
Sentula Mining Limited
Incorporated in the Republic of South Africa
(Registration number 1992/001973/06)
Share code: SNU ISIN: ZAE000107223
("Sentula" or "the Company")

SALE OF SENTULA'S 49.998% INTEREST IN KOORNFONTEIN COAL MINE

1. Introduction

The board of directors of Sentula ("the Board") is pleased to advise shareholders that, further to the cautionary announcement released on SENS on Monday, 18 January 2010, the Board has successfully concluded an agreement with Optimum Coal Holdings (Proprietary) Limited ("OCH") for the sale to OCH of Sentula's 49.998% interest in and shareholder's claims against Siyanda Coal (Proprietary) Limited, the company that operates the Koorfontein Coal Mine ("Koorfontein"), for an aggregate cash consideration of R670 million ("the purchase consideration") ("the Koorfontein Sale").

Koorfontein is an underground colliery located adjacent to Eskom's Komati Power Station in Mpumalanga. Koorfontein currently sells approximately 3.3 million tonnes of coal per year, of which approximately 1.5 million tonnes is exported annually under entitlement through the Richards Bay Coal Terminal.

OCH is a majority black-owned coal mining company which was created following the disposal by BHP Billiton Energy Coal South Africa (Proprietary) Limited of its Optimum Colliery to a black economic empowerment consortium in May 2008.

2. Rationale for the Koorfontein Sale

As set out in the SENS announcement dated 30 October 2009 informing shareholders that the contemplated sale of Sentula's interest in Koorfontein to a potential purchaser had been terminated, the Board had undertaken to continue with various initiatives to realise value from Sentula's proprietary coal portfolio. The Koorfontein Sale will realise a significant portion of this portfolio and the purchase consideration will be applied so as to strengthen Sentula's balance sheet by reducing debt, improving liquidity and ensuring that the Company remains financially robust in a volatile trading environment. The purchase consideration will also be used to fund future growth in the Company's mining services businesses and to further develop Sentula's proprietary coal portfolio.

Mr Robin Berry, Chief Executive Officer of Sentula said: "This is a significant transaction for Sentula as it realises substantial value for shareholders. Furthermore, it reinforces our strategy of reducing our gearing, enhancing cash flow, turning around underperforming operations and it will further enable the company to move certain exploration and development coal assets up the value curve."

3. Purchase consideration

The purchase consideration, being an amount of R670 million, is payable in cash by OCH to Sentula on the closing date, being 5 business days after the fulfilment or waiver (as the case may be) of the last of the conditions precedent, which are set out in paragraph 4 below. OCH has provided Sentula with a written unconditional guarantee issued by Standard Chartered Bank Plc, Johannesburg Branch on 12 February 2010 in terms whereof it has guaranteed the due and punctual payment by OCH to Sentula of the purchase consideration.

4. Conditions precedent to the Koornfontein Sale and effective date

The Koornfontein Sale is subject to the fulfilment or waiver (as the case may be) of the following conditions precedent:

- 4.1. the receipt of irrevocable undertakings from Sentula shareholders holding no less than 50% of Sentula's issued share capital to vote in favour of the Koornfontein Sale on or before 26 February 2010;
- 4.2. the approval of the Koornfontein Sale by Sentula's consortium of financiers on or before 26 February 2010;
- 4.3. the approval of the Koornfontein Sale by a majority of Sentula shareholders at a general meeting of Sentula shareholders on or before 13 April 2010; and
- 4.4. the approval of the Koornfontein Sale by the Competition Authorities, to the extent required, on or before 31 August 2010.

The effective date of the Koornfontein Sale is 5 business days after the fulfilment or waiver (as the case may be) of the last of the conditions precedent.

Warranties which are normal in a transaction of this nature have been provided by Sentula to OCH.

5. Pro forma financial effects of the Koornfontein Sale

The table below sets out the unaudited *pro forma* financial effects of the Koornfontein Sale and of the rights offer which was implemented by Sentula during December 2009 ("Rights Offer"). The unaudited *pro forma* financial effects are intended to provide information on how the Koornfontein Sale and the Rights Offer may have affected Sentula's earnings, headline earnings, net asset value and net tangible asset value per share measures for the six month reviewed period ended 30 September 2009, had they occurred on 1 April 2009 for income statement purposes and 30 September 2009 for balance sheet purposes.

The unaudited *pro forma* effects, which are the responsibility of the directors of Sentula, have been prepared for illustrative purposes only and, because of their *pro forma* nature, may not give a true reflection of Sentula's financial position, changes in equity and results of operations or cash flows. The unaudited *pro forma* financial effects have been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the reviewed results of Sentula for the six months ended 30 September 2009.

	Before Rights Offer and Koornfontein Sale ^{1,2}	Rights Offer <i>pro forma</i> effect ^{3,7}	<i>Pro forma</i> after Rights Offer	<i>Pro forma</i> Koornfontein Sale <i>pro forma</i> effect ^{4,7}	<i>Pro forma</i> after Koornfontein Sale	Percentage change from post the Rights Offer to post the Koornfontein Sale
Earnings per share (cents) ⁵	16.2	(6.7)	9.5	46.2	55.7	486.3
Headline earnings per share (cents) ⁵	15.2	(6.1)	9.1	(3.5)	5.6	(38.5)
Net asset value per share (cents) ⁶	979.0	(529.2)	449.8	48.0	497.8	10.7
Net tangible asset value per share (cents) ⁶	788.0	(412.9)	375.1	47.7	422.8	12.7
Weighted average number of shares in issue (000s)	230 012	350 993	581 005	-	581 005	-

Notes:

1. Earnings per share and headline earnings per share before the Rights Offer and the Koorfontein Sale were extracted from the income statement included in the published reviewed results for the six months ended 30 September 2009.
2. Net asset value per share and net tangible asset value per share before the Rights Offer and the Koorfontein Sale were extracted from the balance sheet included in the published reviewed results for the six months ended 30 September 2009.
3. It is assumed that in respect of the Rights Offer:
 - a. R501.9 million in cash was raised (prior to transaction and underwriting costs);
 - b. transaction and underwriting costs of R39.8 million (pre-tax) relating to professional, financial, legal and compliance fees were paid. This is not expected to have a continuing effect on Sentula;
 - c. R400.0 million of the net proceeds were used to repay a portion of the long-term debt facilities, with the remainder of the net proceeds being used to reduce the overdraft facility; and
 - d. the repayment of the long-term debt facilities resulted in an interest expense saving calculated at 10.95% of R25.3 million (pre-tax). This is expected to have a continuing effect on Sentula.
4. It is assumed that in respect of the Koorfontein Sale:
 - a. a purchase consideration of R670 million is received;
 - b. transaction costs of R10 million (pre-tax) relating to professional, financial, legal and compliance fees are payable. This is not expected to have a continuing effect on Sentula;
 - c. capital gains tax of R45.6 million is realised on the profit on the Koorfontein Sale. This is not expected to have a continuing effect on Sentula;
 - d. 50% of the purchase consideration (net of tax and transaction costs) equating to R307.9 million is used to repay a portion of the long-term debt facilities;
 - e. 50% of the purchase consideration (net of tax and transaction costs) is maintained as working capital;
 - f. the repayment of the long-term debt facilities results in interest expense savings of R16.8 million (pre-tax). This is expected to have a continuing effect on Sentula;
 - g. income from associate of R23.9 million (net of tax) for the six months ended 30 September 2009 will be forfeited. This is expected to have a continuing effect on Sentula; and
 - h. a loan to Koorfontein, included in the value of investment in associate, will be repaid. As a result, interest income of R0.6 million (pre-tax) will be forfeited. This is expected to have a continuing effect on Sentula.
5. The *pro forma* financial effects on earnings per share and headline earnings per share are calculated on the assumption that the Rights Offer and the Koorfontein Sale were effective on 1 April 2009.
6. The *pro forma* financial effects net asset value per share and net tangible asset value per share are calculated on the assumption that the Rights Offer and the Koorfontein Sale were effective on 30 September 2009.
7. Taxes have been calculated based on the normal tax rate of 28% and capital gains taxes at a rate of 14%.

6. Classification of the Koorfontein Sale and further documentation

The Koorfontein Sale is classified as a category 1 transaction in terms of the Listings Requirements of JSE Limited. Accordingly, a circular containing full details of the Koorfontein Sale and a notice to convene a general meeting will be sent to Sentula shareholders in due course. The general meeting will provide Sentula shareholders with the opportunity to consider and, if deemed fit, to pass, with or without modification, the resolution necessary to approve and implement the Koorfontein Sale.

7. Withdrawal of cautionary announcement

Shareholders are advised that caution is no longer required to be exercised by shareholders when dealing in Sentula's securities.

Johannesburg
12 February 2010

Sponsor
Merchantec Capital
Adviser on the Koorfontein Sale
RFA Consulting (Proprietary) Limited
Legal advisers
Cliffe Dekker Hofmeyr Inc.
Auditors
KPMG Inc.