this stage. New appointments would firstly strengthen the accounting function and improve controls through division of duties than performance of an internal audit function.

## Expertise and experience of financial director and the finance function

We believe that Steven Steyn, the group acting finance director, possesses the appropriate expertise and experience to meet his responsibilities in that position as required by the JSE Listing Requirement 3.84(h).

In addition, the committee satisfied itself that the composition, experience and skills set of the finance function met the group's requirements.

Based on the processes and assurances obtained, we believe that the accounting practices are effective.

## Annual report

Based on processes and assurances obtained, we recommend the annual report to the board for approval.

On behalf of the audit committee:



**MG Mahlare**

Chairman of the audit committee

26 September 2011



# Independent auditors' report to the shareholders of Sephaku Holdings Limited



chartered accountants  
& business advisers

## Report on the financial statements

We have audited the financial statements of Sephaku Holdings Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2011, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 40 to 103.

## Directors' responsibility for the financial statements

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

## Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Sephaku Holdings Limited as of 30 June 2011, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

PKF (Pta) Inc.

### PKF (Pta) Inc.

Registered Auditors

Chartered Accountants (SA)

Registration number: 2000/022635/21

Director: **M Manilal**

Pretoria

26 September 2011

Tel +27 861 PKF PTA (0861 753 782) | Fax +27 12 347 3737

Email [info@pkfpta.co.za](mailto:info@pkfpta.co.za) | [www.pkf.co.za](http://www.pkf.co.za)

Erasmus Forum A | 434 Rigel Avenue South | Erasmusrand | Pretoria 0181

Private Bag X4 | Hatfield | 0028

PKF (Pta) Inc. Registered Auditors Chartered Accountants (SA) A member firm of PKF International Ltd Reg No. 2000/022635/21

Directors: JF Grobler; M Manilal; S Ranchhoojee, MD; A Salickram and J Tromp

The PKF International Association is an association of legally independent firms. PKF in Southern Africa practise as separate incorporated entities in Bloemfontein, Cape Town, Durban, Johannesburg, Newlands, Port Elizabeth, Pretoria, Welkom, Namibia

## Directors' responsibilities and approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and the AC 500 statements and interpretations. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards, the AC 500 statements and interpretations and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the group's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

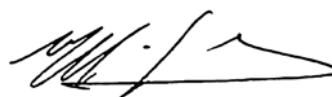
The external auditors are responsible for independently reviewing and reporting on the group's financial statements. The financial statements have been examined by the group's external auditors and their report is presented on page 38.

The financial statements set out on pages 40 to 103, which have been prepared on the going concern basis, were approved by the board on 26 September 2011 and were signed on its behalf by:



**Dr L Mohuba**

Centurion, South Africa  
26 September 2011



**NR Crafford-Lazarus**

# Directors' report

for the year ended 30 June 2011

The directors submit their report for the year ended 30 June 2011.

## 1. Review of activities

### Main business and operations

The group is engaged in mining and development and operates principally in South Africa.

The majority of material movements in balances from the 2010 to 2011 financial period is explained by the following significant transactions:

- Sephaku Cement (Pty) Limited ("Sephaku Cement") issued shares for cash to Dangote Industries Limited ("Dangote") in order to settle a loan of R75,6 million. Dangote also subscribed for shares in an amount of R703,4 million resulting in Dangote increasing its interest in Sephaku Cement from 19,76% to 64% with Sephaku Holdings Limited ("Sephaku Holdings") retaining a 35,994% interest.
- The group was restructured in order to represent a more defined and focused investment opportunity to the market. Sephaku Holdings has disposed of all the shares that it held in its subsidiaries to Incubex Minerals Limited ("Incubex"), save for its cement and fluorspar interests. Subsequently, Sephaku Holdings distributed all of the issued shares in Incubex to its shareholders in the form of a dividend *in specie* in the ratio of one Incubex share for every ten Sephaku Holdings shares held.

The operating results and state of affairs of the company are fully set out in the attached audited annual financial statements and do not in our opinion require any further comment other than those expressed in other parts of the Annual Report.

## 2. Going concern

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the group to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations of the group. Equity funding by investors is expected to be sufficient to sustain the losses incurred by exploration activities.

## 3. Events after the reporting period

On 12 October 2010 Ulipac (Pty) Limited (a wholly-owned subsidiary of Sephaku Fluoride Limited ("Sephaku Fluoride")) and Umbono Fluorspar Wallmannsthal (Pty) Limited entered into an agreement whereby Ulipac (Pty) Limited acquired the Prospecting Right for the Fluorspar deposit on the Wallmannsthal Agricultural Holdings and the associated property from Umbono Fluorspar Wallmannsthal (Pty) Limited.

This agreement was subject to the consent of the Minister of Mineral Resources in terms of section 11 of the Mineral and Petroleum Resources Development Act, which was obtained and executed on 8 August 2011.

The purchase price of R15 million for the prospecting right and property will be settled by Ulipac (Pty) Limited as follows:

- R6 million cash payable in monthly installments of R1 million from 1 September 2011 to 1 February 2012. The balance of the cash portion shall accrue interest at the prime lending rate, which will be repaid with the final installment; and
- the issue of 2,5 million listed shares in Sephaku Holdings at R3,60 per share. One-third of the shares are subject to an 18-month restriction period and two-thirds of the shares are subject to a 24-month restriction period, in that Umbono Fluorspar Wallmannsthal (Pty) Limited will not be able to sell the restricted shares during the restriction period.



Subsequent to year-end Sephaku Fluoride received a loan of US\$10 000 000 which may be converted into an equity participation of 10% to 15%, subject to certain investment criteria. The conversion will take place at the earliest of a restructuring transaction by Sephaku Holdings and 31 January 2012. In the event that a restructuring transaction has not taken place by 31 January 2012, the loan has to be settled in cash together with accrued interest.

The directors are not aware of any other matters or circumstances arising since the end of the financial period that could materially affect the financial statements.

#### 4. Directors' interest in contracts

ME Smit is a director of The Makings (Pty) Limited and was an executive director of Sephaku Holdings until 28 February 2011, the date of his resignation. The Makings (Pty) Limited rendered services to the group during the period till 28 February 2011 at market related prices to the value of R876 676 (2010: R2 023 296).

#### 5. Accounting policies

Refer to note 2 for new standards and interpretations adopted in the current year.

There were no further changes to the accounting policies during the current reporting period.

#### 6. Authorised and issued share capital

There were no changes in the authorised share capital of the group during the year under review.

All the authorised and issued shares have no par value.

Refer to note 19 for further details on authorised and issued share capital.

Variable rate convertible redeemable preference shares are issued solely to employees in terms of the group's executive share purchase scheme. These shares are not listed on the JSE.

##### Shares issued for cash during the year

| Date       | Number of shares | Nominal amount<br>per share | Issued capital |
|------------|------------------|-----------------------------|----------------|
|            |                  | R                           | R              |
| 14/12/2010 | 4 836 936        | 3,50                        | 16 929 276     |
| 03/01/2011 | 5 250 000        | 3,60                        | 18 900 000     |
| 16/05/2011 | 2 500 000        | 3,50                        | 8 750 000      |
| 27/06/2011 | 428 571          | 3,50                        | 1 499 999      |
| 27/06/2011 | 200 000          | 1,50                        | 300 000        |
| 27/06/2011 | 269 863          | 2,50                        | 674 657        |
|            | 13 485 370       |                             | 47 053 932     |

#### 7. Borrowing limitations

In terms of the Articles of association of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate. The Articles of association authorise unlimited borrowing powers. At 30 June 2011 the company had no long-term borrowings.

## 8. Share incentive scheme

The full amount of 5 740 000 share options granted to employees on 31 March 2008 in terms of an employee share incentive scheme have vested.

An additional 10 million share options were granted to employees on 15 October 2010.

Refer to note 20 for details about share-based payments during the current financial period.

## 9. Non-current assets

Details of major changes in the nature of the non-current assets of the group during the year were as follows:

Additions to intangible assets of the group amounted to R12 134 838 (2010: R49 410 158) and disposals amounted to R39 666 538 (2010: R370 152) (note 5).

Additions to property, plant and equipment of the group amounted to R25 415 274 (2010: R176 318 268) and disposals amounted to R425 972 818 (2010: R2 597 140) (note 3).

There were no changes in the nature of the non-current assets of the group or in the policy relating to the use of the non-current assets.

## 10. Dividends

A dividend *in specie* was declared during 2011 for the distribution of issued shares in Incubex to Sephaku Holdings shareholders (note 37).

No other dividends were declared or paid to shareholder during the period under review.

## 11. Mineral resource and mineral reserve statements

There have been no material changes to the company's mineral resource and mineral reserve statements as compared to those presented in the financial results for the sixteen months ended 30 June 2010.

## 12. Directors

The directors of the company during the financial period and to the date of this report are as follows:

| Name                | Position                           | Changes                   |
|---------------------|------------------------------------|---------------------------|
| Dr L Mohuba         | Chairman                           |                           |
| NR Crafford-Lazarus | Chief Executive Officer            |                           |
| ME Smit             | Financial Director                 | Resigned 28 February 2011 |
| RR Matjiu           | Executive Director                 |                           |
| CRD de Bruin        | Non-Executive Director             |                           |
| PF Fourie           | Non-Executive Director             |                           |
| Dr GS Mahlati       | Non-Executive Director             |                           |
| MM Ngoasheng        | Non-Executive Director             |                           |
| Dr D Twist          | Non-Executive Director             |                           |
| MG Mahlare          | Independent Non-Executive Director |                           |
| J Bennette          | Alternate director to RR Matjiu    |                           |
| JW Wessels          | Alternate director to CRD de Bruin |                           |

### 13. Secretary

The secretary of the company is Cross Company Management (Pty) Limited of:

**Business address** Suite 4A Manhattan Office Park  
16 Pieter Road  
Highveld Techno Park  
Centurion  
0067

**Postal address** PO Box 68149  
Highveld  
0169

### 14. Interest in subsidiaries

| Name of subsidiary                                  | Date of disposal/<br>loss of control | Net income (loss) after tax<br>(to date of disposal<br>where disposed) |
|---|--------------------------------------|--|
| Sephaku Fluoride Limited and subsidiaries           | –                                    | (19 138 741)   |
| Sephaku Cement Investment Holdings Limited          | –                                    | (4 150)  |
| Sephaku Limestone and Exploration (Pty) Limited     | 14 December 2010                     | (2 795)  |
| Sephaku Cement (Pty) Limited and subsidiaries       | 15 October 2010                      | (16 769 182)   |
| Incubex Minerals Limited                            | 31 October 2010                      | (704 394)  |
| Sephaku PGM Holdings (Pty) Limited and subsidiaries | 31 October 2010                      | –  |
| Sephaku Vanadium (Pty) Limited                      | 31 October 2010                      | (6 084)  |
| Sephaku Coal Holdings Limited and subsidiaries      | 31 October 2010                      | (1 176 687)  |
| Sephaku Tin (Pty) Limited                           | 31 October 2010                      | (115 970)  |
| Sephaku Uranium (Pty) Limited                       | 31 October 2010                      | (38 200)   |
| Aquarella Investments 555 (Pty) Limited             | 31 October 2010                      | –  |
| Ergomark (Pty) Limited                              | 31 October 2010                      | (27 892)   |
| Uliphon (Pty) Limited                               | 31 October 2010                      | (600)  |

Details of the company's investment in subsidiaries are set out in note 6.

### 15. Special resolutions

At the second AGM of shareholders held on 11 November 2010, a special resolution was passed authorising the company and any of its subsidiary companies to acquire its own issued shares on such terms, conditions and in such amounts as determined from time to time by the directors of the company.

Sephaku Holdings and its subsidiaries have passed no other special resolutions of material interest or of a substantive nature during the current reporting period.



## 16. Auditors

PKF Inc. continued in office as the group's auditors in accordance with the Companies Act of South Africa. At the AGM shareholders will be requested to reappoint PKF Inc. as auditors of the group.

## 17. Shareholders' information

### Major shareholders

| Shareholders holding more than 5% of the issued share capital | Number of shares | % holding |
|---|------------------|-----------|
| Safika Resources (Pty) Limited                                | 15 580 823       | 9,2       |
| CRD de Bruin  | 13 069 188       | 7,7       |
| Dr D Twist  | 13 154 333       | 7,8       |
| Lelau Mohuba Trust  | 10 463 767       | 6,2       |
| Mandra Materials Limited                                      | 10 392 017       | 6,1       |
| Camden Bay Investments 33 (Pty) Limited                       | 9 850 000        | 5,8       |

### Public and non-public shareholders

|                                | Shares held        | %            | Number of shareholders | %            |
|--------------------------------|--------------------|--------------|------------------------|--------------|
| <b>Public</b>                  | 105 965 218        | 62,6         | 779                    | 97,3         |
| <b>Non-public</b>              | 63 325 514         | 37,4         | 22                     | 2,7          |
| – Directors' direct holdings   | 37 723 832         | 22,3         | 12                     | 1,5          |
| – Directors' indirect holdings | 17 108 926         | 10,1         | 2                      | 0,2          |
| – Directors' associates        | 8 492 756          | 5,0          | 8                      | 1,0          |
|                                | <b>169 290 732</b> | <b>100,0</b> | <b>801</b>             | <b>100,0</b> |

### Shareholder spread

|                           | Shares held        | %            | Number of shareholders | %            |
|---------------------------|--------------------|--------------|------------------------|--------------|
| 1 – 1 000                 | 32 360             | 0,0          | 58                     | 7,2          |
| 1 001 – 10 000            | 1 437 386          | 0,8          | 230                    | 28,7         |
| 10 001 – 50 000           | 7 499 416          | 4,4          | 322                    | 40,2         |
| 50 001 – 100 000          | 4 992 551          | 2,9          | 73                     | 9,1          |
| 100 001 – 500 000         | 17 783 055         | 10,5         | 68                     | 8,5          |
| 500 001 – 1 000 000       | 12 818 433         | 7,6          | 19                     | 2,4          |
| 1 000 001 shares and over | 124 727 531        | 73,7         | 31                     | 3,9          |
|                           | <b>169 290 732</b> | <b>100,0</b> | <b>801</b>             | <b>100,0</b> |

## Beneficial shareholdings of directors (and associates)

| Director            | 2011              |                   |                  | 2010              |                   |                   |
|---------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|
|                     | Direct            | Indirect          | Associates       | Direct            | Indirect          | Associates        |
| Dr L Mohuba         | 1 917 202         | 10 463 767        | 390 000          | 2 217 202         | 10 963 767        | 490 000           |
| NR Crafford-Lazarus | 1 512 728         | –                 | –                | 1 512 728         | –                 | –                 |
| ME Smit             | 1 208 663         | –                 | 2 600 276        | 1 208 663         | –                 | 2 936 276         |
| RR Matjiu           | 3 585 923         | –                 | –                | 3 585 923         | –                 | –                 |
| CRD de Bruin        | 13 069 188        | –                 | 1 620 600        | 13 369 188        | –                 | 1 920 600         |
| MM Ngoasheng        | –                 | –                 | 720 000          | –                 | –                 | 4 988 236         |
| Dr GS Mahlati       | 1 298 653         | –                 | 1 266 880        | 1 848 653         | 1 182 000         | 1 530 880         |
| PF Fourie           | –                 | 6 645 159         | –                | –                 | 6 645 159         | –                 |
| JW Wessels          | 1 265 048         | –                 | –                | 1 093 548         | 119 000           | –                 |
| Dr D Twist          | 13 154 333        | –                 | 1 895 000        | 7 528 080         | 5 626 253         | 1 995 000         |
| J Bennette          | 700 000           | –                 | –                | 1 025 702         | –                 | –                 |
| MG Mahlare          | 12 094            | –                 | –                | –                 | –                 | –                 |
|                     | <b>37 723 832</b> | <b>17 108 926</b> | <b>8 492 756</b> | <b>33 389 687</b> | <b>24 536 179</b> | <b>13 860 992</b> |

All shares issued to directors during the financial period were for cash at fair value. There has been no changes in the beneficial interests of the directors in the share capital between the end of the financial year and one month prior to the date of notice of the AGM.

## Director's interest in share options

| Director            | Number of share options at<br>exercise price of R2,50 | Number of share options at<br>exercise price of R3,50 |
|---------------------|---|---|
|                     | Granted 31 March 2008                                 | Granted 15 October 2010                               |
| Dr L Mohuba         | 1 000 000   | 715 000   |
| NR Crafford-Lazarus | 750 000   | 715 000   |
| RR Matjiu           | 300 000   | 200 000   |
| CRD de Bruin        | –   | 500 000   |
| PF Fourie           | –   | 715 000   |
| MM Ngoasheng        | 500 000   | 200 000   |
| J Bennette          | 175 000   | 150 000   |
| Dr D Twist          | 150 000   | –   |
| JW Wessels          | 250 000   | 715 000   |
|                     | <b>3 125 000</b>                                      | <b>3 910 000</b>                                      |

None of the share options have been exercised by any of the directors as yet. Refer to note 20 for more details on share options.

# Statement of financial position

for the year ended 30 June 2011

|  |       | Group              |                    | Company            |                    |
|--|-------|--------------------|--------------------|--------------------|--------------------|
|  |       | 2011               | 2010               | 2011               | 2010               |
|  | Notes | R                  | R                  | R                  | R                  |
| <b>Assets</b>  |       |                    |                    |                    |                    |
| <b>Non-current assets</b>                              |       |                    |                    |                    |                    |
| Property, plant and equipment                          | 3     | 14 021 027         | 416 920 724        | –                  | –                  |
| Goodwill   | 4     | –                  | 748 900            | –                  | –                  |
| Intangible assets                                      | 5     | 59 200 956         | 88 990 487         | –                  | –                  |
| Investments in subsidiaries                            | 6     | –                  | –                  | 10 001             | 437 620 379        |
| Investments in associates                              | 7     | 613 468 985        | 87 260             | 634 956 656        | 26                 |
| Deposits for rehabilitation                            | 13    | 5 080 400          | 567 060            | –                  | –                  |
|  |       | <b>691 771 368</b> | <b>507 314 431</b> | <b>634 966 657</b> | <b>437 620 405</b> |
| <b>Current assets</b>                                  |       |                    |                    |                    |                    |
| Loans to group companies                               | 8     | 945 022            | 577 089            | 108 585 749        | 61 791 057         |
| Loans to shareholders                                  | 9     | –                  | 180                | –                  | –                  |
| Loans to directors, managers and employees             | 15    | –                  | 1 100              | –                  | 1 100              |
| Other financial assets                                 | 10    | 20 085 726         | 72 524 190         | 20 085 726         | 72 524 190         |
| Current tax receivable                                 |       | –                  | 57 490             | –                  | –                  |
| Trade and other receivables                            | 16    | 11 907 477         | 16 879 504         | 16 518             | 248 121            |
| Other loans receivable                                 | 14    | –                  | 336 117            | –                  | –                  |
| Cash and cash equivalents                              | 17    | 5 834 641          | 14 899 847         | 5 830 735          | 2 825 071          |
|  |       | <b>38 772 866</b>  | <b>105 275 517</b> | <b>134 518 728</b> | <b>137 389 539</b> |
| Non-current assets held for sale                       | 18    | 21 164 340         | –                  | 21 164 340         | –                  |
| <b>Total assets</b>                                    |       | <b>751 708 574</b> | <b>612 589 948</b> | <b>790 649 725</b> | <b>575 009 944</b> |
| <b>Equity and liabilities</b>                          |       |                    |                    |                    |                    |
| <b>Equity</b>  |       |                    |                    |                    |                    |
| <b>Equity attributable to equity holders of parent</b> |       |                    |                    |                    |                    |
| Share capital  | 19    | 592 127 979        | 225 214 992        | 592 127 979        | 545 074 047        |
| Reserves   |       | (6 609 613)        | 31 991 185         | 6 073 233          | 4 525 072          |
| Retained income  |       | 161 265 964        | 149 208 601        | 192 425 860        | 24 518 899         |
|  |       | 746 784 330        | 406 414 778        | 790 627 072        | 574 118 018        |
| Non-controlling interest                               |       | –                  | 71 674 038         | –                  | –                  |
|  |       | <b>746 784 330</b> | <b>478 088 816</b> | <b>790 627 072</b> | <b>574 118 018</b> |
| <b>Liabilities</b>                                     |       |                    |                    |                    |                    |
| <b>Non-current liabilities</b>                         |       |                    |                    |                    |                    |
| Deferred income  | 22    | –                  | 8 456 178          | –                  | –                  |
| Deferred tax   | 12    | –                  | 17 078 870         | –                  | –                  |
| Provisions   | 23    | –                  | 6 714 508          | –                  | –                  |
|  |       | –                  | <b>32 249 556</b>  | –                  | –                  |
| <b>Current liabilities</b>                             |       |                    |                    |                    |                    |
| Loans from group companies                             | 8     | –                  | 150                | –                  | 1                  |
| Loans from shareholders                                | 9     | –                  | 74 694 369         | –                  | –                  |
| Other financial liabilities                            | 21    | 1 062              | 29 383             | –                  | 29 383             |
| Current tax payable                                    |       | –                  | 91 142             | –                  | 91 142             |
| Trade and other payables                               | 24    | 4 923 182          | 26 457 052         | 22 653             | 771 400            |
| Deferred income  | 22    | –                  | 978 201            | –                  | –                  |
| Bank overdraft   | 17    | –                  | 1 279              | –                  | –                  |
|  |       | <b>4 924 244</b>   | <b>102 251 576</b> | <b>22 653</b>      | <b>891 926</b>     |
| <b>Total liabilities</b>                               |       | <b>4 924 244</b>   | <b>134 501 132</b> | <b>22 653</b>      | <b>891 926</b>     |
| <b>Total equity and liabilities</b>                    |       | <b>751 708 574</b> | <b>612 589 948</b> | <b>790 649 725</b> | <b>575 009 944</b> |
| Net asset value per share (cents)                      | 43    | 441,13             | 260,85             |                    |                    |
| Tangible net asset value per share (cents)             | 43    | 406,16             | 203,25             |                    |                    |



# Statement of comprehensive income

for the year ended 30 June 2011

|   |       | Group                                      |  | Company                                    |  |
|---|-------|--|--|--|--|
|   |       | 12 months<br>ended<br>30 June<br>2011<br>R | 16 months<br>ended<br>30 June<br>2010<br>R | 12 months<br>ended<br>30 June<br>2011<br>R | 16 months<br>ended<br>30 June<br>2010<br>R |
|   | Notes |  |  |  |  |
| Other income  |       | 1 929 999                                  | 540 893                                    | 1 930 000                                  | 540 888                                    |
| Operating expenses  |       | (39 206 736)                               | (27 795 904)                               | (21 539 083)                               | (38 915 356)                               |
| Profit on disposal of companies   |       | 2 288 774                                  | 31 124 320                                 | 1 436 446                                  | 54 834 340                                 |
| Profit on dilution of interest in companies                             |       | 407 708 939                                | –  | 200 347 044                                | –  |
| <b>Operating profit</b>   | 26    | <b>372 720 976</b>                         | <b>3 869 309</b>                           | <b>182 174 407</b>                         | <b>16 459 872</b>                          |
| Investment income   | 27    | 1 163 748                                  | 4 258 184                                  | 1 089 580                                  | 4 258 184                                  |
| Loss from equity accounted investments                                  |       | (8 859 048)                                | (2 048 035)                                | –  | (241 831)                                  |
| Finance costs   | 28    | (926 385)                                  | (122 256)                                  | (108)                                      | (26)                                       |
| <b>Profit before taxation</b>   |       | <b>364 099 291</b>                         | <b>5 957 202</b>                           | <b>183 263 879</b>                         | <b>20 476 199</b>                          |
| Taxation  | 29    | (1 558 054)                                | 1 058 741                                  | (1 558 054)                                | 1 058 741                                  |
| <b>Profit from continuing operations</b>                                |       | <b>362 541 237</b>                         | <b>7 015 943</b>                           | <b>181 705 825</b>                         | <b>21 534 940</b>                          |
| <b>Discontinued operations</b>  |       |  |  |  |  |
| Loss for the period from discontinued operations                        | 18    | (18 841 804)                               | (97 189 858)                               | –  | –  |
| <b>Profit/(loss) for the period</b>                                     |       | <b>343 699 433</b>                         | <b>(90 173 915)</b>                        | <b>181 705 825</b>                         | <b>21 534 940</b>                          |
| <b>Other comprehensive income/(loss):</b>                               |       |  |  |  |  |
| Effects of cash flow hedges net of tax                                  |       | 52 299 798                                 | (52 299 798)                               | –  | –  |
| (Loss)/gain on property revaluation                                     |       | (102 777 181)                              | 102 777 181                                | –  | –  |
| Share of comprehensive loss from associates                             |       | (12 682 846)                               | –  | –  | –  |
| Taxation related to components of other comprehensive income            |       | 16 238 898                                 | (16 238 898)                               | –  | –  |
| <b>Other comprehensive (loss)/income for the period net of taxation</b> | 31    | <b>(46 921 331)</b>                        | <b>34 238 485</b>                          | <b>–</b>                                   | <b>–</b>                                   |
| <b>Total comprehensive income/(loss) for the period</b>                 |       | <b>296 778 102</b>                         | <b>(55 935 430)</b>                        | <b>181 705 825</b>                         | <b>21 534 940</b>                          |
| <b>Profit/(loss) attributable to:</b>                                   |       |  |  |  |  |
| Equity holders of the parent  |       | 343 699 433                                | (71 496 828)                               | 181 705 825                                | 21 534 940                                 |
| Non-controlling interest  |       | –  | (18 677 087)                               | –  | –  |
|   |       | <b>343 699 433</b>                         | <b>(90 173 915)</b>                        | <b>181 705 825</b>                         | <b>21 534 940</b>                          |
| <b>Total comprehensive income/(loss) attributable to:</b>               |       |  |  |  |  |
| Equity holders of the parent  |       | 303 550 474                                | (44 030 715)                               | 181 705 825                                | 21 534 940                                 |
| Non-controlling interest  |       | (6 772 372)                                | (11 904 715)                               | –  | –  |
|   |       | <b>296 778 102</b>                         | <b>(55 935 430)</b>                        | <b>181 705 825</b>                         | <b>21 534 940</b>                          |
| Basic earnings per share from continuing operations (cents)             | 43    | 224,75                                     | 4,53                                       |  |  |
| Basic earnings/(loss) per share for total operations (cents)            | 43    | 213,07                                     | (46,16)                                    |  |  |
| Diluted earnings per share from continuing operations (cents)           | 43    | 205,07                                     | 4,36                                       |  |  |
| Diluted earnings/(loss) per share for total operations (cents)          | 43    | 194,41                                     | (44,45)                                    |  |  |

# Statement of changes in equity

for the year ended 30 June 2011

|   | Share capital      | Share premium        | Total share capital | Hedging reserve     |
|---|--------------------|----------------------|---------------------|---------------------|
|   | R                  | R                    | R                   | R                   |
| <b>Group</b>  |                    |                      |                     |                     |
| <b>Balance at 01 March 2009</b>                             | <b>7 230 099</b>   | <b>207 751 438</b>   | <b>214 981 537</b>  | <b>–</b>            |
| Changes in equity   |                    |                      |                     |                     |
| Total comprehensive (loss)/income for the period            | –                  | –                    | –                   | (41 954 898)        |
| Issue of shares   | 7 816 043          | –                    | 7 816 043           | –                   |
| Transfer share premium to share capital                     | 207 751 438        | (207 751 438)        | –                   | –                   |
| Employees share option scheme                               | –                  | –                    | –                   | –                   |
| Subsidiary holding treasury shares sold                     | 2 417 422          | –                    | 2 417 422           | –                   |
| Cross Company Management (Pty) Limited transferred to Trust | (10)               | –                    | (10)                | –                   |
| Business combinations                                       | –                  | –                    | –                   | –                   |
| <b>Total changes</b>  | <b>217 984 893</b> | <b>(207 751 438)</b> | <b>10 233 455</b>   | <b>(41 954 898)</b> |
| <b>Balance at 01 July 2010</b>                              | <b>225 214 992</b> | <b>–</b>             | <b>225 214 992</b>  | <b>(41 954 898)</b> |
| Changes in equity   |                    |                      |                     |                     |
| Total comprehensive income/(loss) for the period            | –                  | –                    | –                   | 29 272 052          |
| Issue of shares   | 47 053 932         | –                    | 47 053 932          | –                   |
| Employees share option scheme                               | –                  | –                    | –                   | –                   |
| Dilution of control in Sephaku Cement (Pty) Limited         | 319 859 055        | –                    | 319 859 055         | –                   |
| Dividend paid   | –                  | –                    | –                   | –                   |
| <b>Total changes</b>  | <b>366 912 987</b> | <b>–</b>             | <b>366 912 987</b>  | <b>29 272 052</b>   |
| <b>Balance at 30 June 2011</b>                              | <b>592 127 979</b> | <b>–</b>             | <b>592 127 979</b>  | <b>(12 682 846)</b> |
| Notes   | 19                 | 19                   | 19                  | 31                  |
| Dividend paid per share (cents)                             | 8,71               |                      |                     |                     |

|                   | Revaluation<br>reserve | Equity based<br>share option<br>reserve | Total<br>reserves  | Retained<br>income | Total<br>attributable to<br>equity holders<br>of the group/<br>company | Non-<br>controlling<br>interest | Total<br>equity    |
|-------------------|------------------------|---|--------------------|--------------------|--|---------------------------------|--------------------|
|                   | R                      | R                                       | R                  | R                  | R  | R                               | R                  |
|                   | –                      | 1 677 572                               | 1 677 572          | 212 702 183        | 429 361 292  | 83 578 683                      | 512 939 975        |
| 69 421 011        | –                      | –                                       | 27 466 113         | (71 496 828)       | (44 030 715)   | (11 904 715)                    | (55 935 430)       |
| –                 | –                      | –                                       | –                  | –                  | 7 816 043  | –                               | 7 816 043          |
| –                 | –                      | –                                       | –                  | –                  | –  | –                               | –                  |
| –                 | –                      | 2 847 500                               | 2 847 500          | –                  | 2 847 500  | –                               | 2 847 500          |
| –                 | –                      | –                                       | –                  | –                  | 2 417 422  | –                               | 2 417 422          |
| –                 | –                      | –                                       | –                  | 8 003 246          | 8 003 236  | –                               | 8 003 236          |
| –                 | –                      | –                                       | –                  | –                  | –  | 70                              | 70                 |
| 69 421 011        | –                      | 2 847 500                               | 30 313 613         | (63 493 582)       | (22 946 514)   | (11 904 645)                    | (34 851 159)       |
| <b>69 421 011</b> | <b>–</b>               | <b>4 525 072</b>                        | <b>31 991 185</b>  | <b>149 208 601</b> | <b>406 414 778</b>   | <b>71 674 038</b>               | <b>478 088 816</b> |
| (69 421 011)      | –                      | –                                       | (40 148 959)       | 343 699 433        | 303 550 474  | (6 772 372)                     | 296 778 102        |
| –                 | –                      | –                                       | –                  | –                  | 47 053 932   | –                               | 47 053 932         |
| –                 | –                      | 1 548 161                               | 1 548 161          | 1 781 680          | 3 329 841  | –                               | 3 329 841          |
| –                 | –                      | –                                       | –                  | (319 859 055)      | –  | (64 901 666)                    | (64 901 666)       |
| –                 | –                      | –                                       | –                  | (13 564 695)       | (13 564 695)   | –                               | (13 564 695)       |
| (69 421 011)      | –                      | 1 548 161                               | (38 600 798)       | 12 057 363         | 340 369 552  | (71 674 038)                    | 268 695 514        |
| <b>–</b>          | <b>–</b>               | <b>6 073 233</b>                        | <b>(6 609 613)</b> | <b>161 265 964</b> | <b>746 784 330</b>   | <b>–</b>                        | <b>746 784 330</b> |

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# Statement of changes in equity

for the year ended 30 June 2011

|  | Share<br>capital   | Share<br>premium   | Total share<br>capital | Hedging<br>reserve |
|--|--------------------|--------------------|------------------------|--------------------|
|  | R                  | R                  | R                      | R                  |
| <b>Company</b>                                   |                    |                    |                        |                    |
| <b>Balance at 01 March 2009</b>                  | <b>7 230 731</b>   | <b>530 027 283</b> | <b>537 258 014</b>     | <b>–</b>           |
| Changes in equity                                |                    |                    |                        |                    |
| Total comprehensive income/(loss) for the period | –                  | –                  | –                      | –                  |
| Issue of shares                                  | 7 816 033          | –                  | 7 816 033              | –                  |
| Employees share option scheme                    | –                  | –                  | –                      | –                  |
| Transfer share premium to share capital          | 530 027 283        | (530 027 283)      | –                      | –                  |
| Total changes                                    | 537 843 316        | (530 027 283)      | 7 816 033              | –                  |
| <b>Balance at 01 July 2010</b>                   | <b>545 074 047</b> | <b>–</b>           | <b>545 074 047</b>     | <b>–</b>           |
| Changes in equity                                |                    |                    |                        |                    |
| Total comprehensive income/(loss) for the period | –                  | –                  | –                      | –                  |
| Issue of shares                                  | 47 053 932         | –                  | 47 053 932             | –                  |
| Employees share option scheme                    | –                  | –                  | –                      | –                  |
| Dividend paid                                    | –                  | –                  | –                      | –                  |
| Total changes                                    | 47 053 932         | –                  | 47 053 932             | –                  |
| <b>Balance at 30 June 2011</b>                   | <b>592 127 979</b> | <b>–</b>           | <b>592 127 979</b>     | <b>–</b>           |
| Notes  | 19                 | 19                 | 19                     | 31                 |

| Revaluation<br>reserve | Equity based<br>share option<br>reserve | Total<br>reserves | Retained<br>income | Total<br>attributable to<br>equity holders<br>of the group/<br>company | Non-<br>controlling<br>interest | Total<br>equity    |
|------------------------|---|-------------------|--------------------|--|---------------------------------|--------------------|
| R                      | R                                       | R                 | R                  | R  | R                               | R                  |
| –                      | <b>1 677 572</b>                        | <b>1 677 572</b>  | <b>2 983 959</b>   | <b>541 919 545</b>   | –                               | <b>541 919 545</b> |
| –                      | –                                       | –                 | 21 534 940         | 21 534 940   | –                               | 21 534 940         |
| –                      | –                                       | –                 | –                  | 7 816 033  | –                               | 7 816 033          |
| –                      | 2 847 500                               | 2 847 500         | –                  | 2 847 500  | –                               | 2 847 500          |
| –                      | –                                       | –                 | –                  | –  | –                               | –                  |
| –                      | 2 847 500                               | 2 847 500         | 21 534 940         | 32 198 473   | –                               | 32 198 473         |
| –                      | <b>4 525 072</b>                        | <b>4 525 072</b>  | <b>24 518 899</b>  | <b>574 118 018</b>   | –                               | <b>574 118 018</b> |
| –                      | –                                       | –                 | 181 705 825        | 181 705 825  | –                               | 181 705 825        |
| –                      | –                                       | –                 | –                  | 47 053 932   | –                               | 47 053 932         |
| –                      | 1 548 161                               | 1 548 161         | 1 781 680          | 3 329 841  | –                               | 3 329 841          |
| –                      | –                                       | –                 | (15 580 544)       | (15 580 544)   | –                               | (15 580 544)       |
| –                      | 1 548 161                               | 1 548 161         | 167 906 961        | 216 509 054  | –                               | 216 509 054        |
| –                      | <b>6 073 233</b>                        | <b>6 073 233</b>  | <b>192 425 860</b> | <b>790 627 072</b>   | –                               | <b>790 627 072</b> |
| 31                     | 20                                      |                   |                    |  |                                 |                    |

# Statement of cash flows

for the year ended 30 June 2011

|  |       | Group                                      |  | Company                                    |  |           |
|--|-------|--|--|--|--|-----------|
|  |       | 12 months<br>ended<br>30 June<br>2011<br>R | 16 months<br>ended<br>30 June<br>2010<br>R | 12 months<br>ended<br>30 June<br>2011<br>R | 16 months<br>ended<br>30 June<br>2010<br>R |           |
|  | Notes |  |  |  |  |           |
| Cash flows from operating activities                     |       |  |  |  |  |           |
| Cash used in operations                                  | 32    | (50 368 576)                               | (125 858 490)                              | (16 032 245)                               | (31 073 027)                               |           |
| Interest income  |       | 1 163 748                                  | 16 630 457                                 | 1 089 580                                  | 4 258 184                                  |           |
| Finance costs  |       | (926 385)                                  | (480 957)                                  | (108)                                      | (26)                                       |           |
| Tax paid   | 33    | (1 649 196)                                | (3 156 975)                                | (1 649 196)                                | –  |           |
| Net cash from operating activities                       |       | (51 780 409)                               | (112 865 965)                              | (16 591 969)                               | (26 814 869)                               |           |
| Cash flows from investing activities                     |       |  |  |  |  |           |
| Purchase of property, plant and equipment                | 3     | (25 415 274)                               | (176 318 268)                              | –  | –  |           |
| Purchase of other intangible assets                      | 5     | (12 134 838)                               | (46 410 158)                               | –  | –  |           |
| Acquisition of businesses                                | 35    | –  | (3 600 100)                                | –  | (3 000 000)                                |           |
| Movement in investments in subsidiaries and associates   | 36    | 5 720 247                                  | –  | –  | –  |           |
| Sale of businesses                                       | 37    | –  | –  | –  | 30 000 000                                 |           |
| Movement in other financial assets                       |       | 32 923 236                                 | 53 537 658                                 | 32 923 236                                 | (3 137 673)                                |           |
| Movement in deposits for rehabilitation                  |       | (5 020 500)                                | (233 560)                                  | –  | –  |           |
| Movement in other loans receivable                       |       | –  | 712 537                                    | –  | –  |           |
| Movement in loans to directors, managers and employees   |       | –  | 28 565                                     | –  | –  |           |
| Net cash from investing activities                       |       | (3 927 129)                                | (172 283 326)                              | 32 923 236                                 | 23 862 327                                 |           |
| Cash flows from financing activities                     |       |  |  |  |  |           |
| Proceeds on share issue                                  | 19    | 47 053 932                                 | 7 816 043                                  | 47 053 932                                 | 7 816 043                                  |           |
| Movement in other financial liabilities                  |       | (42 237)                                   | 29 383                                     | –  | 29 383                                     |           |
| Movement in other loans payable                          |       | –  | (10 500)                                   | –  | –  |           |
| Forex loss through cash flow hedge reserve               |       | –  | (52 299 798)                               | –  | –  |           |
| Cash raised from shareholder's loan                      |       | –  | 74 694 189                                 | –  | –  |           |
| Net movements in loans with group companies              |       | (368 083)                                  | (1 859 202)                                | (60 379 534)                               | (14 910 686)                               |           |
| Cash raised from/(paid to) minority shareholders         |       | –  | 70   | –  | –  |           |
| Net cash from financing activities                       |       | 46 643 612                                 | 28 370 185                                 | (13 325 602)                               | (7 065 260)                                |           |
| Total cash and cash equivalents movement for the period  |       | (9 063 926)                                | (256 779 106)                              | 3 005 665                                  | (10 017 802)                               |           |
| Cash and cash equivalents at the beginning of the period |       | 14 898 568                                 | 271 677 674                                | 2 825 071                                  | 12 842 873                                 |           |
| Total cash and cash equivalents at end of the period     |       | 17   | 5 834 642                                  | 14 898 568                                 | 5 830 736                                  | 2 825 071 |

# Accounting policies

for the year ended 30 June 2011

## 1. Presentation of audited annual financial statements

The audited annual financial statements have been prepared in accordance with International Financial Reporting Standards, the AC 500 statements and interpretations and the Companies Act of South Africa. The audited annual financial statements have been prepared on the historical cost basis, except for the measurement of property at revalued amounts, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

### 1.1 Consolidation

#### Basis of consolidation

The consolidated audited annual financial statements incorporate the audited annual financial statements of the company and all entities, including special purpose entities, which are controlled by the company.

Control exists when 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 are included in the consolidated audited annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the audited annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

#### Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business Combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-For-Sale and discontinued operations, which are recognised at fair value less costs to sell.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.



## **1. Presentation of audited annual financial statements** continued

### **1.1 Consolidation** continued

#### **Business combinations** continued

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously in other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the carrying value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested at least annually for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

#### **Investment in associates**

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-For-Sale and discontinued operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the group's share of net assets of the associate, less any impairment losses.

The group recognises its share of losses of the associate to the extent of the group's net investment in the associate.

The group's share of unrealised intra company gains are eliminated upon consolidation and that the group's share of intra company losses are also eliminated provided they do not provide evidence that the asset transferred is impaired.

The group's share of post acquisition profits or losses, other comprehensive income and movements in equity of the associate are included in the group's profit or loss, other comprehensive income and equity reserves respectively.

### **1.2 Significant judgements and sources of estimation uncertainty**

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the audited annual financial statements. Significant judgements include:

#### **Trade receivables and receivables**

The group assesses its trade receivables and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

**Options granted**

Management used the Black Scholes model to determine the value of the options at issue date. Additional details regarding the estimates are included in the note 20 – Share-based payments.

**Revaluation of property**

Revaluation of property are performed when there is an indication that the fair value of the property is materially different from the carrying amount.

**Impairment testing of non-financial assets**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill, intangible and tangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested at each reporting date for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of non-financial assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors.

**Taxation**

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

**Exploration expenses capitalised**

Exploration and evaluation expenses are those expenses incurred in connection with acquisition of rights to explore, investigate, examine and evaluate an area of mineralisation including related overhead costs. The directors exercise judgment to determine if the costs associated with a specific project must be capitalised against the specific project or written off.

Exploration assets are reviewed at reporting date and where the directors consider there to be indicators of impairment, impairment tests will be performed on the capitalised costs and any impairments will be recognised through the statement of comprehensive income.

**Site restoration cost**

Provision for future site restoration costs are based on the estimate made of the expenditure needed to settle the present obligation arising. When site restoration occurs on an on-going basis during prospecting, the cost of this restoration is included in prospecting expenses and no provision for future restoration costs are required.

## **1. Presentation of audited annual financial statements** continued

### **1.2 Significant judgements and sources of estimation uncertainty** continued

#### **Estimation of useful life and residual values**

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the consolidated statement of comprehensive income.

The useful lives and residual values of group assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life.

Historically, changes in useful lives and residual values have not resulted in material changes to the group's depreciation charge.

### **1.3 Property, plant and equipment**

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at revalued amount being the fair value at the date of revaluation.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised to other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of impairment, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item                   | Average useful life |
|------------------------|---------------------|
| Buildings              | 10 years            |
| Ash processing plant   | 1 – 20 years        |
| Furniture and fixtures | 6 years             |
| Motor vehicles         | 5 years             |
| Office equipment       | 6 years             |
| IT equipment           | 3 years             |
| Lab equipment          | 5 years             |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Land is not depreciated.

The cement manufacturing plant, cement milling plant and chemical plant are in the development phase and no depreciation is calculated until the commissioning of the plant.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

#### 1.4 Site restoration and dismantling cost

The company has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period.
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss.
- if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in profit or loss.

#### 1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.



## **1. Presentation of audited annual financial statements** continued

### **1.5 Intangible assets** continued

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Exploration assets are carried at cost less any impairment losses. All costs, including administration and other general overhead costs directly associated with the specific project are capitalised. The directors evaluate each project at each period end to determine if the carrying value should be written off. In determining whether expenditure meet the criteria to be capitalised, the directors use information from several sources, depending on the level of exploration. Purchased exploration and evaluation assets are recognised at the cost of acquisition or at the fair value if purchased as part of a business combination. Exploration assets are not amortised as it will only be available for use once transferred to the development cost of the project.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

When the technical and commercial feasibility of a project has been established, the relevant exploration assets are transferred to development costs. No further exploration costs for the project will be capitalised. The costs transferred to development costs will be amortised over the life of the project based on the expected flow of economic resources associated with the project.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item               | Useful life   |
|--------------------|---------------|
| Computer software  | 2 years       |
| Exploration assets | Not amortised |

### **1.6 Investments in subsidiaries**

#### **Company audited annual financial statements**

In the company's separate audited annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

### **1.7 Investments in associates**

#### **Company audited annual financial statements**

An investment in an associate is carried at cost less any accumulated impairment.

## 1.8 Financial instruments

### Classification

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost.

### Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are initially measured at fair value and deposits for restoration are carried at amortised cost.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the group's right to receive payment is established.

Financial liabilities (loans payable, trade and other payables and bank overdrafts) at amortised cost are subsequently measured at amortised cost, using the effective interest method.

No discounting is applied for instruments at amortised cost where the effects of the time value of money are not considered to be material.

### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### Impairment of financial assets

At each reporting date the group assesses all financial assets to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Impairment losses are recognised in profit or loss.

## **1. Presentation of audited annual financial statements** continued

### **1.8 Financial instruments** continued

#### **Derecognition**

Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

#### **Loans to/(from) group companies**

These include loans to and from fellow subsidiaries, subsidiaries and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

#### **Loans to shareholders, directors, managers and employees**

These financial assets are classified as loans and receivables and are subsequently measured at amortised cost.

#### **Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Transaction costs are included in the initial value recognised. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

#### **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Transaction costs are included in the initial value recognised.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### **Hedging activities**

Derivatives designated as hedging instruments are classified as held for trading.

The group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or on foreign currency risk of a firm commitment (cash flow hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

#### **Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'other income'.

Amounts accumulated in equity are reclassified from other comprehensive income to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

However, when the forecast transaction that is hedged results in the recognition of a non-financial item (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity in other comprehensive income and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in profit or loss as a reclassification adjustment through in other comprehensive income when the forecast transaction is ultimately recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in profit or loss as a reclassification adjustment from other comprehensive income.

## **1.9 Tax**

#### **Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### **Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction, affects neither accounting profit (loss) nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction, affects neither accounting profit (loss) nor taxable profit (tax loss).



## **1. Presentation of audited annual financial statements** continued

### **1.9 Tax** continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### **Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, in other comprehensive income,
- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax and deferred taxes are charged or credited in other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, in other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

### **1.10 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### **Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

### **1.11 Non-current assets held for sale, disposal groups and discontinued operations**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

The results of discontinued operations are shown as a single amount on the statement of comprehensive income comprising the post-tax loss of discontinued operations. A discontinued operation is a group of cash-generating units that has been disposed of and represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

### **1.12 Impairment of assets**

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment at least annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment at least annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### **1.13 Share capital and equity**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **1.14 Share-based payments**

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

## **1. Presentation of audited annual financial statements** continued

### **1.14 Share-based payments** continued

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value can be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity, indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, group accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight line basis over the vesting period).

If the share-based payments vest immediately the services received are recognised in full.

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

For all share-based payment transactions, management assess at each reporting period until vesting the number of options expected to vest. Changes in the estimated number of options expected to vest will be accounted for as part of the cost recognised in each period with the corresponding adjustment taken to equity or to a liability.

For equity-settled share-based payment transactions the fair value of the options are determined on grant date and are not subsequently adjusted, whilst for cash settled options the fair value of the options is recalculated at each reporting date up to and including settlement date.

### **1.15 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Payments to defined contribution plans, medical and pension funds are recognised as an expense when employees have rendered services entitling them to the contributions.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### **1.16 Provisions and contingencies**

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation, discounted at the risk free discount rate.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

## **1.17 Government grants**

Government grants are recognised when there is reasonable assurance that:

- the group will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

## **1.18 Revenue**

Revenue from the sale of goods is recognised when all the following conditions have been 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 group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.



# Notes to the financial statements

for the year ended 30 June 2011

## 1. Presentation of audited annual financial statements continued

### 1.19 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

### 1.20 Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.21 Translation of foreign currencies

#### Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous audited annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised in other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised in other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

### 1.22 Operating segments

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segments and assess its performance, and
- for which concrete financial information is available.

Business segments for management purposes are those minerals and commodities regarded as key to the company's business model and which are actively managed by the company. The company does not regard geographical segments as reportable.

## 2. New standards and interpretations

### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### **May 2008 Annual Improvements to IFRS's: Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

The amendment clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The group has adopted the amendment for the first time in the 2011 audited annual financial statements.

The impact of the amendment is not material.

#### **IFRIC 17 – Distribution of non-cash assets to owners**

The interpretation provides guidance on accounting for non-reciprocal distributions of non-cash assets to owners, or distributions where owners have a choice between a cash or non-cash distribution. The distribution is to be recognised as a dividend on the date that the dividend has been appropriately authorised and is no longer subject to the discretion of the entity, and measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be reviewed at each reporting date and on settlement date to ensure it reflects fair value. Changes in measurement are recognised in equity as adjustments to the amount of the distribution. Additional disclosures are required.

The effective date of the interpretation is for years beginning on or after 01 July 2009.

The group has adopted the interpretation for the first time in the 2011 audited annual financial statements.

The impact of the interpretation is not material.

#### **2009 Annual Improvements Project: Amendments to IFRS 2 Share-based payment**

The amendment excludes common control transactions and the formation of joint ventures from the scope of IFRS 2 (AC 139) Share-based payment.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The group has adopted the amendment for the first time in the 2011 audited annual financial statements.

The impact of the amendment is not material.

#### **2009 Annual Improvements Project: Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

The amendment specifies that disclosures of other Standards do not apply to non-current assets (or disposal groups) held for sale or discontinued operations, unless specifically required by other Standards or for measurement disclosures of assets and liabilities in a disposal group which are outside the measurement requirements of IFRS 5 (AC 142) Non-current Assets Held for Sale and Discontinued Operations.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The group has adopted the amendment for the first time in the 2011 audited annual financial statements.

The impact of the amendment is not material.

## **2. New standards and interpretations** continued

### **2.1 Standards and interpretations effective and adopted in the current year** continued

#### **2009 Annual Improvements Project: Amendments to IFRS 8 Operating Segments**

Entities are only required to report segment assets if they are regularly reported to the chief operating decision maker.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The group has adopted the amendment for the first time in the 2011 audited annual financial statements.

The impact of the amendment is not material.

#### **2009 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements**

The amendment clarifies that a liability which could, at the option of the counterparty, result in its settlement by the issue equity instruments, does not affect its classification as current or non-current.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The group has adopted the amendment for the first time in the 2011 audited annual financial statements.

The impact of the amendment is not material.

#### **2009 Annual Improvements Project: Amendments to IAS 7 Statement of Cash Flows**

The amendment provides that expenditure may only be classified as 'cash flows from investing activities' if it resulted in the recognition of an asset on the statement of financial position.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The group has adopted the amendment for the first time in the 2011 audited annual financial statements.

The impact of the amendment is not material.

#### **2009 Annual Improvements Project: Amendments to IAS 38 Intangible Assets**

The amendment provides guidance on the measurement of intangible assets acquired in a business combination.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The group has adopted the amendment for the first time in the 2011 audited annual financial statements.

The impact of the amendment is not material.

#### **Amendment to IFRS 2 – Group Cash-settled Share-based Payment Transactions**

The amendment incorporates the principles of IFRIC 8 (AC 441) Scope of IFRS 2 and IFRIC 11 (AC 444) IFRS 2 Group and Treasury Share Transactions, which have consequentially been removed. In addition, the amendment provides that for Share based payment transactions among group entities, the entity receiving the goods or services shall recognise the transaction as an equity settled share based payment transaction if either the awards granted are its own equity instruments or the entity has no obligation to settle the transaction. In all other circumstances, such transactions shall be accounted for as cash settled share based payment transactions.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The group has adopted the amendment for the first time in the 2011 audited annual financial statements.

The impact of the amendment is not material.

### **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**

IFRIC 19 applies to debt for equity swaps in circumstances where a debtor and creditor renegotiate the terms of a financial liability such that the debtor extinguishes part or all of the financial liability by issuing equity instruments to the creditor. Where the debt for equity swap is within the scope of IFRIC 19, the issue of equity instruments by the debtor shall be consideration paid to extinguish the liability and shall be measured at the fair value of the equity instrument, unless fair value cannot be determined. If the fair value of the equity instruments cannot be measured reliably, the issue shall be measured at the fair value of the financial liability extinguished. If the issue also relates to a modification of any remaining liability, then the issue shall be allocated to the liability which was extinguished and which remains. The difference between the carrying amount of the liability which was extinguished and the consideration paid shall be recognised in profit or loss.

The effective date of the amendment is for years beginning on or after 01 July 2010.

The group has adopted the amendment for the first time in the 2011 audited annual financial statements.

The impact of the amendment is not material.

### **2010 Annual Improvements Project: Amendments to IFRS 3 Business Combinations**

The amendment clarifies the initial measurement of non-controlling interests. Only those interests which represent a present ownership interest shall be measured at either fair value or the present ownership's proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interest shall be measured at their acquisition date fair values, unless otherwise required by IFRS.

It further provides transitional provisions for dealing with contingent consideration arrangements in a business combination that occurred before the effective date of the revised IFRS 3.

For equity settled share based payment transactions of the acquiree that the acquirer does not exchange for its share based payment transactions, vested transactions shall be measured as part of non-controlling interest at market based measure. Unvested transactions shall be measured at market based measure as if acquisition date were grant date. This measure is then allocated to non-controlling interest based on the ratio of vesting period completed to greater of total vesting period or original vesting period.

The effective date of the amendment is for years beginning on or after 01 July 2010.

The group has adopted the amendment for the first time in the 2011 audited annual financial statements.

The impact of the amendment is not material.

## **2.2 Standards and interpretations not yet effective**

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 July 2011 or later periods:

### **IFRS 9 Financial Instruments**

This new standard is the first phase of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement.

Phase one deals with the classification and measurement of financial assets. The following are changes from the classification and measurement rules of IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value.
- For hybrid contracts, where the host contract is within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.



## **2. New standards and interpretations** continued

### **2.2 Standards and interpretations not yet effective** continued

- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Investments in equity instruments may be measured at fair value. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost under any circumstances.

The effective date of the standard is for years beginning on or after 01 January 2013.

The group expects to adopt the standard for the first time in the 2014 audited annual financial statements.

It is unlikely that the standard will have a material impact on the company's audited annual financial statements.

#### **2010 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements**

The amendment provided a new requirement to group together items within Other Comprehensive Income that may be reclassified to the profit or loss section of the statement of comprehensive income to facilitate the assessment of their impact on the overall performance of the entity.

The effective date of the amendment is for years beginning on or after 01 January 2012.

The group expects to adopt the amendment for the first time in the 2013 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the company's audited annual financial statements.

#### **IAS 24 Related Party Disclosures (Revised)**

The revisions to IAS 24 include a clarification of the definition of a related party as well as providing a partial exemption for related party disclosures between government-related entities.

In terms of the definition, the revision clarifies that joint ventures or associates of the same third party are related parties of each other. To this end, an associate includes its subsidiaries and a joint venture includes its subsidiaries.

The partial exemption applies to related party transactions and outstanding balances with a government which controls, jointly controls or significantly influences the reporting entity as well as to transactions or outstanding balances with another entity which is controlled, jointly controlled or significantly influenced by the same government. In such circumstances, the entity is exempt from the disclosure requirements of paragraph 18 of IAS 24 and is required only to disclose:

- The name of the government and nature of the relationship
- Information about the nature and amount of each individually significant transaction and a quantitative or qualitative indication of the extent of collectively significant transactions. Such information is required in sufficient detail to allow users to understand the effect.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The group does not envisage the adoption of the amendment until such time as it becomes applicable to the group's operations.

It is unlikely that the amendment will have a material impact on the company's audited annual financial statements.

### 2010 Annual Improvements Project: Amendments to IFRS 7 Financial Instruments: Disclosures

Additional clarification is provided on the requirements for risk disclosures.

The effective date of the amendment is for years beginning on or after 01 January 2011.

The group does not envisage the adoption of the amendment until such time as it becomes applicable to the group's operations.

It is unlikely that the amendment will have a material impact on the company's audited annual financial statements.

## 3. Property, plant and equipment

|                            | 2011               |                             |                   | 2010               |                             |                    |
|----------------------------|--------------------|-----------------------------|-------------------|--------------------|-----------------------------|--------------------|
|                            | Cost/<br>valuation | Accumulated<br>depreciation | Carrying<br>value | Cost/<br>valuation | Accumulated<br>depreciation | Carrying<br>value  |
| <b>Group</b>               |                    |                             |                   |                    |                             |                    |
| Land                       | 3 872 375          | –                           | 3 872 375         | 126 481 000        | –                           | 126 481 000        |
| Buildings                  | 2 892 530          | (8 137)                     | 2 884 393         | 930 439            | (69 573)                    | 860 866            |
| Chemical plant             | 7 264 259          | –                           | 7 264 259         | 5 404 784          | –                           | 5 404 784          |
| Cement manufacturing plant | –                  | –                           | –                 | 204 870 686        | –                           | 204 870 686        |
| Furniture and fixtures     | –                  | –                           | –                 | 1 039 880          | (217 980)                   | 821 900            |
| Office equipment           | –                  | –                           | –                 | 563 112            | (121 217)                   | 441 895            |
| IT equipment               | –                  | –                           | –                 | 2 413 880          | (1 065 292)                 | 1 348 588          |
| Ash processing plant       | –                  | –                           | –                 | 77 920 655         | (5 634 793)                 | 72 285 862         |
| Milling plant              | –                  | –                           | –                 | 4 220 374          | –                           | 4 220 374          |
| Lab equipment              | –                  | –                           | –                 | 219 568            | (34 799)                    | 184 769            |
| <b>Total</b>               | <b>14 029 164</b>  | <b>(8 137)</b>              | <b>14 021 027</b> | <b>424 064 378</b> | <b>(7 143 654)</b>          | <b>416 920 724</b> |

| Reconciliation of property, plant and equipment – Group – 2011 |                    |                   |                      |                    |                   |
|--|--------------------|-------------------|----------------------|--------------------|-------------------|
|  | Opening<br>balance | Additions         | Disposals            | Depreciation       | Total             |
| Land   | 126 481 000        | 6 872 375         | (129 481 000)        | –                  | 3 872 375         |
| Buildings  | 860 866            | 3 007 794         | (949 575)            | (34 692)           | 2 884 393         |
| Chemical plant   | 5 404 784          | 1 859 475         | –                    | –                  | 7 264 259         |
| Cement manufacturing plant                                     | 204 870 686        | 8 857 105         | (213 727 791)        | –                  | –                 |
| Furniture and fixtures   | 821 900            | 123 643           | (895 768)            | (49 775)           | –                 |
| Motor vehicles   | –                  | 372 173           | (365 012)            | (7 161)            | –                 |
| Office equipment   | 441 895            | –                 | (412 034)            | (29 861)           | –                 |
| IT equipment   | 1 348 588          | 275 618           | (1 388 621)          | (235 585)          | –                 |
| Plant equipment  | –                  | 52 168            | (52 122)             | (46)               | –                 |
| Ash processing plant   | 72 285 862         | 72 797            | (70 385 702)         | (1 972 957)        | –                 |
| Milling plant  | 4 220 374          | 3 922 126         | (8 142 500)          | –                  | –                 |
| Lab equipment  | 184 769            | –                 | (172 693)            | (12 076)           | –                 |
| <b>Total</b>   | <b>416 920 724</b> | <b>25 415 274</b> | <b>(425 972 818)</b> | <b>(2 342 153)</b> | <b>14 021 027</b> |

## Notes to the financial statements continued

for the year ended 30 June 2011

### 3. Property, plant and equipment continued

Disposals during 2011 relates to the removal of Sephaku Cement group's assets due to the dilution of Sephaku Holdings' interest in Sephaku Cement (note 36).

| Reconciliation of property, plant and equipment – Group – 2010 |                    |                    |                    |           |                    |  |                    |                    |
|--|--------------------|--------------------|--------------------|-----------|--------------------|--|--------------------|--------------------|
|  | Opening<br>balance | Additions          | Disposals          | Transfers | Revalua-<br>tions  | Provision<br>for dismant-<br>ling and<br>removal<br>cost | Depre-<br>ciation  | Total              |
| Land   | 4 386 570          | 19 317 249         | –                  | –         | 102 777 181        | –  | –                  | 126 481 000        |
| Buildings  | 931 186            | 19 993             | –                  | (20 740)  | –                  | –  | (69 573)           | 860 866            |
| Chemical plant   | –                  | 5 404 784          | –                  | –         | –                  | –  | –                  | 5 404 784          |
| Cement manu-<br>facturing plant                                | 112 211 936        | 92 658 750         | –                  | –         | –                  | –  | –                  | 204 870 686        |
| Furniture and<br>fixtures                                      | 1 004 115          | 463 302            | (464 428)          | –         | –                  | –  | (181 089)          | 821 900            |
| Motor vehicles   | 1 322 973          | –                  | (1 322 973)        | –         | –                  | –  | –                  | –                  |
| Office equipment   | 290 959            | 474 733            | (231 082)          | 20 740    | –                  | –  | (113 455)          | 441 895            |
| IT equipment   | 1 700 091          | 1 063 219          | (522 075)          | –         | –                  | –  | (892 647)          | 1 348 588          |
| Ash processing<br>plant  | 18 742 386         | 52 811 755         | –                  | –         | –                  | 6 366 514  | (5 634 793)        | 72 285 862         |
| Milling plant  | 335 459            | 3 884 915          | –                  | –         | –                  | –  | –                  | 4 220 374          |
| Lab equipment  | 56 582             | 219 568            | (56 582)           | –         | –                  | –  | (34 799)           | 184 769            |
|  | <b>140 982 257</b> | <b>176 318 268</b> | <b>(2 597 140)</b> | <b>–</b>  | <b>102 777 181</b> | <b>6 366 514</b>   | <b>(6 926 356)</b> | <b>416 920 724</b> |

#### Revaluations

The effective date of the revaluations was 30 June 2010. Revaluations were performed by independent sworn appraiser, JC Fourie (professional associated valuer registered at the SA Council for the property valuers profession), of Fourie and Partners. Fourie and Partners are not connected to the group.

The fair value of the properties are determined with reference to reasonable market value taking into account all improvements to the property and rezoning of the farms.

As the carrying value of the property is not materially different from the fair value as at reporting date, no revaluations of property were performed in the current reporting period.

|  | Group     |           | Company   |           |
|--|-----------|-----------|-----------|-----------|
|  | 2011<br>R | 2010<br>R | 2011<br>R | 2010<br>R |

The carrying value of the revalued assets under the cost model would have been:

|      |   |            |   |   |
|------|---|------------|---|---|
| Land | – | 23 703 819 | – | – |
|------|---|------------|---|---|

#### Other information

|  |           |             |   |   |
|--|-----------|-------------|---|---|
| Carrying value of property, plant and equipment under construction | 7 264 259 | 286 781 706 | – | – |
|--|-----------|-------------|---|---|

|  | Group |      | Company |      |
|--|-------|------|---------|------|
|  | 2011  | 2010 | 2011    | 2010 |
|  | R     | R    | R       | R    |

### Details of properties

**Portion 10 of the farm Klein Westerford 78IO (335,7727 ha) and portion 8 of the farm Klein Westerford 78IO (321,7982 ha) is consolidated into portion 17 on 30 September 2008.**

|                                |   |            |   |   |
|--------------------------------|---|------------|---|---|
| – Purchase price: 1 March 2008 | – | 2 244 000  | – | – |
| – Capitalised expenditure      | – | 26 645     | – | – |
| – Revaluation                  | – | 9 460 355  | – | – |
|                                | – | 11 731 000 | – | – |

**Remaining portion of the farm Klein Westerford 78IO (328,9083 ha)**

|                                    |   |            |   |   |
|------------------------------------|---|------------|---|---|
| – Purchase price: 12 February 2008 | – | 2 100 000  | – | – |
| – Capitalised expenditure          | – | 15 925     | – | – |
| – Revaluation                      | – | 7 884 075  | – | – |
|                                    | – | 10 000 000 | – | – |

**Portion 11 of the farm Klein Westerford 78IO (157,6010 ha)**

|                                  |   |           |   |   |
|----------------------------------|---|-----------|---|---|
| – Purchase price: 31 August 2007 | – | 849 966   | – | – |
| – Revaluation                    | – | 3 900 034 | – | – |
|                                  | – | 4 750 000 | – | – |

**Remaining extent of Portion 22 of the farm Witklip no 232 (76,9004 ha)**

|                                   |   |             |   |   |
|-----------------------------------|---|-------------|---|---|
| – Purchase price: 9 November 2009 | – | 18 467 283  | – | – |
| – Revaluation                     | – | 81 532 717  | – | – |
|                                   | – | 100 000 000 | – | – |

**Portion 11 of the farm Kromdraai 209 JR**

|                                 |                  |   |   |   |
|---------------------------------|------------------|---|---|---|
| – Purchase price: 17 March 2011 | 6 764 905        | – | – | – |
|                                 | <b>6 764 905</b> | – | – | – |

A register containing information of the property is available for inspection at the registered office of the company.

## 4. Goodwill

|   | 2011 |                        |                | 2010    |                        |                |
|---|------|------------------------|----------------|---------|------------------------|----------------|
|   | Cost | Accumulated impairment | Carrying value | Cost    | Accumulated impairment | Carrying value |
| <b>Group</b>                            |      |                        |                |         |                        |                |
| Goodwill on acquisition of subsidiaries | –    | –                      | –              | 748 900 | –                      | 748 900        |



## Notes to the financial statements continued

for the year ended 30 June 2011

### 4. Goodwill continued

| Reconciliation of goodwill – Group – 2011 |                 |                  |          |
|---|-----------------|------------------|----------|
|   | Opening balance | Impairment loss  | Total    |
| Goodwill                                  | 748 900         | (748 900)        | –        |
|   | <b>748 900</b>  | <b>(748 900)</b> | <b>–</b> |

The net asset deficiency of the subsidiary Sephaku Fluoride provides evidence that the goodwill on acquisition is impaired. As a result the goodwill has been impaired in full.

| Reconciliation of goodwill – Group – 2010 |                 |   |                 |         |
|---|-----------------|---|-----------------|---------|
|   | Opening balance | Additions through business combinations | Impairment loss | Total   |
| Goodwill                                  | 748 900         | 839 872                                 | (839 872)       | 748 900 |

The fair value of the intangible assets of Sephaku Limestone & Exploration (Pty) Limited acquired is R3 million (note 35). The goodwill arising from the business combination was recognised as an impairment loss of R839 872 in the statement of comprehensive income.

### 5. Intangible assets

|                    | 2011              |                          |                   | 2010              |                          |                   |
|--------------------|-------------------|--------------------------|-------------------|-------------------|--------------------------|-------------------|
|                    | Cost/valuation    | Accumulated amortisation | Carrying value    | Cost/valuation    | Accumulated amortisation | Carrying value    |
| <b>Group</b>       |                   |                          |                   |                   |                          |                   |
| Computer software  | –                 | –                        | –                 | 5 986 846         | (3 699 506)              | 2 287 340         |
| Exploration assets | 59 200 956        |                          | 59 200 956        | 86 703 147        | –                        | 86 703 147        |
| <b>Total</b>       | <b>59 200 956</b> |                          | <b>59 200 956</b> | <b>92 689 993</b> | <b>(3 699 506)</b>       | <b>88 990 487</b> |

| Reconciliation of intangible assets – Group – 2011 |                   |                   |                     |                  |                    |                   |
|--|-------------------|-------------------|---------------------|------------------|--------------------|-------------------|
|  | Opening balance   | Additions         | Disposals           | Amortisation     | Impairment loss    | Total             |
| Computer software                                  | 2 287 340         | –                 | (1 515 846)         | (771 494)        | –                  | –                 |
| Exploration assets                                 | 86 703 147        | 12 134 838        | (38 150 692)        | –                | (1 486 337)        | 59 200 956        |
|  | <b>88 990 487</b> | <b>12 134 838</b> | <b>(39 666 538)</b> | <b>(771 494)</b> | <b>(1 486 337)</b> | <b>59 200 956</b> |

Disposals during 2011 relates to assets transferred to Incubex as part of the unbundling (note 37) and also the removal of Sephaku Cement group's assets due to the dilution of Sephaku Holdings' interest in Sephaku Cement (note 36).

There were indications that certain exploration assets were no longer economically viable and were therefore cancelled and fully impaired.

| Reconciliation of intangible assets – Group – 2010 |                   |                   |   |                  |                    |                    |                   |
|--|-------------------|-------------------|---|------------------|--------------------|--------------------|-------------------|
|  | Opening balance   | Additions         | Additions through business combinations | Disposals        | Amortisation       | Impairment loss    | Total             |
| Computer software                                  | 2 767 107         | 3 028 760         | –                                       | (370 152)        | (3 138 375)        | –                  | 2 287 340         |
| Exploration assets                                 | 44 410 317        | 43 381 398        | 3 000 000                               | –                | –                  | (4 088 568)        | 86 703 147        |
|  | <b>47 177 424</b> | <b>46 410 158</b> | <b>3 000 000</b>                        | <b>(370 152)</b> | <b>(3 138 375)</b> | <b>(4 088 568)</b> | <b>88 990 487</b> |

## 6. Investments in subsidiaries

| Name of company                               | % holding | % holding | Carrying amount | Carrying amount    |
|---|-----------|-----------|-----------------|--------------------|
|   | 2011      | 2010      | 2011            | 2010               |
| Sephaku Cement (Pty) Limited                  | –         | 80,22     | –               | 434 609 613        |
| Sephaku Fluoride Limited                      | 100,00    | 100,00    | 10 000          | 10 000             |
| Sephaku Coal Holdings Limited                 | –         | 100,00    | –               | 70                 |
| Sephaku PGM Holdings (Pty) Limited            | –         | 100,00    | –               | 100                |
| Sephaku Tin (Pty) Limited                     | –         | 95,00     | –               | 95                 |
| Sephaku Vanadium (Pty) Limited                | –         | 100,00    | –               | 100                |
| Aquarella Investments 555 (Pty) Limited       | –         | 100,00    | –               | 100                |
| Sephaku Uranium (Pty) Limited                 | –         | 100,00    | –               | 100                |
| Ergomark (Pty) Limited                        | –         | 100,00    | –               | 100                |
| Sephaku Limestone & Exploration (Pty) Limited | –         | 51,00     | –               | 3 000 000          |
| Incubex Minerals Limited                      | –         | 100,00    | –               | 100                |
| Sephaku Cement Investment Holdings Limited    | 100,00    | 100,00    | 1               | 1                  |
|   |           |           | <b>10 001</b>   | <b>437 620 379</b> |

Subsidiaries are shown at carrying amounts.

All the subsidiaries are registered and operate within South Africa.

Refer to note 35, 36 and 37 for additional information on acquisition of businesses, movement in investment in subsidiaries and sale of businesses.

## Notes to the financial statements continued

for the year ended 30 June 2011

### 7. Investments in associates

| Name of company                              | % holding | % holding | Carrying amount    | Carrying amount |
|--|-----------|-----------|--------------------|-----------------|
|  | 2011      | 2010      | 2011               | 2010            |
| Sephaku Cement (Pty) Limited                 | 35,994    | –         | 613 414 763        | –               |
| Golden Dividend 524 (Pty) Limited            | –         | 26,00     | –                  | 26              |
| Defacto Investments 275 (Pty) Limited        | 26,000    | 26,00     | 54 170             | 54 170          |
| Private Preview Investments 39 (Pty) Limited | –         | 26,00     | –                  | 26              |
| Egonox (Pty) Limited                         | –         | 30,00     | –                  | 30              |
| Insa Coal Holdings (Pty) Limited             | –         | 50,00     | –                  | 32 706          |
| Synchrophor (Pty) Limited                    | –         | 30,00     | –                  | 30              |
| Indelum Properties (Pty) Limited             | –         | 30,00     | –                  | 30              |
| Synchrotrix (Pty) Limited                    | –         | 30,00     | –                  | 30              |
| Concreco (Richards Bay) (Pty) Limited        | –         | 25,00     | –                  | 100             |
| Empivert (Pty) Limited                       | –         | 30,00     | –                  | 30              |
| Finishing Touch Trading 121 (Pty) Limited    | 26,000    | 26,00     | 52                 | 52              |
| Vigacron (Pty) Limited                       | –         | 30,00     | –                  | 30              |
|  |           |           | <b>613 468 985</b> | <b>87 260</b>   |

All the associates are unlisted.

The investment in Sephaku Cement was recognised at fair value of R634 956 656 on 15 October 2010 and on consolidation adjusted for the change in Sephaku Holdings' share of the loss of the investee as from 15 October 2010 to reporting date amounting to R8 859 047 and share of the other comprehensive loss of the investee from 15 October 2010 to reporting date of R12 682 846 (note 31).

Refer to note 35, 36 and 37 for additional information on acquisition of businesses, movement in investment in associates and sale of businesses.

## 8. Loans to/(from) group companies

|   | Group |      | Company            |                   |
|---|-------|------|--------------------|-------------------|
|   | 2011  | 2010 | 2011               | 2010              |
|   | R     | R    | R                  | R                 |
| <b>Subsidiaries</b>                           |       |      |                    |                   |
| Sephaku Cement (Pty) Limited                  | –     | –    | –                  | 6 895 071         |
| Sephaku Fluoride Limited                      | –     | –    | 44 222 098         | 11 583 040        |
| Sephaku Coal Holdings Limited                 | –     | –    | –                  | 2 630 802         |
| Sephaku PGM Holdings (Pty) Limited            | –     | –    | –                  | 77                |
| Sephaku Tin (Pty) Limited                     | –     | –    | –                  | 4 251 743         |
| Blue Waves Properties 198 (Pty) Limited       | –     | –    | –                  | 335 360           |
| Sephaku Uranium (Pty) Limited                 | –     | –    | –                  | 42 500            |
| Ergomark (Pty) Limited                        | –     | –    | –                  | 601 330           |
| Saldopax (Pty) Limited                        | –     | –    | –                  | 545               |
| Sephaku Cement Investment Holdings Limited    | –     | –    | 4 149              | (1)               |
| Nokeng Fluorspar Mine (Pty) Limited           | –     | –    | 63 414 480         | 33 382 008        |
| Sephaku Limestone & Exploration (Pty) Limited | –     | –    | –                  | 1 472 233         |
| Ulipac (Pty) Limited                          | –     | –    | –                  | 19 259            |
|   | –     | –    | <b>107 640 727</b> | <b>61 213 967</b> |

The loans are unsecured, bear no interest and are repayable on mutual agreement. The amounts receivable are subordinated to the benefit of other creditors until such time when the subsidiaries' assets fairly valued exceed the liabilities.

### Associates

|                                   |                |                |                |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
| Golden Dividend 524 (Pty) Limited | –              | 64 553         | –              | 64 553         |
| Insa Coal Holdings (Pty) Limited  | –              | 241 114        | –              | 241 264        |
| Egonox (Pty) Limited              | –              | 160 389        | –              | 160 389        |
| Empivert (Pty) Limited            | –              | 94 199         | –              | 94 199         |
| Indelum Properties (Pty) Limited  | –              | 16 684         | –              | 16 684         |
| Sephaku Cement (Pty) Limited      | 945 022        | –              | 945 022        | –              |
|                                   | <b>945 022</b> | <b>576 939</b> | <b>945 022</b> | <b>577 089</b> |

The loans are unsecured, bear no interest and are repayable on demand.

|                     |                |                |                    |                   |
|---------------------|----------------|----------------|--------------------|-------------------|
| Current assets      | 945 022        | 577 089        | 108 585 749        | 61 791 057        |
| Current liabilities | –              | (150)          | –                  | (1)               |
|                     | <b>945 022</b> | <b>576 939</b> | <b>108 585 749</b> | <b>61 791 056</b> |



## Notes to the financial statements continued

for the year ended 30 June 2011

### 9. Loans to/(from) shareholders

|  | Group     |                     | Company   |           |
|--|-----------|---------------------|-----------|-----------|
|  | 2011<br>R | 2010<br>R           | 2011<br>R | 2010<br>R |
| Dangote Industries Limited   | –         | (74 694 244)        | –         | –         |
| Golden Pond Trading 483 (Pty) Limited  | –         | 5                   | –         | –         |
| Action Insa Holdings Limited   | –         | 50                  | –         | –         |
|  | –         | <b>(74 694 189)</b> | –         | –         |
| The loans are unsecured, bear no interest and repayable on demand.   |           |                     |           |           |
| Dangote provided a loan of US\$10 million, calculated at a spot rate of R7,56 to Sephaku Cement on 29 June 2010 to enable the group to finance part of the advance payment to Sinoma International Engineering Co. Limited for the construction of the cement and milling plant. The loan was converted to shares on 16 October 2010 and formed part of the total R779 million additional equity funding by Dangote. |           |                     |           |           |
| Current assets   | –         | 180                 | –         | –         |
| Current liabilities  | –         | (74 694 369)        | –         | –         |
|  | –         | <b>(74 694 189)</b> | –         | –         |

### 10. Other financial assets

#### Loans and receivables

|  |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
| African Precious Minerals Limited      | –                 | 1 227 476         | –                 | 1 227 476         |
| African Nickel Holdings (Pty) Limited  | 7 825 378         | 1 000             | 7 825 378         | 1 000             |
| Cross Company Management (Pty) Limited | 8 367 943         | 20 062 255        | 8 367 943         | 20 062 255        |
| Mineral Afrique Limited                | –                 | 552 257           | –                 | 552 257           |
| Mozambique Biofuel Industries          | –                 | 2 084 372         | –                 | 2 084 372         |
| Incubex Minerals Limited               | 3 892 405         | –                 | 3 892 405         | –                 |
| The Wu Group                           | –                 | 48 237 398        | –                 | 48 237 398        |
| Other loans                            | –                 | 359 432           | –                 | 359 432           |
|  | <b>20 085 726</b> | <b>72 524 190</b> | <b>20 085 726</b> | <b>72 524 190</b> |
| <b>Current assets</b>                  |                   |                   |                   |                   |
| Loans and receivables                  | <b>20 085 726</b> | <b>72 524 190</b> | <b>20 085 726</b> | <b>72 524 190</b> |

The loans are unsecured, bear no interest and are repayable on demand.

## 11. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

| Group – 2011                |                       |                   |
|-----------------------------|-----------------------|-------------------|
|                             | Loans and receivables | Total             |
| Loans to group companies    | 945 022               | 945 022           |
| Other financial assets      | 20 085 726            | 20 085 726        |
| Trade and other receivables | 13                    | 13                |
| Cash and cash equivalents   | 5 834 641             | 5 834 641         |
| Deposits for rehabilitation | 5 080 400             | 5 080 400         |
|                             | <b>31 945 802</b>     | <b>31 945 802</b> |

| Group – 2010                               |                       |                    |                    |
|--|-----------------------|--------------------|--------------------|
|  | Loans and receivables | Available-for-sale | Total              |
| Loans to group companies                   | 577 089               | –                  | 577 089            |
| Loans to shareholders                      | 180                   | –                  | 180                |
| Other financial assets                     | 72 524 190            | 200 000            | 72 724 190         |
| Loans to directors, managers and employees | 1 100                 | –                  | 1 100              |
| Trade and other receivables                | 13 441 829            | –                  | 13 441 829         |
| Cash and cash equivalents                  | 14 899 847            | –                  | 14 899 847         |
| Deposits for rehabilitation                | 567 060               | –                  | 567 060            |
| Other loans receivable                     | 336 117               | –                  | 336 117            |
|  | <b>102 347 412</b>    | <b>200 000</b>     | <b>102 547 412</b> |

| Company – 2011            |                       |                    |
|---------------------------|-----------------------|--------------------|
|                           | Loans and receivables | Total              |
| Loans to group companies  | 108 585 749           | 108 585 749        |
| Other financial assets    | 20 085 726            | 20 085 726         |
| Cash and cash equivalents | 5 830 735             | 5 830 735          |
|                           | <b>134 502 210</b>    | <b>134 502 210</b> |

## Notes to the financial statements continued

for the year ended 30 June 2011

### 11. Financial assets by category continued

| Company – 2010                             |                       |                    |
|--|-----------------------|--------------------|
|  | Loans and receivables | Total              |
| Loans to group companies                   | 61 791 057            | 61 791 057         |
| Loans to directors, managers and employees | 1 100                 | 1 100              |
| Other financial assets                     | 72 524 190            | 72 524 190         |
| Cash and cash equivalents                  | 2 825 071             | 2 825 071          |
|  | <b>137 141 418</b>    | <b>137 141 418</b> |

### 12. Deferred tax

|  | Group             |                     | Company           |                   |
|--|-------------------|---------------------|-------------------|-------------------|
|  | 2011<br>R         | 2010<br>R           | 2011<br>R         | 2010<br>R         |
| <b>Deferred tax asset</b>  |                   |                     |                   |                   |
| Deferred tax   | –                 | (17 078 870)        | –                 | –                 |
| <b>Reconciliation of deferred tax asset (liability)</b>                          |                   |                     |                   |                   |
| At beginning of the year   | (17 078 870)      | –                   | –                 | –                 |
| Deferred tax on revaluation of land  | –                 | (16 238 898)        | –                 | –                 |
| Provision for doubtful debt  | –                 | 31 180              | –                 | –                 |
| Leave provision  | –                 | 462 352             | –                 | –                 |
| Prepaid expenses   | –                 | (117 791)           | –                 | –                 |
| Accelerated wear and tear  | –                 | (6 416 841)         | –                 | –                 |
| Deferred tax on operating lease  | –                 | 3 184               | –                 | –                 |
| Finance charges on provision for dismantling                                     | –                 | 97 438              | –                 | –                 |
| Income received in advance   | –                 | 3 907               | –                 | –                 |
| Bonus provision  | –                 | 1 208 484           | –                 | –                 |
| Deferred tax asset on assessed loss limited to taxable differences               | –                 | 4 728 087           | –                 | –                 |
| Deferred tax on business combination   | –                 | (839 972)           | –                 | –                 |
| Remove deferred tax balance with disposal of companies (refer to note 36 and 37) | 17 078 870        | –                   | –                 | –                 |
|  | <b>–</b>          | <b>(17 078 870)</b> | <b>–</b>          | <b>–</b>          |
| <b>Unrecognised deferred tax asset</b>   |                   |                     |                   |                   |
| Deductible temporary differences not recognised as deferred tax assets           | <b>54 735 872</b> | <b>122 668 389</b>  | <b>32 474 098</b> | <b>17 284 328</b> |

### 13. Deposits for rehabilitation

|  | Group |      | Company |      |
|--|-------|------|---------|------|
|  | 2011  | 2010 | 2011    | 2010 |
|  | R     | R    | R       | R    |

In terms of section 41 of the Minerals and Petroleum Development Act an applicant for a prospecting right, mining right or mining permit must make the prescribed financial provision for the rehabilitation or management of negative environmental impacts. The group made deposits with the Department of Mineral Resources in compliance herewith.

### 14. Other loans receivable

Sinoma International Engineering Co. Limited – a loan to the amount of R336 117 was provided during the 2010 reporting period. This loan was unsecured, interest free and had no fixed terms of repayment.

### 15. Loans to directors, managers and employees

|                          |          |              |          |              |
|--------------------------|----------|--------------|----------|--------------|
| At beginning of the year | 1 100    | 25 060       | 1 100    | 1 100        |
| Disposed (note 37)       | (1 100)  | (23 960)     | (1 100)  | –            |
|                          | <b>–</b> | <b>1 100</b> | <b>–</b> | <b>1 100</b> |

The loans to directors, managers and employees bear no interest and are repayable on demand.

### 16. Trade and other receivables

|                                  |                   |                   |               |                |
|----------------------------------|-------------------|-------------------|---------------|----------------|
| Trade receivables                | 13                | 2 708 272         | –             | –              |
| Prepayments                      | 8 687 500         | 2 670 682         | –             | –              |
| Deposits                         | –                 | 484 011           | –             | –              |
| VAT                              | 3 219 964         | 766 993           | 16 518        | 248 121        |
| Department of Trade and Industry | –                 | 10 249 546        | –             | –              |
|                                  | <b>11 907 477</b> | <b>16 879 504</b> | <b>16 518</b> | <b>248 121</b> |

Refer to note 22 for details on the Department of Trade and Industry government grant received in 2010.

Of the prepayments, R5,5 million relates to payments made for the option to purchase Portion 1 of the Farm Naauwpoort 208 JR for R30 million. An agreement was entered into on 23 June 2011 extending the option to purchase until 16 January 2012 for which option fees are payable of R250 000 per month. These monthly payments are deductible from the purchase price once the option is exercised.

# Notes to the financial statements continued

for the year ended 30 June 2011

## 17. Cash and cash equivalents

|  | Group            |                   | Company          |                  |
|--|------------------|-------------------|------------------|------------------|
|  | 2011<br>R        | 2010<br>R         | 2011<br>R        | 2010<br>R        |
| Cash and cash equivalents consist of:  |                  |                   |                  |                  |
| Cash on hand   | –                | 75 053            | –                | –                |
| Bank balances  | 5 834 641        | 14 824 794        | 5 830 735        | 2 825 071        |
| Bank overdraft   | –                | (1 279)           | –                | –                |
|  | <b>5 834 641</b> | <b>14 898 568</b> | <b>5 830 735</b> | <b>2 825 071</b> |
| Current assets   | 5 834 641        | 14 899 847        | 5 830 735        | 2 825 071        |
| Current liabilities  | –                | (1 279)           | –                | –                |
|  | <b>5 834 641</b> | <b>14 898 568</b> | <b>5 830 735</b> | <b>2 825 071</b> |
| <b>Credit quality of cash at bank and short term deposits, excluding cash on hand</b>  |                  |                   |                  |                  |
| The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates: |                  |                   |                  |                  |
| <b>Credit rating</b>   |                  |                   |                  |                  |
| AAA  | 5 834 641        | 14 823 515        | 5 830 735        | 2 825 071        |

## 18. Disposal groups or non-current assets held for sale

### Loss for the period from discontinued operations

Sephaku Holdings' interest in Sephaku Cement diluted from 80,22% to 35,994% on 15 October 2010 (note 36). The loss incurred by Sephaku Cement and its subsidiaries for the period 01 July 2010 to 15 October 2010 of R16 769 182 (2010: R86 290 101 loss) is included in the statement of comprehensive income as loss from discontinued operations.

Sephaku Holdings has disposed of all of the issued shares in its subsidiaries to Incubex, save for its cement and fluorspar interests (note 37). The total loss for the Incubex subsidiaries for the period up to the unbundling on 31 October 2010 is included in the statement of comprehensive income as a R2 069 827 loss (2010: R10 890 097 loss) from discontinued operations.

Sephaku Holdings also disposed of its 51% interest in Sephaku Limestone and Exploration (Pty) Limited on 14 December 2010 (note 37). Limestone's loss for the period till 14 December 2010 of R2 795 is disclosed as a loss from discontinued operations (2010: R9 660 loss).



|  | Group               |                     | Company    |           |
|--|---------------------|---------------------|------------|-----------|
|  | 2011<br>R           | 2010<br>R           | 2011<br>R  | 2010<br>R |
| Profit and (loss) of disposal groups:  |                     |                     |            |           |
| Revenue  | 5 759 678           | 6 181 066           | –          | –         |
| Expenses   | (2 429 633)         | (2 798 008)         | –          | –         |
|  | 3 330 045           | 3 383 058           | –          | –         |
| Other income   | 915 509             | 2 505 838           | –          | –         |
| Operating expenses   | (23 086 433)        | (114 940 986)       | –          | –         |
| Investment revenue   | 47 935              | 12 372 273          | –          | –         |
| Finance cost   | (48 860)            | (358 701)           | –          | –         |
| Taxation   | –                   | (151 340)           | –          | –         |
| <b>Loss for the period from discontinued operations</b>  | <b>(18 841 804)</b> | <b>(97 189 858)</b> | <b>–</b>   | <b>–</b>  |
| <b>Non-current assets held for sale</b>  |                     |                     |            |           |
| On 27 January 2010 the interest in African Nickel Holdings (Pty) Limited was sold to the Wu Group, an external third party, for R20 million. In October 2010, in lieu of payment by the Wu Group for the 26% interest in African Nickel Holdings (Pty) Limited, the Wu Group settled the debt outstanding by issuing back the 26% interest to Sephaku Holdings. African Nickel Holdings (Pty) Limited is carried at fair value less cost to sell of R21 million and is disclosed as an asset held for sale. Management is committed to a plan to dispose of the nickel assets in the near future for a selling price of R22 million. |                     |                     |            |           |
| The assets and liabilities of the disposal group consist of:   |                     |                     |            |           |
| Investment in associate  | 21 164 340          | –                   | 21 164 340 | –         |

## 19. Share capital

### Authorised

1000 000 000 Ordinary shares with no par value

### Reconciliation of number of shares issued:

|  |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|
| Number of shares at beginning of period            | 155 805 362        | 151 081 802        | 155 805 362        | 151 081 801        |
| Number of ordinary shares issued during the period | 13 485 370         | 4 723 561          | 13 485 370         | 4 723 561          |
| <b>Number of ordinary shares at end of period</b>  | <b>169 290 732</b> | <b>155 805 363</b> | <b>169 290 732</b> | <b>155 805 362</b> |

The unissued ordinary shares are under the control of the directors.

### Issued

|                                   |             |             |             |             |
|-----------------------------------|-------------|-------------|-------------|-------------|
| Ordinary shares with no par value | 592 127 979 | 225 214 992 | 592 127 979 | 545 074 047 |
|-----------------------------------|-------------|-------------|-------------|-------------|

## 20. Share-based payments

|   | Number     | Weighted exercise price | Total value |
|---|------------|-------------------------|-------------|
| <b>Share option group</b>   |            |                         |             |
| Share options granted during 2008 year (30/06/2008 to 30/06/2011) | 200 000    | 1,50                    | 300 000     |
| Share options granted 31 March 2008                               | 5 740 000  | 2,50                    | 14 350 000  |
| Share options granted on 15 October 2010                          | 10 000 000 | 3,50                    | 35 000 000  |
| Exercised during the year   | (409 863)  | –                       | –           |
| Expired during the year   | (46 667)   | –                       | –           |
| Outstanding at the end of the year                                | 15 483 470 | –                       | –           |
| Exercisable at the end of the year                                | 5 483 470  | –                       | –           |

### Outstanding options

5 740 000 American style share options with exercise price of R2,50 were granted on 31 March 2008, of which 5 483 470 options are still outstanding at year-end. These options vest over a 3-year period on the anniversary of the grant and expires 31 March 2015.

10 million American style share options were granted 15 October 2010 with an exercise price of R3,50, all of which are still outstanding at year-end. These options vest over a 5-year period on the anniversary of the grant of the third, fourth and fifth year and expire on 15 October 2017. No option premium was paid on date of grant.

### Information on options granted on 31 March 2008

Fair value was determined by using the Black Scholes method. The following inputs were used:

- Exercise price, R2,50
- Expected volatility, 30%
- Option life: 1, 2 and 3 years
- Expected dividends, Nil
- The risk-free interest rate, 6,65%

Total expenses of R319 818 related to equity-settled share-based payments transactions were recognised in 2011 in salary expense.

### Information on options granted on 15 October 2010

Fair value was determined by using the Black Scholes method. The following inputs were used:

- Exercise price, R3,50
- Expected volatility, 55%
- Option life: 3, 4 and 5 years
- Expected dividends, Nil
- The risk-free interest rate, 7,14%

Total expenses of R3 010 023 related to equity-settled share-based payments transactions were recognised in 2011 in salary expense.

Expected volatility is based on share price history. Annualised volatility up to grant date was 93%. This dropped significantly to approximately 80% in February 2011, 56% in March 2011 and 52% in June 2011. Therefore 55% is considered to be reasonable for future volatility.

## 21. Other financial liabilities

|  | Group        |               | Company  |               |
|--|--------------|---------------|----------|---------------|
|  | 2011         | 2010          | 2011     | 2010          |
|  | R            | R             | R        | R             |
| <b>Held at amortised cost</b>  |              |               |          |               |
| Sephaku Tin (Pty) Limited  | 1 062        | –             | –        | –             |
| Taung Gold Limited   | –            | 29 383        | –        | 29 383        |
|  | <b>1 062</b> | <b>29 383</b> | <b>–</b> | <b>29 383</b> |
| The loan is unsecured, bears no interest and is repayable on demand. |              |               |          |               |
| <b>Current liabilities</b>   |              |               |          |               |
| At amortised cost  | 1 062        | 29 383        | –        | 29 383        |

## 22. Deferred income

|   |          |                  |          |          |
|---|----------|------------------|----------|----------|
| Government grants for the ash processing plant: |          |                  |          |          |
| Non-current liabilities                         | –        | 8 456 178        | –        | –        |
| Current liabilities                             | –        | 978 201          | –        | –        |
|   | <b>–</b> | <b>9 434 379</b> | <b>–</b> | <b>–</b> |

Movement in the deferred income balance from the prior to the current period relates to the removal of Sephaku Cement group's liabilities due to the dilution of Sephaku Holdings' interest in Sephaku Cement (note 36 ).

### Deferred income 2010

The Department of Trade and Industry has approved an EIP: Manufacturing Investment Programme grant subject to the following conditions yet to be verified: additional job creation for 34 employees and a projected turnover for the Ash Plant of R54 million during the first year and R102 million during the second year from date of full production. The claim commenced on 01/07/2009, terminates on 30/06/2011 and amounts to R5 287 508 per annum for 2 years. R815 167 of the Government grants were amortised to profit or losses.

Refer to note 16 for the Sundry debtor balance recognised.

## Notes to the financial statements continued

for the year ended 30 June 2011

### 23. Provisions

| Reconciliation of provisions – Group – 2011 |                 |             |       |
|---|-----------------|-------------|-------|
|   | Opening balance | Disposed    | Total |
| Dismantling and removal provision           | 6 714 508       | (6 714 508) | –     |

| Reconciliation of provisions – Group – 2010 |                 |           |           |
|---|-----------------|-----------|-----------|
|   | Opening balance | Additions | Total     |
| Dismantling and removal provision           | –               | 6 714 508 | 6 714 508 |

Provisions disposed in the current period relates to the removal of Sephaku Cement group's liabilities due to the dilution of Sephaku Holdings' interest in Sephaku Cement (note 36).

#### Provisions 2010

The provision for decommissioning and dismantling of the Ash Processing Plant is measured at the best estimate of the anticipated outflow of resources for the restoration of the site. This estimate of R10 583 500 has been discounted to its present value at a discount rate of 6,56% over the expected life of the plant, estimated as 8 years (contract period ending 30/09/2017). Upon initial recognition the amount of the provision, R6 366 514 is added to the carrying amount of the related asset (note 3).

### 24. Trade and other payables

|                                     | Group            |                   | Company       |                |
|-------------------------------------|------------------|-------------------|---------------|----------------|
|                                     | 2011<br>R        | 2010<br>R         | 2011<br>R     | 2010<br>R      |
| Trade payables                      | 305 309          | 2 746 670         | 22 477        | 771 400        |
| Credit cards                        | 176              | 88 582            | 176           | –              |
| Accrued leave pay                   | –                | 2 005 336         | –             | –              |
| Accrual for salary related expenses | –                | 7 568 380         | –             | –              |
| Accrued expenses                    | 4 617 697        | 14 048 084        | –             | –              |
|                                     | <b>4 923 182</b> | <b>26 457 052</b> | <b>22 653</b> | <b>771 400</b> |

## 25. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

| Group – 2011                |   |                  |
|-----------------------------|---|------------------|
|                             | Financial liabilities at amortised cost | Total            |
| Other financial liabilities | 1 062                                   | 1 062            |
| Trade and other payables    | 4 923 182                               | 4 923 182        |
|                             | <b>4 924 244</b>                        | <b>4 924 244</b> |

| Group – 2010                |   |                   |
|-----------------------------|---|-------------------|
|                             | Financial liabilities at amortised cost | Total             |
| Loans from shareholders     | 74 694 369                              | 74 694 369        |
| Other financial liabilities | 29 383                                  | 29 383            |
| Trade and other payables    | 24 451 717                              | 24 451 717        |
| Bank overdraft              | 1 279                                   | 1 279             |
|                             | <b>99 176 748</b>                       | <b>99 176 748</b> |

| Company – 2011           |   |        |
|--------------------------|---|--------|
|                          | Financial liabilities at amortised cost | Total  |
| Trade and other payables | 22 653                                  | 22 653 |

| Company – 2010              |   |                |
|-----------------------------|---|----------------|
|                             | Financial liabilities at amortised cost | Total          |
| Other financial liabilities | 29 383                                  | 29 383         |
| Trade and other payables    | 771 400                                 | 771 400        |
|                             | <b>800 783</b>                          | <b>800 783</b> |



## Notes to the financial statements continued

for the year ended 30 June 2011

### 26. Operating profit

Operating profit for the period is stated after accounting for the following:

|   | Group          |                  | Company       |              |
|---|----------------|------------------|---------------|--------------|
|   | 2011           | 2010             | 2011          | 2010         |
|   | R              | R                | R             | R            |
| <b>Operating lease charges</b>                |                |                  |               |              |
| Premises                                      |                |                  |               |              |
| • Contractual amounts                         | 527 577        | 1 205 806        | –             | –            |
| Equipment                                     |                |                  |               |              |
| • Contractual amounts                         | 105 626        | 480 411          | –             | –            |
|   | <b>633 203</b> | <b>1 686 217</b> | <b>–</b>      | <b>–</b>     |
| Loss/(profit) on sale of non-current assets   | (409 997 712)  | (31 124 325)     | (201 783 490) | (54 834 340) |
| Government grant amortised                    | (849 584)      | (815 167)        | –             | –            |
| Impairment of intangible assets               | 1 486 337      | 4 088 568        | –             | –            |
| Impairment of loans to group companies        | 131 112        | (444 007)        | 764 141       | 15 653 927   |
| Impairment of investment in associate         | –              | 200 000          | –             | –            |
| Impairment of goodwill                        | 748 900        | 839 872          | –             | –            |
| Amortisation on intangible assets             | 771 494        | 3 138 375        | –             | –            |
| Depreciation on property, plant and equipment | 2 342 153      | 6 926 355        | –             | –            |
| Employee costs                                | 18 071 776     | 69 025 279       | 5 789 954     | 3 124 278    |
| Auditors remuneration                         | 231 900        | 833 463          | 219 400       | 501 060      |
| (Profit)/loss on foreign exchange             | (684)          | (65 279)         | –             | 26 958       |

### 27. Investment revenue

#### Interest revenue

|                |                  |                  |                  |                  |
|----------------|------------------|------------------|------------------|------------------|
| Bank           | 64               | 499              | 64               | 499              |
| Other interest | 1 163 684        | 4 257 685        | 1 089 516        | 4 257 685        |
|                | <b>1 163 748</b> | <b>4 258 184</b> | <b>1 089 580</b> | <b>4 258 184</b> |

### 28. Finance costs

|                     |                |                |            |           |
|---------------------|----------------|----------------|------------|-----------|
| Bank                | 590            | 5 880          | 108        | 26        |
| Other interest paid | 925 795        | 116 376        | –          | –         |
|                     | <b>926 385</b> | <b>122 256</b> | <b>108</b> | <b>26</b> |

## 29. Taxation

|   | Group            |                    | Company          |                    |
|---|------------------|--------------------|------------------|--------------------|
|   | 2011<br>R        | 2010<br>R          | 2011<br>R        | 2010<br>R          |
| <b>Major components of the tax (income)/expense</b>       |                  |                    |                  |                    |
| <b>Current</b>  |                  |                    |                  |                    |
| STC   | 1 558 054        | –                  | 1 558 054        | –                  |
| Overprovision of income tax in prior years                | –                | (1 058 741)        | –                | (1 058 741)        |
|   | <b>1 558 054</b> | <b>(1 058 741)</b> | <b>1 558 054</b> | <b>(1 058 741)</b> |
| <b>Reconciliation of the tax expense</b>                  |                  |                    |                  |                    |
| Reconciliation between accounting profit and tax expense. |                  |                    |                  |                    |
| Accounting/(loss) profit                                  | 364 099 291      | 5 957 202          | 183 263 879      | 20 476 199         |
| Tax at the applicable tax rate of 28%                     | 101 947 801      | 1 668 017          | 51 313 886       | 5 733 336          |
| <b>Tax effect of adjustments on taxable income</b>        |                  |                    |                  |                    |
| STC   | 1 558 054        | –                  | 1 558 054        | –                  |
| (Non-taxable)/non-deductible differences                  | (111 386 470)    | (7 777 347)        | (55 567 022)     | (7 777 347)        |
| Overprovision of income tax in prior years                | –                | (1 058 741)        | –                | (1 058 741)        |
| Unprovided tax loss                                       | 9 438 669        | 6 109 330          | 4 253 136        | 2 044 011          |
|   | <b>1 558 054</b> | <b>(1 058 741)</b> | <b>1 558 054</b> | <b>(1 058 741)</b> |

Current tax provided relates to STC paid by Sephaku Holdings on the dividend *in specie*.

The estimated tax loss available for set off against future taxable income for the group is R174 024 939 (2010: R140 315 407) and for the company is R32 474 098 (2010: R17 284 328).

## 30. Auditors' remuneration

|                         |                |                |                |                |
|-------------------------|----------------|----------------|----------------|----------------|
| Fees for audit services | 122 500        | 374 405        | 110 000        | 315 315        |
| Consulting              | 109 400        | 185 746        | 109 400        | 185 746        |
|                         | <b>231 900</b> | <b>560 151</b> | <b>219 400</b> | <b>501 061</b> |

## Notes to the financial statements continued

for the year ended 30 June 2011

### 31. Other comprehensive income

| Components of other comprehensive income – Group – 2011    |                     |                   |   |                                     |                          |                     |
|--|---------------------|-------------------|---|-------------------------------------|--------------------------|---------------------|
|  | Gross               | Tax               | Share of other comprehensive income of associates | Net before non-controlling interest | Non-controlling interest | Net                 |
| <b>Effects of cash flow hedges</b>                         |                     |                   |   |                                     |                          |                     |
| Gains/(losses) on cash flow hedges arising during the year | 52 299 798          | –                 | (12 682 846)                                      | 39 616 952                          | (10 344 900)             | 29 272 052          |
| <b>Movements on revaluation</b>                            |                     |                   |   |                                     |                          |                     |
| Gains/(losses) on property revaluation                     | (102 777 181)       | 16 238 898        | –   | (86 538 283)                        | 17 117 272               | (69 421 011)        |
| <b>Total</b>   | <b>(50 477 383)</b> | <b>16 238 898</b> | <b>(12 682 846)</b>                               | <b>(46 921 331)</b>                 | <b>6 772 372</b>         | <b>(40 148 959)</b> |

The movement in other comprehensive income in the current period relates to the removal of Sephaku Cement group's other comprehensive income items due to the dilution of Sephaku Holdings' interest in Sephaku Cement (note 36) and also Sephaku Holdings' interest in the other comprehensive income of Sephaku Cement as an associate as from 15 October 2010 of R12 682 846 (note 7).

| Components of other comprehensive income – Group – 2010    |                   |                     |                                     |                          |                   |
|--|-------------------|---------------------|-------------------------------------|--------------------------|-------------------|
|  | Gross             | Tax                 | Net before non-controlling interest | Non-controlling interest | Net               |
| <b>Effects of cash flow hedges</b>                         |                   |                     |                                     |                          |                   |
| Gains/(losses) on cash flow hedges arising during the year | (52 299 798)      | –                   | (52 299 798)                        | 10 344 900               | (41 954 898)      |
| <b>Movements on revaluation</b>                            |                   |                     |                                     |                          |                   |
| Gains/(losses) on property revaluation                     | 102 777 181       | (16 238 898)        | 86 538 283                          | (17 117 272)             | 69 421 011        |
| <b>Total</b>   | <b>50 477 383</b> | <b>(16 238 898)</b> | <b>34 238 485</b>                   | <b>(6 772 372)</b>       | <b>27 466 113</b> |

Sephaku Cement entered into an agreement with Sinoma International Engineering Co. Limited for the provision of a turnkey cement manufacturing facility at a total cost of US\$273 million. The first cash flow is a deposit of 20% which is regarded as a firm commitment. The cash flow risk associated with the foreign exchange payment is hedged by means of a natural hedge.

### 32. Cash (used in)/generated from operations

|   | Group               |                      | Company             |                     |
|---|---------------------|----------------------|---------------------|---------------------|
|   | 2011<br>R           | 2010<br>R            | 2011<br>R           | 2010<br>R           |
| (Loss)/profit before taxation                 | 345 258 087         | (91 081 318)         | 183 263 879         | 20 476 199          |
| <b>Adjustments for:</b>                       |                     |                      |                     |                     |
| Depreciation and amortisation                 | 3 113 647           | 10 064 730           | –                   | –                   |
| Profit on sale of non-current assets          | (409 997 712)       | (31 124 325)         | (201 783 490)       | (54 834 340)        |
| Loss from equity accounted investments        | 8 859 048           | 2 615 429            | –                   | 241 831             |
| Interest received                             | (1 163 748)         | (16 630 457)         | (1 089 580)         | (4 258 184)         |
| Finance costs                                 | 926 385             | 480 957              | 108                 | 26                  |
| Exploration costs impaired                    | 1 486 337           | 4 088 568            | –                   | –                   |
| Other impairments                             | 880 012             | 595 865              | 764 141             | 15 653 927          |
| Other non-cash items                          | 77 530              | (375 230)            | –                   | –                   |
| Movements in provisions                       | –                   | 6 714 508            | –                   | –                   |
| Provision for dismantling and removal cost    | –                   | (6 366 514)          | –                   | –                   |
| Share options recorded against salary expense | 3 329 841           | 2 847 500            | 3 329 841           | 2 847 500           |
| <b>Changes in working capital:</b>            |                     |                      |                     |                     |
| Inventories                                   | (233 912)           | –                    | –                   | –                   |
| Trade and other receivables                   | (14 770 928)        | (12 781 826)         | 231 603             | (28 307)            |
| Trade and other payables                      | 12 437 455          | (4 340 756)          | (748 747)           | (11 171 679)        |
| Deferred income                               | (570 618)           | 9 434 379            | –                   | –                   |
|   | <b>(50 368 576)</b> | <b>(125 858 490)</b> | <b>(16 032 245)</b> | <b>(31 073 027)</b> |

### 33. Tax paid

|   |                    |                    |                    |             |
|---|--------------------|--------------------|--------------------|-------------|
| Balance at beginning of the period                      | (33 652)           | (4 098 028)        | (91 142)           | (1 149 883) |
| Current tax for the period recognised in profit or loss | (1 558 054)        | 1 058 741          | (1 558 054)        | 1 058 741   |
| Adjustment in respect of dilution of interest in Cement | (57 490)           | –                  | –                  | –           |
| Balance at end of the period                            | –                  | 33 652             | –                  | 91 142      |
|   | <b>(1 649 196)</b> | <b>(3 005 635)</b> | <b>(1 649 196)</b> | <b>–</b>    |

### 34. Cash flows of disposal groups

|                                     |                     |                     |          |          |
|-------------------------------------|---------------------|---------------------|----------|----------|
| Net changes in operating activities | (8 545 610)         | (84 183 708)        | –        | –        |
| Net changes in investing activities | (19 125 156)        | –                   | –        | –        |
| Net changes in financing activities | 7 805 003           | –                   | –        | –        |
|                                     | <b>(19 865 763)</b> | <b>(84 183 708)</b> | <b>–</b> | <b>–</b> |

# Notes to the financial statements continued

for the year ended 30 June 2011

## 35. Acquisition of businesses

|  | Group |                    | Company |                    |
|--|-------|--------------------|---------|--------------------|
|  | 2011  | 2010               | 2011    | 2010               |
|  | R     | R                  | R       | R                  |
| <b>Business combinations</b>           |       |                    |         |                    |
| Intangible assets                      | –     | 3 000 000          | –       | 2 999 900          |
| Investments in associates              | –     | 600 432            | –       | –                  |
| Inter-company loan accounts            | –     | 300                | –       | 100                |
|  | –     | <b>3 600 732</b>   | –       | <b>3 000 000</b>   |
| <b>Consideration paid</b>              |       |                    |         |                    |
| Cash                                   | –     | (3 600 100)        | –       | (3 000 000)        |
| Inter-company loan accounts            | –     | (632)              | –       | –                  |
|  | –     | <b>(3 600 732)</b> | –       | <b>(3 000 000)</b> |
| <b>Net cash outflow on acquisition</b> |       |                    |         |                    |
| Cash consideration paid                | –     | (3 600 732)        | –       | (3 000 000)        |

**There have been no acquisitions of businesses during the current reporting period.**

### Acquisitions in prior reporting period

Sephaku Holdings acquired interest in the following subsidiaries during the 2010 reporting period:

- 100% interest in Ergomark (Pty) Limited on 01 September 2009
- 100% interest in Incubex on 22 June 2010
- 100% interest in Sephaku Cement Investment Holdings Limited on 29 March 2010.

During May 2009 Sephaku PGM Holdings (Pty) Limited sold its interest in African Spirit Trading 364 (Pty) Limited. African Spirit Trading 364 (Pty) Limited changed its name to Sephaku Limestone & Exploration (Pty) Limited on 18 August 2009. Sephaku Holdings acquired 51% interest in Sephaku Limestone & Exploration (Pty) Limited for a purchase price of R3 million. The price paid to the third party is used as an indicator of the fair value of the intangible asset as no market value can be determined.

Sephaku Fluoride, a subsidiary of Sephaku Holdings, acquired a 26% interest in associate Finishing Touch Trading 121 (Pty) Limited.

Sephaku PGM Holdings (Pty) Limited acquired interest in the following associates during the period under review:

- 30% interest in Egonox (Pty) Limited on 05 March 2009
- 30% interest in Synchronphor (Pty) Limited on 26 June 2009
- 30% interest in Indelum Properties (Pty) Limited on 21 April 2009
- 30% interest in Empivert (Pty) Limited on 26 June 2009
- 30% interest in Synchrotrix (Pty) Limited on 26 June 2009
- 30% interest in Vigacron (Pty) Limited on 26 June 2009.

Ergomark (Pty) Limited, a subsidiary of Sephaku Holdings acquired a 50% interest in Insa Coal Holdings (Pty) Limited on 1 September 2009 for the purchase price of R100 and subsequently invested a further amount of R600 000 as equity to retain its share of 50%.



### 36. Movement in investment in subsidiaries and associates

|  | Group                |            | Company              |          |
|--|----------------------|------------|----------------------|----------|
|  | 2011                 | 2010       | 2011                 | 2010     |
|  | R                    | R          | R                    | R        |
| <b>Fair value of assets disposed/(acquired)</b>                                    |                      |            |                      |          |
| Property, plant and equipment  | 425 972 818          | –          | –                    | –        |
| Intangible assets  | 30 402 367           | –          | –                    | –        |
| Investment in associates   | (200 347 044)        | (5)        | (200 347 044)        | –        |
| Deposits for rehabilitation  | 100 000              | –          | –                    | –        |
| Inventories  | 233 913              | –          | –                    | –        |
| Loans with group companies   | (14 750 031)         | –          | –                    | –        |
| Loans from shareholders  | (74 694 369)         | –          | –                    | –        |
| Other financial assets (other loans receivable)                                    | 2 645 611            | –          | –                    | –        |
| Current tax receivable   | 57 490               | –          | –                    | –        |
| Trade and other receivables  | 16 783 730           | –          | –                    | –        |
| Cash and cash equivalents  | (5 720 247)          | –          | –                    | –        |
| Finance lease obligation   | (285 394)            | –          | –                    | –        |
| Deferred income  | (9 149 070)          | –          | –                    | –        |
| Deferred tax   | (16 238 898)         | –          | –                    | –        |
| Provisions   | (6 714 508)          | –          | –                    | –        |
| Trade and other payables   | (22 254 357)         | –          | –                    | –        |
| Share capital and share premium  | (420 981 873)        | –          | –                    | –        |
| Hedging reserve  | 52 299 798           | –          | –                    | –        |
| Revaluation reserve  | (86 538 293)         | –          | –                    | –        |
| Equity items relating to minority interest and retained income on deemed dilutions | (78 530 582)         | –          | –                    | –        |
| <b>Total net assets acquired</b>   | <b>(407 708 939)</b> | <b>(5)</b> | <b>(200 347 044)</b> | <b>–</b> |
| <b>Net assets acquired</b>   | <b>(407 708 939)</b> | <b>(5)</b> | <b>(200 347 044)</b> | <b>–</b> |
| <b>Surplus recognised as profits</b>   | <b>407 708 939</b>   | <b>–</b>   | <b>200 347 044</b>   | <b>–</b> |
|  | <b>–</b>             | <b>(5)</b> | <b>–</b>             | <b>–</b> |
| <b>Consideration paid</b>  |                      |            |                      |          |
| Loan accounts  | –                    | 5          | –                    | –        |
| <b>Net cash movement on dilution of interest</b>                                   |                      |            |                      |          |
| Cash movement  | 5 720 247            | –          | –                    | –        |

#### Dilution of interest in Sephaku Cement

Sephaku Cement issued shares for cash to Dangote during the reporting period in order to settle a loan of R75,6 million. Dangote also subscribed for shares in an amount of R703,4 million resulting in Dangote increasing its interest in Sephaku Cement from 19,76% to 64% with Sephaku Holdings retaining a 35,994% interest.

## Notes to the financial statements continued

for the year ended 30 June 2011

### 36. Movement in investment in subsidiaries and associates continued

Sephaku Cement's assets and liabilities are no longer consolidated in Sephaku Holdings but are shown as an equity accounted investment in associate at a fair value of R635 million on date of dilution (note 7). Profit on dilution of interest in Sephaku Cement of R408 million is included in the statement of comprehensive income as well as a loss of R16,7 million for the annual period to 15 October 2010 (note 18), which is classified as loss from discontinued operations, as a result of the change in Sephaku Holdings' interest in Sephaku Cement from a subsidiary to an associate.

#### Movement in the Sephaku Tin investment

On 08 March 2010 DL Kyle acquired a 5% interest in Sephaku Tin (Pty) Limited with the result that Sephaku Tin (Pty) Limited became a 95% subsidiary of Sephaku Holdings in the 2010 period. Sephaku Holdings' interest in Sephaku Tin (Pty) Limited was disposed of when it distributed its interest in Incubex to its shareholders on 31 October 2010.

### 37. Sale of businesses

|   | Group             |                     | Company           |                      |
|---|-------------------|---------------------|-------------------|----------------------|
|   | 2011<br>R         | 2010<br>R           | 2011<br>R         | 2010<br>R            |
| <b>Carrying value of assets sold</b>              |                   |                     |                   |                      |
| Property, plant and equipment                     | –                 | (2 597 139)         | –                 | –                    |
| Intangible assets                                 | 9 264 171         | (370 152)           | –                 | –                    |
| Investment  | –                 | (6 707 124)         | 691               | –                    |
| Investment in associates                          | 412 938           | (38 274 422)        | –                 | (1 761 099)          |
| Deposits for rehabilitation                       | 407 160           | –                   | –                 | –                    |
| Loans to/(from) group companies                   | (1 738 350)       | 86 235 558          | 7 887 477         | (42 788 817)         |
| Loans from shareholders                           | (9 120)           | –                   | –                 | –                    |
| Loans to directors, managers and employees        | 1 100             | (4 605)             | –                 | –                    |
| Other loans                                       | –                 | (5 269 653)         | –                 | (5 269 653)          |
| Other financial assets (loans receivable)         | 6 176 948         | (107 424)           | 7 692 376         | –                    |
| Assets of disposal group                          | –                 | (32 879 978)        | –                 | –                    |
| Trade and other receivables                       | 37 803            | 279 254             | –                 | –                    |
| Other financial liabilities (other loans payable) | (13 916)          | –                   | –                 | –                    |
| Trade and other payables                          | (1 086 241)       | 565 563             | –                 | –                    |
| Retained income                                   | –                 | (3 713 525)         | –                 | –                    |
| Share capital and share premium                   | 100 000           | –                   | –                 | –                    |
| Other equity items                                | (839 872)         | –                   | –                 | –                    |
| <b>Total net assets sold</b>                      | <b>12 712 621</b> | <b>(2 843 647)</b>  | <b>15 580 544</b> | <b>(49 819 569)</b>  |
| Non-controlling interest                          | (248)             | –                   | –                 | –                    |
| Incubex – Goodwill                                | (5)               | –                   | –                 | –                    |
| <b>Carrying amount of interest disposed</b>       | <b>12 712 373</b> | <b>(2 843 647)</b>  | <b>15 580 544</b> | <b>(49 819 569)</b>  |
| <b>(Loss) profit on disposal</b>                  | <b>852 327</b>    | <b>(36 470 420)</b> | <b>–</b>          | <b>(60 180 431)</b>  |
|   | <b>13 564 695</b> | <b>(39 314 067)</b> | <b>15 580 544</b> | <b>(110 000 000)</b> |
| <b>Consideration received</b>                     |                   |                     |                   |                      |
| Cash  | –                 | –                   | –                 | 30 000 000           |
| Equity – Dividend in specie                       | 13 564 695        | –                   | 15 580 544        | –                    |
| Debtor  | –                 | 80 000 000          | –                 | 80 000 000           |
| Loan accounts                                     | –                 | (40 685 933)        | –                 | –                    |
|   | <b>13 564 695</b> | <b>39 314 067</b>   | <b>15 580 544</b> | <b>110 000 000</b>   |
| <b>Net cash flow on disposal</b>                  |                   |                     |                   |                      |
| Cash consideration received                       | –                 | –                   | –                 | <b>30 000 000</b>    |

## Incubex unbundling

The group was restructured during the reporting period in order to represent a more defined and focused investment opportunity to the market. Sephaku Holdings has disposed of all of the shares that it held in its subsidiaries to Incubex, save for its cement and fluorspar interests.

Subsequently, Sephaku Holdings distributed all of the issued shares in Incubex to its shareholders in the form of a dividend *in specie* of R13,6 million in the ratio of one Incubex share for every ten Sephaku Holdings shares held.

The impact of the restructuring on the financial statement results is the removal of the Incubex subsidiaries' assets and liabilities from the Sephaku Holdings consolidation. The total loss for the Incubex subsidiaries for the period up to the unbundling on 31 October 2010, is included in the statement of comprehensive income as R2 million loss from discontinued operations (note 18).

## Disposal of Sephaku Limestone

On 14 December 2010 Sephaku Cement purchased Sephaku Holdings' 51% interest in Sephaku Limestone and Exploration (Pty) Limited and also acquired a further 29% interest in Sephaku Limestone and Exploration (Pty) Limited from Golden Pond Trading 483 (Pty) Limited. Both transactions were settled through the issue of Sephaku Holdings shares. The transfer of shares from Sephaku Cement to Golden Pond Trading 483 (Pty) Limited is, however, subject to the consent of the Minister of Mineral Resources for the transfer of prospecting rights in terms of section 11 of the Mineral and Petroleum Resources Development Act.

## Sale of businesses during the 2010 reporting period

On 1 March 2009 all the shares in Cross Company Management (Pty) Limited were transferred to the Samet Trust.

On 31 October 2009 all the shares in Blue Waves Properties 198 (Pty) Limited were sold to Sephaku Cement for R30 million.

On 27 January 2010 the interest in African Nickel Holdings (Pty) Limited was sold to the Wu Group, an external third party, for R20 million, as well as the shares of Sephaku Gold Holdings (Pty) Limited being a 30% shareholder of Taung Gold Limited and Sephaku Gold Exploration (Pty) Limited for an amount of R60 million.

## 38. Related parties

### Relationships

|  |   |
|--|---|
| Subsidiaries                           | Refer to note 6   |
| Associates                             | Refer to note 7   |
| Shareholder with significant influence | Dangote Industries Limited  |
| Company with common shareholders       | Incubex Minerals Limited  |
| Members of key management              | Dr L Mohuba<br>NR Crafford-Lazarus<br>RR Matjiu<br>CRD de Bruin<br>PF Fourie<br>Dr GS Mahlati<br>MM Ngoasheng<br>Dr D Twist<br>MG Mahlare<br>J Bennette<br>JW Wessels |
| Companies with common directors        | Cross Company Management (Pty) Limited  |

## Notes to the financial statements continued

for the year ended 30 June 2011

### 38. Related parties continued

#### Related party balances

|   | Group     |              | Company    |            |
|---|-----------|--------------|------------|------------|
|   | 2011<br>R | 2010<br>R    | 2011<br>R  | 2010<br>R  |
| <b>Loan accounts – Owning (to) by related parties</b> |           |              |            |            |
| Sephaku Cement (Pty) Limited                          | 945 022   | –            | 945 022    | 6 895 071  |
| Sephaku Fluoride Limited                              | –         | –            | 44 222 098 | 11 583 040 |
| Sephaku Coal Holdings Limited                         | –         | –            | –          | 2 630 802  |
| Sephaku PGM Holdings (Pty) Limited                    | –         | –            | –          | 77         |
| Cross Company Management (Pty) Limited                | 8 367 943 | 20 062 255   | 8 367 943  | 20 062 255 |
| Sephaku Tin (Pty) Limited                             | –         | –            | –          | 4 251 743  |
| Blue Waves Properties 198 (Pty) Limited               | –         | –            | –          | 335 360    |
| Sephaku Uranium (Pty) Limited                         | –         | –            | –          | 42 500     |
| Ergomark (Pty) Limited                                | –         | –            | –          | 601 330    |
| Incubex Minerals Limited                              | 3 892 405 | –            | 3 892 405  | 545        |
| Sephaku Cement Investment Holdings Limited            | –         | –            | 4 149      | (1)        |
| Nokeng Fluorspar Mine (Pty) Limited                   | –         | –            | 63 414 480 | 33 382 008 |
| Sephaku Limestone and Exploration (Pty) Limited       | –         | –            | –          | 1 472 233  |
| Ulipac (Pty) Limited                                  | –         | –            | –          | 19 259     |
| Golden Dividend 524 (Pty) Limited                     | –         | 64 553       | –          | 64 553     |
| Insa Coal Holdings (Pty) Limited                      | –         | 241 114      | –          | 241 264    |
| Egonox (Pty) Limited                                  | –         | 160 389      | –          | 160 389    |
| Empivert (Pty) Limited                                | –         | 94 199       | –          | 94 199     |
| Indelum Properties (Pty) Limited                      | –         | 16 684       | –          | 16 684     |
| Dangote Industries Limited                            | –         | (74 694 244) | –          | –          |

#### Related party transactions

##### Fees paid to/(received from) related parties for management services

|  |            |            |           |           |
|--|------------|------------|-----------|-----------|
| Cross Company Management (Pty) Limited | 13 267 598 | 11 139 618 | 6 791 795 | 9 480 152 |
|--|------------|------------|-----------|-----------|

### 39. Directors' emoluments

| Executive                       |                   |                                     |                             |                 |                |                |                  |
|---------------------------------|-------------------|-------------------------------------|-----------------------------|-----------------|----------------|----------------|------------------|
| 12 months ended<br>30 June 2011 | Remunera-<br>tion | Fees for<br>services as<br>director | Perform-<br>ance<br>bonuses | Pension<br>fund | Medical<br>aid | Allowances     | Total            |
| Dr L Mohuba                     | 868 669           | –                                   | 320 054                     | –               | –              | –              | 1 188 723        |
| NR Crafford-Lazarus             | 1 765 163         | –                                   | 603 965                     | –               | –              | 144 000        | 2 513 128        |
| ME Smit                         | 876 676           | –                                   | –                           | –               | –              | –              | 876 676          |
| RR Matjiu                       | 675 485           | –                                   | 64 152                      | –               | –              | 120 000        | 859 637          |
| JW Wessels                      | 580 125           | –                                   | 311 905                     | –               | –              | –              | 892 030          |
| J Bennette                      | 40 540            | –                                   | –                           | –               | –              | –              | 40 540           |
|                                 | <b>4 806 658</b>  | <b>–</b>                            | <b>1 300 076</b>            | <b>–</b>        | <b>–</b>       | <b>264 000</b> | <b>6 370 734</b> |

| Executive                       |                   |                                     |                             |                 |                |                |                  |
|---------------------------------|-------------------|-------------------------------------|-----------------------------|-----------------|----------------|----------------|------------------|
| 16 months ended<br>30 June 2010 | Remunera-<br>tion | Fees for<br>services as<br>director | Perform-<br>ance<br>bonuses | Pension<br>fund | Medical<br>aid | Allowances     | Total            |
| Dr L Mohuba                     | 1 392 184         | –                                   | 131 997                     | –               | –              | –              | 1 524 181        |
| NR Crafford-Lazarus             | 2 134 579         | –                                   | 142 560                     | –               | –              | 192 000        | 2 469 139        |
| ME Smit                         | 1 904 496         | –                                   | 118 800                     | –               | –              | –              | 2 023 296        |
| RR Matjiu                       | 969 408           | –                                   | 59 400                      | –               | –              | –              | 1 028 808        |
| JW Wessels                      | 424 829           | –                                   | 86 280                      | –               | –              | –              | 511 109          |
| J Bennette                      | 537 537           | –                                   | 42 230                      | –               | –              | –              | 579 767          |
|                                 | <b>7 363 033</b>  | <b>–</b>                            | <b>581 267</b>              | <b>–</b>        | <b>–</b>       | <b>192 000</b> | <b>8 136 300</b> |

| Non-executive                   |                   |                                     |                             |                 |                |               |                  |
|---------------------------------|-------------------|-------------------------------------|-----------------------------|-----------------|----------------|---------------|------------------|
| 12 months ended<br>30 June 2011 | Remunera-<br>tion | Fees for<br>services as<br>director | Perform-<br>ance<br>bonuses | Pension<br>fund | Medical<br>aid | Allowances    | Total            |
| CRD de Bruin                    | –                 | 749 128                             | –                           | –               | –              | –             | 749 128          |
| PF Fourie                       | –                 | 599 875                             | 1 000 000                   | 44 991          | 23 650         | 87 200        | 1 755 716        |
| MG Mahlare                      | –                 | 168 000                             | –                           | –               | –              | –             | 168 000          |
| Dr GS Mahlati                   | –                 | 45 000                              | –                           | –               | –              | –             | 45 000           |
| MM Ngoasheng                    | –                 | 26 000                              | –                           | –               | –              | –             | 26 000           |
| Dr D Twist                      | –                 | 530 323                             | 42 768                      | –               | –              | –             | 573 091          |
|                                 | <b>–</b>          | <b>2 118 326</b>                    | <b>1 042 768</b>            | <b>44 991</b>   | <b>23 650</b>  | <b>87 200</b> | <b>3 316 935</b> |

| Non-executive                   |                   |                                     |                             |                 |                |                |                  |
|---------------------------------|-------------------|-------------------------------------|-----------------------------|-----------------|----------------|----------------|------------------|
| 16 months ended<br>30 June 2010 | Remunera-<br>tion | Fees for<br>services as<br>director | Perform-<br>ance<br>bonuses | Pension<br>fund | Medical<br>aid | Allowances     | Total            |
| CRD de Bruin                    | –                 | 1 060 646                           | 39 333                      | –               | –              | –              | 1 099 979        |
| PF Fourie                       | 2 193 399         | –                                   | –                           | 164 505         | 76 072         | 348 800        | 2 782 776        |
| Dr D Twist                      | –                 | 646 272                             | –                           | –               | –              | –              | 646 272          |
|                                 | <b>2 193 399</b>  | <b>1 706 918</b>                    | <b>39 333</b>               | <b>164 505</b>  | <b>76 072</b>  | <b>348 800</b> | <b>4 529 027</b> |

Directors emoluments for 2011 paid by company: R7 230 711.

Directors emoluments for 2011 paid by subsidiaries: R2 456 958.

### Details of service contracts

None of the directors of the company have written service contracts with the company. Directors are employed by the board and rotate in terms of the Articles of Association. Certain key directors of the subsidiaries are employed on five-year contracts.



## 40. Risk management

### Capital risk management

The group's objective when managing capital is to safeguard the group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders. The further exploration and development of the exploration assets will require additional capital. The continuing development of the group's mineral resources and reserves will depend on the ability of directors to raise additional funds.

The capital structure of the group consists of cash and cash equivalents disclosed in note 17, and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

### Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The group does not have significant interest bearing liabilities and interest rate risk is not considered material.

### Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities. Liquidity risk is not considered material.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

|                             | Group               |                          |                          |                 |
|-----------------------------|---------------------|--------------------------|--------------------------|-----------------|
| At 30 June 2011             | Less than<br>1 year | Between 1 and<br>2 years | Between 2 and<br>5 years | Over<br>5 years |
| Other financial liabilities | 1 062               | –                        | –                        | –               |
| Trade and other payables    | 4 923 182           | –                        | –                        | –               |
|                             |                     |                          |                          |                 |
| At 30 June 2010             | Less than<br>1 year | Between 1 and<br>2 years | Between 2 and<br>5 years | Over<br>5 years |
| Other financial liabilities | 29 383              | –                        | –                        | –               |
| Trade and other payables    | 26 457 053          | –                        | –                        | –               |

| Company                  |                     |                          |                          |                 |
|--------------------------|---------------------|--------------------------|--------------------------|-----------------|
| At 30 June 2011          | Less than<br>1 year | Between 1 and<br>2 years | Between 2 and<br>5 years | Over<br>5 years |
| Trade and other payables | 22 653              | –                        | –                        | –               |

| At 30 June 2010             | Less than<br>1 year | Between 1 and<br>2 years | Between 2 and<br>5 years | Over<br>5 years |
|-----------------------------|---------------------|--------------------------|--------------------------|-----------------|
| Other financial liabilities | 29 383              | –                        | –                        | –               |
| Trade and other payables    | 771 400             | –                        | –                        | –               |

### Interest rate risk

As the group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates. Cash funds are deposited with reputable financial institutions until such time as the funds are required. No other assets or liabilities are exposed to any interest rate risks.

### Credit risk

Credit risk is managed on a group basis.

Credit risk consists mainly of cash deposits, cash equivalents, loans receivable and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The carrying amount of financial assets represents the maximum exposure to credit risk.

|   | Group      |            | Company     |            |
|---|------------|------------|-------------|------------|
| Financial instrument                      | 2011       | 2010       | 2011        | 2009       |
| Loans to group companies                  | 945 022    | 577 089    | 108 585 749 | 61 791 057 |
| Other financial assets (loans receivable) | 20 085 726 | 72 524 190 | 20 085 726  | 72 524 190 |
| Trade and other receivables               | 11 907 477 | 16 879 504 | 16 518      | 248 121    |
| Other loans receivable                    | –          | 336 117    | –           | –          |

## 41. Going concern

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

## 42. Events after the reporting period

On 12 October 2010 Ulipac (Pty) Limited (a wholly-owned subsidiary of Sephaku Fluoride) and Umbono Fluorspar Wallmannsthal (Pty) Limited entered into an agreement whereby Ulipac (Pty) Limited acquired the Prospecting Right for the Fluorspar deposit on the Wallmannsthal Agricultural Holdings and the associated property from Umbono Fluorspar Wallmannsthal (Pty) Limited.

## Notes to the financial statements continued

for the year ended 30 June 2011

### 42. Events after the reporting period continued

This agreement was subject to the consent of the Minister of Mineral Resources in terms of section 11 of the Mineral and Petroleum Resources Development Act, which was obtained and executed on 8 August 2011.

The purchase price of R15 million for the prospecting right and property will be settled by Ulipac (Pty) Limited as follows:

- R6 million cash payable in monthly installments of R1 million from 1 September 2011 to 1 February 2012. The balance of the cash portion shall accrue interest at the prime lending rate, which will be repaid with the final installment; and
- the issue of 2,5 million listed shares in Sephaku Holdings at R3,60 per share. One-third of the shares are subject to an 18-month restriction period and two-thirds of the shares are subject to a 24-month restriction period, in that Umbono Fluorspar Wallmannsthal (Pty) Limited will not be able to sell the restricted shares during the restriction period.

Subsequent to year-end Sephaku Fluoride received a loan of US\$10 000 000 which may be converted into an equity participation of 10% to 15%, subject to certain investment criteria. The conversion will take place at the earliest of a restructuring transaction by Sephaku Holdings and 31 January 2012. In the event that a restructuring transaction has not taken place by 31 January 2012, the loan will either be settled in cash together with accrued interest.

The directors are not aware of any other matters or circumstances arising since the end of the financial period that could materially affect the financial statements.

### 43. Net asset value per share and earnings per share

|   | Group |      | Company      |               |
|---|-------|------|--------------|---------------|
|   | 2011  | 2010 | 2011         | 2010          |
|   | R     | R    | R            | R             |
| <b>Net asset value and tangible net asset value per share</b> |       |      |              |               |
| Total assets  |       |      | 751 708 574  | 612 589 947   |
| Total liabilities   |       |      | (4 924 244)  | (134 501 133) |
| Minority interest   |       |      | –            | (71 674 038)  |
| Net asset value attributable to equity holders of parent      |       |      | 746 784 330  | 406 414 776   |
| Goodwill  |       |      | –            | (748 900)     |
| Intangible assets   |       |      | (59 200 956) | (88 990 486)  |
| Tangible net asset value                                      |       |      | 687 583 374  | 316 675 390   |
| Shares in issue   |       |      | 169 290 732  | 155 805 363   |
| Net asset value per share (cents)                             |       |      | 441,13       | 260,85        |
| Tangible net asset value per share (cents)                    |       |      | 406,16       | 203,25        |

|  | Group |      | Company       |              |
|--|-------|------|---------------|--------------|
|  | 2011  | 2010 | 2011          | 2010         |
|  | R     | R    | R             | R            |
| <b>Earnings and headline earnings per share</b>  |       |      |               |              |
| Reconciliation of basic earnings to diluted earnings and headline earnings:                    |       |      |               |              |
| Basic earnings and diluted earnings from continuing operations                                 |       |      | 362 541 237   | 7 015 943    |
| Basic loss and diluted loss from discontinued operations                                       |       |      | (18 841 804)  | (78 512 771) |
| Basic earnings/(loss) and diluted earnings/(loss) from total operations attributable to equity |       |      | 343 699 433   | (71 496 828) |
| Profit on sale of non-current assets   |       |      | (409 997 713) | (31 124 325) |
| Impairments  |       |      | 2 366 349     | 4 684 433    |
| Headline loss attributable to equity holders of parent   |       |      | (63 931 931)  | (97 936 720) |
| Basic weighted average number of shares  |       |      | 161 305 112   | 154 896 985  |
| Dilutive effect of share options   |       |      | 15 483 470    | 5 940 000    |
| Diluted weighted average number of shares  |       |      | 176 788 582   | 160 836 985  |
| Basic earnings per share from continuing operations (cents)                                    |       |      | 224,75        | 4,53         |
| Basic earnings/(loss) per share from total operations (cents)                                  |       |      | 213,07        | (46,16)      |
| Diluted earnings per share from continuing operations (cents)                                  |       |      | 205,07        | 4,36         |
| Diluted earnings/(loss) per share from total operations (cents)                                |       |      | 194,41        | (44,45)      |
| Headline loss per share (cents)  |       |      | (39,63)       | (63,23)      |
| Diluted headline loss per share (cents)  |       |      | (36,16)       | (60,89)      |

### Basic earnings/(loss) per share

The calculation of basic earnings per share from continuing operations of 224,75 cents (2010: 4,53 cents) is based on earnings from continuing operations attributable to equity holders of the parent of R362 541 237 (2010: R7 015 943) and the weighted average of 161 305 112 (2010: 154 896 985) shares in issue during the year.

The calculation of basic earnings/(loss) per share from total operations of R213,07 (2010: (46,16) cents) is based on earnings/(loss) from total operations attributable to equity holders of the parent of R343 699 433 (2010: (R71 496 828)) and the weighted average of 161 305 112 (2010: 154 896 985) shares in issue during the year.

## Notes to the financial statements continued

for the year ended 30 June 2011

### 43. Net asset value per share and earnings per share continued

#### Diluted earnings/(loss) per share

The calculation of diluted earnings per share from continuing operations of R205,07 cents (2010: 4,36 cents) is based on earnings from continuing operations attributable to equity holders of the parent of R362 541 237 (2010: R7 015 943) and the diluted weighted average of 176 788 582 (2010: 160 836 985) shares in issue during the year.

The calculation of diluted earnings/(loss) per share from total operations of 194,41 cents (2010: (44,45) cents) is based on earnings/(loss) from total operations attributable to equity holders of the parent of R343 699 433 (2010: (R71 496 830)) and the diluted weighted average of 176 788 582 (2010: 160 836 985) shares in issue during the year.

#### Headline loss per share

The calculation of headline loss per share of (39,63) cents (2010: (63,23) cents) is based on the headline loss attributable to equity holders of the parent of (R63 931 931) (2010: (R97 936 722)) and the weighted average of 161 305 112 (2010: 154 896 985) shares in issue during the year.

#### Diluted headline loss per share

The calculation of diluted headline loss per share of (36,16) cents (2010: (60,89) cents) is based on headline loss attributable to equity holders of the parent of (R63 931 931) (2010: (R97 936 722)) and the diluted weighted average of 176 788 582 (2010: 160 836 985) shares.

### 44. Segment information

Due to the dilution of Sephaku Holdings' interest in Sephaku Cement (note 36) and the unbundling of the Incubex subsidiaries' assets and liabilities (note 37), the only reportable segment in 2011 is Fluorspar. No segment reporting has therefore been presented in the current reporting period.

#### Segment information for 2010:

Management has determined the operating segments based on the information used by the board to make strategic decisions. The board considers the business primarily from a commodity perspective. The gold and nickel operations are not classified as separate sectors, since the company is not primarily responsible for the strategic decisions to be made in those businesses. The reportable operating segments will derive their revenue primarily from the mining, beneficiation and sale of the relevant minerals. Other services included refer to the revenue gained from supplying infrastructure and services in mining and exploration activities to related companies as well as the commodities which have not yet reached strategic emphasis.



| Segment information for the Group – 2010              |              |               |              |             |              |              |   |               |
|---|--------------|---------------|--------------|-------------|--------------|--------------|---|---------------|
|   | Ash          | Cement        | Fluorspar    | Tin         | Coal         | Other        | Con-<br>solidation<br>adjust-<br>ment and<br>elimina-<br>tion | Total         |
| Segment revenue: from external customers              | (6 181 066)  | –             | –            | –           | –            | –            | –   | (6 181 066)   |
| Other income  | (842 571)    | (123 957)     | –            | –           | –            | (540 889)    | –   | (1 507 417)   |
| Segment expense                                       | 11 702 642   | 83 463 613    | 2 589 479    | 595 985     | 6 588 553    | 23 738 761   | –   | 128 679 033   |
| Segment result  | 4 679 005    | 83 339 656    | 2 589 479    | 595 985     | 6 588 553    | 23 197 872   |   | 120 990 550   |
| Depreciation, amortisation and impairments            | 5 793 944    | 4 266 431     | –            | –           | 3 913 513    | 14 834 992   | (14 059 717)  | 14 749 163    |
| Interest received                                     | (27)         | (12 372 246)  | –            | –           | –            | (4 258 184)  | –   | (16 630 457)  |
| Finance cost  | 347 994      | 9 026         | 122 230      | 1 681       | –            | 26           | –   | 480 957       |
| Income tax expense                                    | –            | 151 340       | –            | –           | –            | (1 058 741)  | –   | (907 401)     |
| Gain on disposal of assets                            | –            | –             | –            | –           | –            | (59 021 326) | 27 897 002  | (31 124 325)  |
| Loss from equity accounted investments                | –            | –             | –            | –           | –            | 2 615 429    | –   | 2 615 429     |
| Segment assets  | 84 978 402   | 385 579 996   | 53 251 531   | 5 400 054   | 2 630 361    | 141 600 793  | (60 851 190)  | 612 589 947   |
| Total assets includes additions to non-current assets | 52 957 203   | 127 717 810   | 43 417 776   | 1 048 646   | 520 816      | 66 174       | –   | 225 728 425   |
| Investment in associates                              | –            | –             | 54 223       | –           | –            | 33 037       | –   | 87 260        |
| Segment liability                                     | (18 583 601) | (108 826 129) | (59 032 695) | (5 109 571) | (16 414 837) | (902 860)    | 74 368 560  | (134 501 133) |

Business segments for management purposes are those minerals and commodities regarded as key to the company's business model and which are actively managed by the company. The company had two associates in Gold and Nickel, but these associates were primarily managed by the majority shareholder and therefore the company did not regard these as reportable segments.

The company operates only in South Africa and does not regard geographical segments as reportable.

The Other section includes:

- unallocated management expenditure and other assets and liabilities;
- revenue from other non-group companies for expenditure charged to these companies;
- any revenue and expenditure and assets and liabilities in respect of the associate companies exploring for Gold and Nickel; and
- any revenue and expenditure and assets and liabilities in respect of the smaller operations in Vanadium, Platinum, Chrome and Diamonds.

## Statement from Secretary

for the year ended 30 June 2011

We conducted the duties of company secretary for Sephaku Holdings Ltd and its Subsidiaries. The secretarial matters are the responsibility of the company's directors. Our responsibility is providing the directors collectively and individually with guidance as to their duties, responsibilities and powers.

### Opinion

In our opinion, the company has lodged with the Registrar all such returns as are required of a public company in terms of the Companies Act and all such returns are true, correct and up to date.



**Cross Company Management (Pty) Limited**

Company Secretary  
Centurion, South Africa  
26 September 2011

## Glossary of terms

|                  |   |
|------------------|---|
| BEE              | Black Economic Empowerment  |
| Companies Act    | South African Companies Act, 2008 (Act No 71 of 2008)   |
| cps              | cents per share   |
| CSR              | Corporate social responsibility and sustainability  |
| Dangote          | Dangote Industries Ltd or Dangote Group   |
| DMR              | South African Department of Mineral Resources   |
| FY               | Financial year  |
| HDSA             | Historically Disadvantaged South Africans   |
| IFRS             | International Financial Reporting Standards   |
| Incubex          | Incubex Minerals Limited  |
| JSE              | JSE Limited (formerly the JSE Securities Exchange South Africa)   |
| JV               | Joint venture   |
| King III         | The third report of the King Committee on Corporate Governance, released in 2009 with an effective date of 1 March 2010   |
| Mining Charter   | A broad-based, socio-economic empowerment charter for the mining industry, which was negotiated by government and the industry and ratified by both parties in October 2002, with subsequent revisions approved in 2010 |
| MPRDA            | Mineral and Petroleum Resources Development Act   |
| Mtpa             | Million tonnes per annum  |
| Nokeng           | Nokeng Fluorspar Mine   |
| SA GAAP          | South African Statements of Generally Accepted Accounting Practice  |
| SENS             | Stock Exchange News Service   |
| Sephaku Cement   | Sephaku Cement (Pty) Limited  |
| Sephaku Fluoride | Sephaku Fluoride Limited  |
| Sephaku Holdings | Sephaku Holdings Limited  |
| tpa              | Tonnes per annum  |

# Notice of annual general meeting

## Sephaku Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number: 2005/003306/06)

JSE Share code: SEP ISIN code: ZAE000138459

## Notice of meeting

Notice is hereby given that the annual general meeting (AGM) of the shareholders of the company will be held at Old Trafford, Centurion Lake Hotel, 1001 Lenchen Avenue North, Centurion on 20 January 2012 at 10:00.

## Purpose of the meeting

The purpose of this meeting is to transact the business set out in the agenda below. For the avoidance of doubt, the memorandum and articles of association of the company is now referred to as the “memorandum of incorporation” in accordance with the terminology used in the Companies Act, 71 of 2008, as amended, which became effective on 1 May 2011.

## Record date

The board of directors of the company has determined that the last day to trade to be eligible to participate in and vote at the AGM was Friday, 6 January 2012 and the record date for purposes of determining which shareholders of the company are entitled to participate in and vote at the AGM was Friday, 13 January 2012 [Note – the record date must be on a Friday and at least 5 business days before the AGM, the last day to trade will be the Friday before record date (i.e. 1 week before record date to allow for settlement)]. Accordingly, only shareholders who are registered in the register of shareholders of the company on Friday, 13 January 2012 will be entitled to participate in and vote at the AGM.

## Electronic participation

In terms of section 61(10) of the Companies Act, 71 of 2008, as amended, every shareholders’ meeting of a public company must be reasonably accessible within South Africa for electronic participation by shareholders. Shareholders wishing to participate electronically in the AGM are required to deliver written notice to the company at Riverside Office Park, Hennops House, 1303 Heuwel Avenue, Centurion (marked for the attention of Dr Lelau Mohuba) by no later than 10:00 on 18 January 2012 that they wish to participate via electronic communication at the general meeting (the “Electronic Notice”). In order for the Electronic Notice to be valid it must contain: (a) if the shareholder is an individual, a certified copy of his identity document and/or passport; (b) if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution. The relevant resolution must set out whom from the relevant entity is authorised to represent the relevant entity at the AGM via electronic communication; (c) a valid e-mail address and/or facsimile number (the “contact address/number”) and (d) if the shareholder wishes to vote via electronic communication, set out that the shareholder wishes to vote via electronic communication. By no later than 24 hours before the commence of the AGM the company shall use its reasonable endeavours to notify a shareholder at its contact address/number who has delivered a valid Electronic Notice of the relevant details through which the shareholder can participate via electronic communication.

## Agenda

### Ordinary business

To consider and, if deemed fit, to pass with or without modification, all the ordinary resolutions relating to Ordinary Business set out below.

**Note:** For any of the ordinary resolutions contained below more than 50% of the voting rights exercised on each individual resolution must be exercised in favour thereof.

### 1. Annual financial statements

#### Ordinary resolution number 1

To receive, consider and approve the audited annual financial statements of the company and its subsidiaries, including the auditor’s and directors’ report for the year ended 30 June 2011 as required by section 30(3) of the Companies Act, 71 of 2008 and the memorandum of incorporation, as amended.

## **2. Election of directors**

### **Ordinary resolution number 2**

MG Mahlare, PF Fourie and MM Ngoasheng retire in accordance with the company's memorandum of incorporation and, being eligible, offer themselves for re-election. Curricula vitae for those directors standing for re-election are presented on pages 28 to 30.

Accordingly, to consider and, if deemed fit, to re-elect/elect those directors being eligible for re-election by way of passing the ordinary resolutions set out below:

#### **2.1 Ordinary resolution number 2.1**

"Resolved as an ordinary resolution that MG Mahlare be and is hereby re-elected as a director of the company."

#### **2.2 Ordinary resolution number 2.2**

"Resolved as an ordinary resolution that PF Fourie be and is hereby re-elected as a director of the company."

#### **2.3 Ordinary resolution number 2.3**

"Resolved as an ordinary resolution that MM Ngoasheng be and is hereby re-elected as a director of the company."

The reason for the re-election of the abovementioned directors is that the memorandum of incorporation of the company and, to the extent applicable, the Companies Act, 71 of 2008, as amended, require that one third of the company directors rotate at the AGM.

## **3. Appointment of auditors**

### **Ordinary resolution number 3**

"PKF (Jhb) Inc. is reappointed, upon the recommendation of the current audit committee, as independent registered auditors of the company, and to note that the individual registered auditor who will undertake the audit during the financial year ending 30 June 2012 is R Huiskamp."

At the company's audit committee meeting held on 20 September 2012 the committee considered the independence of PKF Inc., and has satisfied itself of their independence.

The reason for the reappointment of the auditors of the company, being a public listed company, must have its financial results audited and such auditor must be appointed or reappointed each year at the AGM of the company as required by the Companies Act, 71 of 2008, as amended.

## **4. Election of directors to the audit committee**

### **Ordinary resolution number 4**

"Shareholders elect, subject to ordinary resolution number 2 being approved, by way of a separate vote, each of the following independent non-executive directors, as members of the company's audit committee:

#### **4.1 Ordinary resolution number 4.1**

"Resolved as an ordinary resolution that MG Mahlare be and is hereby elected as a member of the company's audit committee."

The reason for this ordinary resolution is that the company, being a public listed company, must appoint an audit committee and the Companies Act, 71 of 2008, as amended, requires that the members of such audit committee be appointed, or reappointed as the case may be, at each AGM of the company.

# Notice of annual general meeting continued

## 5. Auditors remuneration

### Ordinary resolution number 5

“For the avoidance of any doubt and in terms of the memorandum of incorporation of the company, it is herewith resolved as an ordinary resolution that the Sephaku group audit committee has the necessary authority to determine the remuneration of the auditors.”

The reason for this ordinary resolution follows from the fact that although the Companies Act, 71 of 2008, as amended, specifies that the audit committee is required to determine the remuneration of the auditors, the memorandum of incorporation of the company requires that the remuneration of the auditors to be dealt with at the AGM of the company.

## Special business

To consider and, if deemed fit, to pass with or without modification, all the ordinary resolutions relating to Special Business set out below.

**Note:** For any of the ordinary resolutions contained below, save of ordinary resolution number 7, more than 50% of the voting rights exercised on each individual resolution must be exercised in favour thereof. For ordinary resolution number 7 to be adopted more than 75% of the voting rights exercised must be exercised in favour thereof.

## 6. Control of authorised but unissued share capital

### Ordinary resolution number 6

“That, as required by and subject to the memorandum of incorporation of the company and the requirements of the Companies Act, 71 of 2008, as amended, and the JSE Listings Requirements, the directors be authorised, as they in their discretion think fit, to allot and issue the unissued ordinary shares of the company, subject to the following:

- the authority shall be valid until the date of the next AGM of the company, provided it shall not extend beyond 15 months from the date of this AGM; and
- issues in terms of this authority will not, in any financial year, in aggregate, exceed 15% of the number of ordinary shares in the company's issued share capital as at 30 June 2011.”

The reason for this ordinary resolution is that the board requires authority from shareholders in terms of its memorandum of incorporation to issue shares in the company. This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required, inter alia, in terms of capital-raising exercises, and to maintain a healthy capital adequacy ratio. The general authority is subject to the restrictions that is limited to 15% of the number of shares in issue at 30 June 2011 on the terms more fully set out in ordinary resolution number 5 above, and subject to further restrictions set out in ordinary resolution number 6 below.

## 7. Issue of ordinary shares for cash

### Ordinary resolution number 7

“Subject to the passing of ordinary resolution number 6 above and the JSE Listings Requirements, the directors are hereby given a general authority to issue ordinary shares in the capital of the company (or options to subscribe for, or securities that are convertible into such ordinary shares) as an issue for cash as defined in the JSE Listings Requirements and as and when suitable situations arise and on such terms and conditions as they deem fit. For the avoidance of doubt, it is recorded that this resolution and the restrictions contained herein do not apply to any pro rata rights offer to shareholders.

It is recorded that the JSE Listings Requirements currently contain the following requirements:

- i) the general approval shall be valid until the date of the next AGM of the company, or for a period of 15 months from the date of this resolution in terms of this AGM, whichever is shorter;
- ii) a SENS announcement giving full details as required in terms of Rule 11.22 of the JSE Listings Requirements, including the number of shares issued, the average discount to the weighted average traded price of the securities over the 30-day period prior to the date that the issue price of the securities was agreed between the issuer and the party(ies) subscribing for the securities, together with the impact on net asset value, tangible net asset value, earnings per share and headline earnings per share (and, if applicable, diluted earnings per share and headline earnings per share), will be published after any issue representing, on a cumulative basis within any one financial year, 5% or more of the number of shares in issue prior to such issue;



- iii) the general issues of shares for cash in aggregate in any one financial year may not exceed 15% of the applicant's issued share capital (number of shares)(including instruments that are compulsory convertible into shares of that class) at the date of the application less any securities of that class issued, or to be issued in the future arising from options/convertible securities issued during the current financial year, plus any securities to be issued pursuant to an announced, irrevocable fully underwritten rights offer or to be issued pursuant to any acquisition for which the final terms have been announced. The securities of a particular class will be aggregated with the securities that are compulsory convertible into securities of that class; and, in the case of the issue of compulsory convertible securities, aggregated with the securities of that class into which they are compulsory convertible;
- iv) in determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 business days prior to the date that the price of the issuer and the party subscribing for the securities. The committee of the JSE Limited should be consulted for a ruling if the applicant's securities have not traded in such 30 business day period;
- v) any such issue will only be made to public shareholders as defined in paragraph 4.25 of the JSE Listings Requirements and not to related parties; and
- vi) any such issue will only be securities 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.

At least 75% of the shareholders present in person or by proxy and entitled to vote at the AGM, excluding the sponsor of the company and controlling shareholders and their associates, must cast their vote in favour of this resolution.

The reason for this ordinary resolution is that the board requires authority to issue ordinary shares for cash as may be required as part of the company's normal fund-raising exercises.

## 8. Sephaku's remuneration policy

### Ordinary resolution number 8

"Resolved that payment of the remuneration for the services as directors of the company be endorsed, by way of a non-binding advisory vote, for the period 1 July 2011 to 30 June 2012, on the same basis as set out on pages 96 to 97 of the annual report, escalated as determined as being reasonable by the remuneration committee of the company."

Ordinary resolution number 8 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However the board will take the outcome of the vote into consideration when considering the company's remuneration policy.

The reason for this ordinary resolution is that Chapter 2 of King III dealing with boards and directors requires companies to table their remuneration policy every year to shareholders for a non-binding advisory vote at the AGM.

## 9. Non-executive directors' remuneration

### Ordinary resolution number 9

"Resolved to approve the directors' remuneration, as disclosed in note 39 of the annual financial statements, for the year ended 30 June 2011, in accordance with the memorandum of incorporation."

The reason for this ordinary resolution is to request shareholders to approve the remuneration paid to the directors of the company.

## 10. Signing authority

### Ordinary resolution number 10

To authorise any one director or the secretary of the company to do all such things and sign all such documents as are deemed necessary to implement the resolutions set out in the notice convening the AGM at which this ordinary resolution is to be considered and approved.

To consider and, if deemed fit, to pass with or without modification, all the special resolutions relating to Special Business set out overleaf.

**Note:** For any of the special resolutions contained below, more than 75% of the voting rights exercised on each individual resolution must be exercised in favour thereof.

# Notice of annual general meeting continued

## 11. General authority to repurchase issued shares

### Special resolution number 1

“That the company and/or any subsidiary of the company is hereby authorised, by way of a general authority, from time to time, to repurchase any of the shares issued by the company, or to repurchase any of the shares issued by any subsidiary of the company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, 71 of 2008, as amended, the memorandum of incorporation of the company and/or subsidiary company, the JSE Listings Requirements as presently constituted and which may be amended from time to time, and provided that acquisitions by the company and its subsidiaries of the shares in the capital of the company may not, in the aggregate, exceed in any one financial year 5% of the company’s issued share capital of the class of shares acquired from the date of the grant of this general approval.”

### Additional requirements imposed by the JSE Listings Requirements

It is recorded that the company or its subsidiaries may only make a general acquisition of shares if the following JSE Listings Requirements are met:

- i) the general repurchase of the shares may only be implemented on the open market through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- ii) the general authority shall only be valid until the next AGM of the company, or for a period of 15 months from the date of this resolution in terms of this AGM, whichever is the shorter;
- iii) a SENS announcement must be published as soon as the company and/or subsidiary company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue (at the time that the general authority from shareholders is granted) prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof; as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- iv) the general authority to repurchase is limited to a maximum of 5% in aggregate in any one financial year of the company’s issued share capital at the time the authority is granted;
- v) a resolution by the board of directors that they authorised the repurchase, that the company passed the solvency and liquidity test and that since the test was performed there have been no material changes to the financial position of the group;
- vi) repurchases must not be made at a price greater than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is effected; the JSE Limited should be consulted for a ruling if the issuer’s securities have not traded in such five business day period;
- vii) the company and/or its subsidiary company will only effect a general repurchase if after the purchase is effected it still complies with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements; the company and/or its subsidiary company may at any point in time only appoint one agent to effect any repurchase(s) on the company’s behalf;
- viii) the company and/or its subsidiary(ies) may not effect a repurchase during any prohibited period, as defined in terms of the JSE Listings Requirements unless they have repurchase programme is in place, and full details thereof have been disclosed in a SENS announcement prior to the commencement of the prohibited period; and
- ix) the company must ensure that its sponsor provides the JSE with the required adequacy of working capital letter before it commences to repurchase any shares.

The reason and effect of this special resolution number 1 is to grant the directors of the company and/or any subsidiary of the company a general authority in terms of its memorandum of incorporation and the JSE Listings Requirements for the acquisition by the company and or its subsidiary companies of shares issued by it on the basis reflected in the special resolution.

## 12. Directors' fees for services rendered as directors

### Special resolution number 2

"Resolved, as a special resolution, to the extent applicable in terms of section 66(9) of the Companies Act, 71 of 2008, as amended that directors of the company be paid fees for services rendered as directors of the company during the financial year ending 30 June 2012, in accordance with the scale of remuneration as set out below:

| Proposed fee structure 2012                  |          |               |             |
|--|----------|---------------|-------------|
|  | Director | Non-executive | Independent |
| Director fee                                 | –        | 6 000         | 20 000      |
| Chairman of the board*                       | –        | 9 000         | 30 000      |
| Audit committee member                       | –        | 5 000         | 15 000      |
| Audit committee chairman                     | –        | 7 500         | 22 000      |
| Remuneration and nomination committee member | –        | 5 000         | 15 000      |
| Remuneration and nomination chairman         | –        | 7 500         | 22 000      |
| Business risk committee member               | –        | 5 000         | 15 000      |
| Business risk committee chairman             | –        | 7 500         | 22 000      |

\* The chairman's fees include the board, subsidiary boards and all committee memberships."

The Companies Act, 71 of 2008, as amended, requires the directors' fees to be authorised by shareholders by way of special resolution.

The reason for this special resolution number 2 is for the company to obtain the approval of shareholders for the payment of remuneration to its directors for their service as directors in accordance with the requirements of the Companies Act, 71 of 2008, as amended. The passing of this special resolution will have the effect of approving the remuneration of each of the directors of the company for the year ending 30 June 2012 in accordance with section 66(9) of the Companies Act, 71 of 2008, as amended.

## 13. Financial assistance

### Special resolution number 3

"Resolved as a special resolution in terms of section 45(3)(a)(ii) of the Companies Act, 71 of 2008, as amended, as a general approval, that the board of the company be authorised to approve that the company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act, 71 of 2008, as amended) that the board of the company may deem fit to any company or corporation that is related or inter-related ("related" or "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act, 71 of 2008, as amended) to the company, on the terms and conditions and for amounts that the board of the company may determine."

The reason for and effect of this special resolution number 3 is to grant the directors of the company the authority until the next AGM to provide financial assistance to any company or corporation which is related or inter-related to the company. This means that the company is authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

### Special resolution number 4

"Resolved as a special resolution that the Memorandum of incorporation will include a paragraph which requires that all subsidiaries of the company be audited on an annual basis."

The reason for this resolution is to ensure that the company is in compliance with the JSE Listings Requirements in this regard.

The effect of this resolution will be that all subsidiaries of the company will be required to be audited.

# Notice of annual general meeting continued

## 14. Other business

To transaction such other business as may be transacted at an AGM or raised by shareholders with or without advance notice to the company.

## Information related to the special resolutions

### 1. Solvency and liquidity statement

The board of directors of the company confirm that the company will not enter into a transaction to repurchase shares in respect of special resolution number 1 unless:

- i) the company and its subsidiaries (collectively the “group”) will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of AGM;
- ii) the assets of the company and the group, valued in accordance with the accounting policies used in the latest audited group annual financial statements, will exceed the liabilities of the company and the group for a period of 12 months after the date of the notice of AGM;
- iii) the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of AGM; and
- iv) the working capital available to the company and the group will be adequate for the ordinary business purposes for a period of 12 months after the date of the notice of the AGM.

### 2. Directors’ responsibility statement

The directors, whose names appear on pages 28 to 30 of this annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 1 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statements false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution 1 contains all information required by law and the JSE Listings Requirements.

### 3. General information

- i) Information relating to the directors and management of the company can be found on pages 28 to 30 of the annual report.
- ii) Information relating to the major shareholders of the company can be found on page 44 of the annual report.
- iii) There has been no material change in the financial or trading position of the company and its subsidiaries subsequent to publication of the company’s audited summarised financial statements for the year ended 30 June 2010.
- iv) Information relating to directors’ interest in the company can be found on page 45 of the annual report.
- v) Information relating to the share capital of the company can be found on page 83 of the annual report.
- vi) There are no legal or arbitration proceedings, which may have, or have had, during the 12-month period preceding the date of this notice, a material effect on the financial position of the company and the company is not aware of any such pending or threatened proceedings.

## Directors’ responsibility statement

The directors, whose names are on pages 28 to 30 of the annual report to which this notice is attached, collectively and individually accept full responsibility for the accuracy of the information given and certify that of the best of their knowledge and belief there are no facts that have been made and that the notice contains all information required by the JSE Listings requirements.

## Voting

The date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the company for purposes of being entitled to attend and vote at this AGM is 13 January 2012, with the last day to trade being 6 January 2012.

AGM participants may be required to provide identification to the reasonable satisfaction of the chairman of the AGM.

Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the company. A form of proxy, in which are set out the relevant instructions for its completion, is enclosed for the use of a certificated shareholder or “own name” registered dematerialised shareholder who wishes to be represented at the AGM. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder’s proxy) at the AGM.

The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below by no later than 18 January 2012.

Dematerialised shareholders, other than “own name” registered dematerialised shareholders, who wish to attend the AGM in person, will need to request their Central Securities Depository Participant (“CSDP”) or broker to provide them with the necessary authority in terms of its custody agreement entered into between such shareholders and the CSDP or broker.

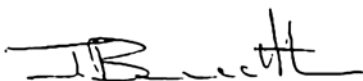
On a poll, ordinary shareholders will have one vote in respect of each share held. Dematerialised shareholders, other than “own name” or registered dematerialised shareholders, who are unable to attend the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.

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

By order of the board

**Cross Company Management (Pty) Limited**

Secretary



per: **J Bennette**

Group company secretary

June 2011

### **Transfer Secretaries**

Computershare Investor Services (Pty) Limited  
70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)

## Notes

[illegible]



# Form of proxy

## Sephaku Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration number: 2005/003306/06)

JSE Share code: SEP ISIN code: ZAE000138459

## Form of proxy for the annual general meeting (AGM) – for use by certificated ordinary shareholders and dematerialised shareholders with own name registration only

Holders of dematerialised ordinary shares other than “own name” registration must inform their CSDP or broker of their intention to attend the AGM and request their CSDP to issue them with the necessary authorisation to attend the AGM in person or provide their CSDP or broker with their voting instructions should they not wish to attend the AGM in person but wish to be represented thereat.

I/We (please print)

of (address)

being the registered holder(s) of \_\_\_\_\_ ordinary shares in the capital of the company do hereby appoint:

1. \_\_\_\_\_ or failing him/her,

2. \_\_\_\_\_ or failing him/her,

the chairman of the AGM as my/our proxy to act for me/us and on my/our behalf at the AGM which will be held at Old Trafford, Centurion Lake Hotel, 1001 Lenchen Avenue North, Centurion on 20 January 2012 at 10:00 for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/ or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions:

|  | Number of ordinary shares |         |         |
|--|---------------------------|---------|---------|
|  | For                       | Against | Abstain |
| <b>Ordinary Resolutions</b>  |                           |         |         |
| 1. To approve audited annual financial statements  |                           |         |         |
| 2. Re-election of directors  |                           |         |         |
| 2.1 MG Mahlare   |                           |         |         |
| 2.2 PF Fourie  |                           |         |         |
| 2.3 MM Ngoasheng   |                           |         |         |
| 3. Re-appointment of independent external auditors   |                           |         |         |
| 4. Appointment of members of the audit committee   |                           |         |         |
| 4.1 MG Mahlare   |                           |         |         |
| 5. Confirmation of authority of the audit committee to determine remuneration of auditors  |                           |         |         |
| 6. Unissued shares placed under the control of the directors of the company  |                           |         |         |
| 7. General authority to issue shares for cash  |                           |         |         |
| 8. Endorsement of Sephaku Holdings Ltd remuneration policy   |                           |         |         |
| 9. Non-Executive Directors' remuneration   |                           |         |         |
| 10. To authorise any one director or secretary of the company to do all such things and sign all such documents required to implement the resolutions as set out in this notice. |                           |         |         |
| <b>Special resolutions</b>   |                           |         |         |
| 1. General authority to repurchase shares  |                           |         |         |
| 2. Remuneration fees of non-executive directors  |                           |         |         |
| 3. Financial assistance to directors, prescribed officers and related or inter-related companies and corporations  |                           |         |         |
| 4. To include in the memorandum of incorporation a paragraph that shall require that all subsidiaries of the company be audited on an annual basis.                              |                           |         |         |

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2011

Signature \_\_\_\_\_ Assisted by me (where applicable) \_\_\_\_\_

## Notes to the form of proxy continued

Each Sephaku shareholder is entitled to appoint one or more proxy(ies) (who need not be a shareholder(s) of the company) to attend, speak and vote in his stead at the AGM.

1. A Sephaku shareholder may insert the name of a proxy or the names of two alternative proxies of the ordinary shareholder's choice in the space provided, with or without deleting "the chairman of the AGM". The person whose name appears first on the form of proxy and who is present at the meeting will be entitled to the exclusion of those whose names follow.
2. A Sephaku shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided. Failure, to comply with the above will be deemed to authorise the chairman of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the meeting as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. The chairman of the general meeting may reject or accept any form of proxy, which is completed and/or received, other than in compliance with these notes.
4. Shareholders who have dematerialised their shares with a CSDP or broker, other than with own-name registration, must arrange with the CSDP or broker concerned to provide them with the necessary Letter of Representation to attend the general meeting or the ordinary shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.
5. When there are joint registered holders of any shares, any one of such persons may vote at the meeting in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.
6. Forms of proxy must be completed and returned to the company's transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown 2107), by no later than 48 hours before the time of the AGM; or (b) be lodged with the chairperson of the AGM prior to the AGM so as to reach him by no later than immediately prior to the commencement of voting on the Resolutions at the AGM.
7. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
8. Documentary evidence establishing the authority of a person signing the proxy form in a representative capacity must be attached to this form, unless previously recorded by the company or waived by the chairman of the AGM.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

## Summary of shareholders' rights in respect of proxy appointments as contained in Section 58 of the Companies Act

- The shareholder may appoint an individual as a proxy, including an individual who is not a shareholder of the company, to participate in and speak and vote at the shareholders meeting on behalf of the shareholder.
- The shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- The proxy form must be dated and signed by the shareholder appointing the proxy.
- An appointed proxy may delegate his/her authority to act on the shareholder's behalf to another person, subject to any restrictions set out in the proxy form.
- The proxy form must be delivered to the transfer secretaries of the company before the proxy exercises any of the shareholder's rights at the shareholders meeting.
- Irrespective of the form of instrument used to appoint a proxy:
  - o the appointment of the proxy is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
  - o the appointment is revocable unless the proxy appointment expressly states otherwise;
  - o if the appointment of the proxy is revocable, a shareholder may revoke the proxy appointment by (1) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (2) delivering a copy of the revocation instrument to the proxy and to the company.
- The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of:
  - o the date stated in the revocation instrument, if any; or
  - o the date on which the revocation instrument was delivered to the company and the proxy as aforesaid.
- If the instrument appointing a proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's MOI to be delivered by the company to the shareholder must be delivered by the company to:
  - o the shareholder; or
  - o the proxy or proxies (if the shareholder has in writing directed the company to do so and has paid any reasonable fees charged by the company for doing so).
- A proxy is entitled to exercise, or abstain from exercising, any voting rights of the shareholder without direction, except to the extent that the instrument appointing the proxy, provides otherwise.
- The appointment of the proxy utilising the proxy form attached to the AGM notice remains valid only until the end of the AGM or any adjournment or postponement thereof.

# Corporate information and administration

## Country of incorporation and domicile

South Africa

## Nature of business and principal activities

A holding company for investment in mineral assets

## Directors

|                     |                                    |
|---------------------|------------------------------------|
| Dr L Mohuba         | Executive Chairman                 |
| NR Crafford-Lazarus | Chief Executive Officer            |
| SD Steyn            | Acting Chief Financial Officer     |
| RR Matjiu           | ISD Executive Director             |
| MG Mahlare          | Independent Non-executive Director |
| PF Fourie           | Non-executive Director             |
| CRD de Bruin        | Non-executive Director             |
| Dr GS Mahlali       | Non-executive Director             |
| MM Ngoasheng        | Non-executive Director             |
| Dr D Twist          | Non-executive Director             |
| JW Wessels          | Alternate Director to CRD de Bruin |
| J Bennette          | Alternate Director to RR Matjiu    |

## Registered office

Suite 4A  
Manhattan Office Park  
16 Pieter Road  
Highveld Techno Park  
Centurion  
0169

## Postal address

PO Box 68149  
Highveld  
Centurion  
0169

## Bankers

ABSA Bank

## Auditors

PKF (Pta) Inc.  
Chartered Accountants (S.A.)  
Registered Auditors

## Secretary

Cross Company Management (Pty) Ltd

## Company registration number

2005/003306/06

## Website

[www.sephakuholdings.co.za](http://www.sephakuholdings.co.za)

## Forward-looking statement for the cement project

*The ultimate strategy for Sephaku Cement is to develop into a diversified building materials group. Sephaku Cement has already identified various vertical integration opportunities in aggregates, ready-mix concrete and fly ash which it will seek to pursue in due course. In addition, the Sephaku group also holds limestone exploration assets in the northern part of the Western Cape, the Mpumalanga Province and the Limpopo Province, where it has recently announced the commencement of the regulatory process involved in the development of its second cement plant.*

*Sephaku Holdings is ideally placed in terms of its track record of milestones achieved to date, including the commissioning of the Fly Ash Classification Project and the progress made on the Cement Project, its exceptional management team, its access to other cement and related opportunities, and the timing of its entry into the South African cement market to become an exciting new entrant in the market and a significant player in its sector.*

## Forward-looking statement for the Nokeng concentrator and the beneficiation production facility

**The Nokeng concentrator:** *The company has completed a definitive feasibility study for the Nokeng concentrator within the +10%/-5% range. The basic engineering has been completed and the project execution plan envisages that on-site work will commence in 2012. Long lead items and risks have been identified, some surface rights bought, others negotiated and quotes secured from Eskom. The new order mining right has been granted and execution is expected in the near future. An Environmental Impact Assessment is ongoing and metallurgical test work has been completed.*

**The beneficiation production facility:** *The company has completed a pre-feasibility study on the beneficiation production facility within a +25%/-25% range. Approximately 80% of the basic engineering has been completed. The site identification has been finalised and an Environmental Impact Assessment scoping study is in progress. A safety and risk advisor has been appointed and the preliminary engineering work has commenced.*

*The company's main objectives for its fluorspar assets in the next 18 months will be to complete the tasks set out above and to commence with the processes associated with raising the capital required to fund the project, which will include identifying and seeking strategic technical partners and/or concluding off-take agreements.*



SEPHAKU  
HOLDINGS LTD

[www.sephakuholdings.co.za](http://www.sephakuholdings.co.za)