

SEPHAKU HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2005/003306/06)
Share code: SEP ISIN: ZAE000138459
("Sephaku Holdings" or "the company")

AUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS
FOR THE SIXTEEN MONTHS ENDED 30 JUNE 2010

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2010 R'000	28 February 2009 R'000
Assets		
Non-current assets		
Property, plant and equipment	416 921	140 982
Goodwill	749	749
Intangible assets	88 990	47 177
Investments in associates	87	38 267
Other financial assets	-	200
Deposits for rehabilitation	567	334
	507 314	227 709
Current assets		
Loans to group companies	577	8 018
Other financial assets	72 525	25
Current tax receivable	58	512
Trade and other receivables	16 880	4 180
Other loans receivable	336	941
Cash and cash equivalents	14 900	271 678
	105 276	285 354
Non-current assets held for sale	-	14 118
TOTAL ASSETS	612 590	527 181
Equity and liabilities		
Equity attributable to equity holders of the parent		
Share capital	225 215	214 981
Reserves	31 991	1 678
Retained income	149 209	212 702
	406 415	429 361
Non-controlling interest	71 674	83 579
	478 089	512 940
Liabilities		
Non-current liabilities		
Deferred income	8 456	-
Deferred tax	17 079	-
Provisions	6 715	-
	32 250	-
Current liabilities		
Loans from group companies	-	110
Loans from shareholders	74 695	-
Other financial liabilities	29	-
Current tax payable	91	4 098

Trade and other payables	26 458	10 023
Deferred income	978	-
Loans payable	-	10
	102 251	14 241
TOTAL LIABILITIES	134 501	14 241
TOTAL EQUITY AND LIABILITIES	612 590	527 181
Net asset value per share (cents)	260,85	284,19
Tangible net asset value per share (cents)	203,25	252,47

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	16 months ended 30 June 2010	12 months ended 28 February 2009
Revenue	6 181	-
Cost of sales	(2 798)	-
Gross profit	3 383	-
Other income	1 508	15 386
Operating expense	(140 630)	(53 378)
Profit on disposal of companies	31 124	-
Operating loss	(104 615)	(37 992)
Investment revenue	16 630	30 373
Loss from equity accounted investments	(2 615)	(1 964)
Finance costs	(481)	(271)
Loss for the period before tax	(91 081)	(9 854)
Taxation	907	(645)
Loss for the period	(90 174)	(10 499)
Other comprehensive income:		
Effects of cash flow hedge	(52 300)	-
Gain on property revaluation	102 777	-
Taxation related to other comprehensive income	(16 238)	-
Other comprehensive income for the period net of taxation	34 239	-
Total comprehensive loss for the period	(55 935)	(10 499)
Loss attributable to:		
Equity holders of the parent	(71 497)	(11 046)
Non-controlling interests	(18 677)	547
	(90 174)	(10 499)
Total comprehensive loss attributable to:		
Equity holders of the parent	(44 030)	(11 046)
Non-controlling interest	(11 905)	547
	(55 935)	(10 499)
Basic loss per share (cents)	(46,16)	(8,88)
Diluted loss per share (cents)	(44,45)	(8,59)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	16 months ended 30 June	12 months ended 28 February
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	2010 R'000	2009 R'000
Cash flows from operating activities		
Cash used in operations	(125 858)	(15 997)
Interest income	16 630	30 373
Finance costs	(481)	(270)
Tax paid	(3 157)	-
Net cash from operating activities	(112 866)	14 106
Cash flows from investing activities		
Purchase of property, plant and equipment	(176 318)	(136 299)
Sale of property, plant and equipment	-	6
Purchase of intangible asset	(46 410)	(15 911)
Acquisition of businesses	(3 600)	-
Movement in investments in subsidiaries and associates	-	(11 773)
Movement in other financial assets	53 538	9 352
Movement in deposits for rehabilitation	(233)	(75)
Movement in other loans receivable	712	-
Purchase of other financial asset	-	(375)
Transfer assets of disposal groups	-	(14 118)
Movement in loans to directors, managers and employees	28	427
Net cash from investing activities	(172 283)	(168 766)
Cash flows from financing activities		
Proceeds on share issue	7 816	445 438
Proceeds on preference share issue	-	100
Movement in other financial liabilities	29	-
Movement in other loans payable	(10)	-
Cash raised from shareholder's loan	74 694	-
Forex loss through cash flow hedge reserve	(52 300)	-
Net movements in loans with group companies	(1 859)	(4 259)
Cash paid to minority shareholders	-	(76 013)
Cash received for shares not yet issued	-	6 885
Net cash from financing activities	28 370	372 151
Total cash and cash equivalents movement for the period	(256 779)	271 491
Cash and cash equivalents at beginning of the period	271 678	54 187
Total cash and cash equivalents at end of period	14 899	271 678

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Total share capital	Hedging reserve	Revaluation reserve	Equity based share option reserve
	R'000	R'000	R'000	R'000
Balance at 1 March 2008	84 652	-	-	1 678
Total comprehensive loss for the period	-	-	-	-
Issue of shares	445 437	-	-	-

Treasury shares held by subsidiary	(2 235)	-	-	-
Premium paid on acquisition of additional shares in subsidiary	(319 859)	-	-	-
Issue of preference shares	100	-	-	-
Preference shares to be issued	7 080	-	-	-
Ordinary shares from previous period included in issue	(194)	-	-	-
Gain on issue of shares to minorities	-	-	-	-
Business combinations				
Total changes	130 329	-	-	-
Balance at 01 March 2009	214 981	-	-	1 678
Total comprehensive loss for the period	-	(41 955)	69 421	-
Issue of shares	7 816	-	-	-
Employee share option scheme	-	-	-	2 847
Sephaku Management transferred to Trust	-	-	-	-
Subsidiary holding treasury shares sold	2 418	-	-	-
Total changes	10 234	(41 955)	69 421	2 847
Balance at 30 June 2010	225 215	(41 955)	69 421	4 525

	Retained earnings	Attributable to equity holders of the parent	Non controlling Interests	Total equity
	R'000	R'000	R'000	R'000
Balance at 1 March 2008	39 965	126 295	20 734	147 029
Total comprehensive loss for the period	(11 046)	(11 046)	547	(10 499)
Issue of shares	-	445 437	-	445 437
Treasury shares held by subsidiary	(4 169)	(6 404)	-	(6 404)
Premium paid on acquisition of additional shares in subsidiary	-	(319 859)	-	(319 859)
Issue of preference shares	-	100	-	100
Preference shares to be issued	-	7 080	-	7 080
Ordinary shares from previous period included in issue	-	(194)	-	(194)
Gain on issue of shares to minorities	187 952	187 952	-	187 952
Business combinations	-	-	62 298	62 298

Total changes	172 737	303 066	62 845	365 911
Balance at 1 March 2009	212 702	429 361	83 579	512 940
Total comprehensive loss for the period	(71 496)	(44 030)	(11 905)	(55 935)
Issue of shares	-	7 816	-	7 816
Employee share option scheme	-	2 847	-	2 847
Sephaku Management transferred to Trust	8 003	8 003	-	8 003
Subsidiary holding treasury shares sold	-	2 418	-	2 418
Total changes	(63 493)	(22 946)	(11 905)	(34 851)
Balance at 30 June 2010	149 209	406 415	71 674	478 089

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Net asset value per share and earnings per share

	30 June 2010 R'000	28 February 2009 R'000
Net asset value and tangible net asset value per share		
Total assets	612 590	527 181
Total liabilities	(134 501)	(14 241)
Minority interest	(71 674)	(83 579)
Net asset value attributable to equity holders of the parent	406 415	429 361
Goodwill	(749)	(749)
Intangible assets	(88 991)	(47 177)
Tangible net asset value	316 675	381 435
Shares in issue	155 805 363	151 081 000
Net asset value per share (cents)	260,85	284,19
Tangible net asset value per share (cents)	203,25	252,47
Earnings and headline earnings per share		
Reconciliation of basic earnings to diluted earnings and headline earnings:		
Basic loss and diluted loss	(71 497)	(11 046)
Profit on sale of non-current assets	(31 124)	(758)
Impairment of intangible assets	4 089	6
Impairments	595	175
Headline loss attributable to equity holders of the parent	(97 937)	(11 623)
Reconciliation of weighted average number of shares:		
Basic weighted average number of shares	154 896 985	124 331 930
Diluted effect of share options	5 940 000	4 221 875
Diluted weighted average number of shares	160 836 985	128 553 805
Basic loss per share (cents)	(46,16)	(8,88)
Diluted loss per share (cents)	(44,45)	(8,59)
Headline loss per share (cents)	(63,23)	(9,35)
Diluted headline loss per share (cents)	(60,89)	(9,04)

Business combinations

Acquisition of businesses

30 June
2010
R'000

Intangible assets	3 000
Investments in associates	600
	3 600
Consideration paid	
Cash	(3 600)

Sephaku Holdings acquired interests in the following subsidiaries during the period under review:

- 100% interest in Ergomark (Pty) Ltd on 1 September 2009
- 100% interest in Incubex Minerals Ltd on 22 June 2010
- 100% interest in Sephaku Cement Investment Holdings Ltd on 29 March 2010

During May 2009 Sephaku PGM Holdings (Pty) Ltd sold its interest in African Spirit Trading 364 (Pty) Ltd.

African Spirit Trading 364 (Pty) Ltd changed its name to Sephaku Limestone & Exploration (Pty) Ltd on 18 August 2009.

Sephaku Holdings acquired 51% interest in Sephaku Limestone & Exploration (Pty) Ltd for a purchase price of R3m. 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 Ltd, a subsidiary of Sephaku Holdings, acquired a 26% interest in associate Finishing Touch Trading 121 (Pty) Ltd.

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

- 30% interest in Egonox (Pty) Ltd on 5 March 2009
- 30% interest in Synchrophor (Pty) Ltd on 26 June 2009
- 30% interest in Indelum Properties (Pty) Ltd on 21 April 2009
- 30% interest in Empivert (Pty) Ltd on 26 June 2009
- 30% interest in Synchrotrix (Pty) Ltd on 26 June 2009
- 30% interest in Vigacron (Pty) Ltd on 26 June 2009

Ergomark (Pty) Ltd, a subsidiary of Sephaku Holdings, acquired a 50% interest in Insa Coal Holdings (Pty) Ltd on 01 September 2009 for the purchase price of R100 and made further equity investments of R600 000 to retains its 50% interest.

Sale of businesses

30 June
2010
R'000

Carrying value of assets sold	
Property, plant and equipment	(2 597)
Intangible assets	(370)
Retained income	(3 714)
Loans to directors, managers, employees	(5)
Investment	(6 707)
Investment in associates	(38 274)
Trade and other receivables	(82)
Trade and other payables	565
Other loans and receivables	(107)
Inter-company loans	86 236
Leave provision	361
Assets of disposal groups	(32 880)
Other loans	(5 270)
Total net assets sold	(2 844)
Profit on disposal	(36 470)
	(39 314)
Consideration received	
Debtor	80 000
Loan accounts	(40 686)
	39 314

On 1 March 2009 all the shares in Sephaku Management (Pty) Ltd were transferred to the Samet Trust.

On 31 October 2009 all the shares in Blue Waves Properties 198 (Pty) Ltd were sold to Sephaku Cement (Pty) Ltd ("Sephaku Cement") for R30m.

On 27 January 2010 the interest in African Nickel Holdings (Pty) Ltd and Sephaku Gold Holdings (Pty) Ltd was sold to the Wu group for an amount of R80m.

Segmental reporting

	Ash R'000	Cement R'000	Fluorspar R'000
30 June 2010			
Segment revenue: from external customers	(6 181)	-	-
Segment result	4 679	83 340	2 589
Segment assets	84 978	385 580	53 252
Total assets includes additions to non-current assets	52 957	127 718	43 418
Segment liability	(18 584)	(108 826)	(59 033)
28 February 2009			
Segment result	-	21 910	144
Segment assets	-	437 092	1 270
Total assets includes additions to non-current assets	-	167 372	6 967
Segment liability	-	(13 986)	(2 757)
	Other	Consolidation	Total

	R'000	R'000	R'000
30 June 2010			
Segment revenue: from external customers	-	-	(6 181)
Segment result	30 382	-	120 990
Segment assets	149 631	(60 851)	612 590
Total assets includes additions to non-current assets	1 635		225 728
Segment liability	(22 427)	74 369	(134 501)
28 February 2009			
Segment result	12 884	(6 236)	28 702
Segment assets	78 060	284 940	801 362
Total assets includes additions to non-current assets	13 820	319 859	508 018
Segment liability	(16 236)	18 738	(14 241)

The segment information has been prepared in accordance with IFRS 8 - Operating Segments (IFRS 8) which defines the requirements for the disclosure of financial information of an entity's operating segments.

Management has determined the operating segments based on the information used by the board to make strategic decisions.

The section 'Other' includes revenue, expenditure, assets and liabilities in respect of smaller operations in Tin, Coal, Vanadium, Platinum, Chrome and Diamonds.

Basis of preparation

These abridged consolidated annual financial statements have been presented in terms of disclosure requirements set out in IAS 34 Interim Financial Reporting, which has been amended following the revision of IAS 1 Presentation of Financial Statements.

The group's abridged financial results have been prepared on a historical cost basis and comply with the International Financial Reporting Standards ("IFRS"), the AC 500 standards as issued by the Accounting Practices Board and in the manner required by the Companies Act of South Africa. The accounting policies adopted are consistent with those applied in the annual financial statements for the year ended 28 February 2009.

The abridged announcement has been prepared in accordance with the JSE Limited Listings Requirements.

Auditor's report

The consolidated financial statements for the 16 months ended 30 June 2010 have been audited by PKF (Pta.) Inc. The auditor's unqualified audit report is available for inspection at the company's registered office. These consolidated financial statements are the responsibility of the Board of Directors.

Commentary

Highlights:

- the finalisation of a supply agreement with Sinoma International Engineering Company Limited, the largest manufacturer of cement plants in the world, in April 2009;
- the commissioning of Sephaku Cement's fly ash plant in September 2009, positioning the company as a fully fledged retail competitor;
- the completion of a bankable feasibility study on the Fluorspar Project and approval of an environmental impact assessment for the Delmas cement plant in October 2009;
- the disposal of Sephaku Holdings gold and nickel assets to Mandra Capital and private investor Mong Seng Wu in January 2010 for R80m as the first step in creating a more focused industrial minerals company.

Events after reporting period:

- The board has taken a strategic decision to reorganise the assets of the Sephaku Holdings group in order to present a more defined and focused investment opportunity to the market. Accordingly, subject to approval by the Department of Mineral Resources, Sephaku Holdings shall dispose of all the shares it holds in its subsidiaries, other than those subsidiaries with interests relating to cement and fluorspar, to a wholly owned subsidiary of the company, Incubex Minerals Ltd. Subject to shareholders' approval, Sephaku Holdings intends to distribute to shareholders all of the issued shares in Incubex in the ratio of one Incubex share for every ten Sephaku Holdings shares in the form of a dividend in specie.
- Dangote Industries Ltd ("Dangote") has agreed to invest an additional amount of R779m of equity into Sephaku Cement to achieve an aggregate shareholding in Sephaku Cement of 64%, resulting in Dangote acquiring control of Sephaku Cement. Dangote has already advanced an amount of R75.6m to Sephaku Cement during June 2010 as a convertible loan, which loan amount will be deducted from the total subscription amount. The loan will be converted to Sephaku Cement shares during October 2010, once all regulatory and formal shareholder approvals have been obtained regarding the total proposed investment by Dangote.

Outlook:

The forthcoming year will see the company consolidate its position as one of South Africa's leading emerging industrial minerals exploration and development companies, with plant construction under way and production drawing closer. The continued strategic realignment of the Sephaku Holdings group will provide clarity to shareholders and the market at large.

Commentary on the financial results:

The Sephaku Holdings group incurred a loss of R90m for the 16 months ended 30 June 2010, which includes an R86m loss incurred by the Sephaku Cement group. The loss also includes Sephaku Cement employee costs of R66m incurred for the

ramp up of staff required for the ash processing plant and the cement manufacturing project.

Material additions to property, plant and equipment consist of the cement manufacturing plant (Aganang Project) of R93m, the ash processing plant (Kendal Project) of R53m and R18m spent on the purchase of the remaining extent of Portion 22 of the farm Witklip no 232 (76,9004 ha). All the properties were revalued by an independent sworn appraiser resulting in an R103m increase in the carrying value.

Additions to intangible assets of R46m relates for the most part to costs incurred on the Fluorspar Project.

Annual general meeting:

The company's 4th annual general meeting will be held at the Centurion Lake Hotel, 1001 Lenchen Avenue, Centurion on Thursday, 11 November 2010 at 10h00. Further details on the company's annual general meeting will be included in Sephaku Holdings' annual report.

On behalf of the board

Neil Crafford-Lazarus
CEO

Lelau Mohuba
Chairman

Pretoria
30 September 2010

Company information

Directors: L Mohuba (Chairman), NR Crafford-Lazarus* (Chief Executive Officer), RR Matjiu*, ME Smit*, CR de W de Bruin, PF Fourie, MG Mahlare, GS Mahlati, MM Ngoasheng, J Bennette# , D Twist# , JW Wessels#

*Executive # Alternate

Company secretary: Sephaku Management (Pty) Ltd

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