Sentula MINING

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

REVIEWED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

HIGHLIGHTS

↑10%

Revenue increased to R1 345 million

(2010: R1 219 million)

↑21%

Operating profit pre-impairment and inventory write-off increased to R150 million

(2010: R124 million)

HEPS remained at 10,6 cents

(2010: 10,6 cents)

COMMENTARY

"Global economic uncertainty and its impact on local mining, continues to affect the rate of recovery and sustainable growth in resource and energy sectors. The diverse nature of the Group's earnings should however continue to ensure that the underlying fundamentals, which support the Group's revenue base, will remain intact. Furthermore, the recently announced Broad Based Black Economic Empowerment transaction, involving Sentula's South African mining services businesses, will contribute to the preservation of contract and tender opportunities for the Group."
Robin Berry, CEO – Sentula Mining Limited

FINANCIAL REVIEW

- Revenue increased by 10% to R1 345 million (2010: R1 219 million)
- Results from operating activities, pre-impairment and inventory write-off, increased by 21% to R150 million (2010: R124 million)
- Headline EPS remained constant at 10,6 cents (2010: 10,6 cents)
- Headline EPS (pre-inventory write-off) increased by 23% to 13,0 cents (2010: 10,6 cents)
- Net asset value per share: 472 cents (March 2011: 505 cents)
- Tangible net asset value per share: 396 cents (March 2011: 430 cents)
- Debt to equity ratio improved to 19% since March 2011 (2010: 23%)

Notwithstanding the improved results for the half year period ended 30 September 2011, the Group's earnings for the six-month period were impacted by the following:

- A fair value adjustment on the interest rate hedge of R5 million was expensed during the period under review;
- A more favourable Rand/USD exchange rate impacted positively on Geosearch's foreign operations and pre-tax foreign currency gains of R22 million were recognised;
- Pre-tax expenses during the period, associated with the Shanduka transaction (R6,2 million), legal and forensic support for civil actions associated with the misappropriated funds (R5,7 million) and retrenchments resulting from on-going restructuring within Megacube (R5,1 million), amounted to R17 million;
- The Nkomati Anthracite Mine being placed on "care and maintenance" in May 2011, due to regulatory and environmental issues;
- An impairment charge, predominantly on Megacube's fleet of assets of R282,3 million, pre-tax, following an impairment assessment to this equipment in terms of IAS 36; and
- A write-off of obsolete inventory in Megacube of R14,2 million, on a pre-tax basis.

OPERATIONAL REVIEW

Sustainability

Safety track record

The Group's Classified Injury Frequency Rate of 1,09 per million man hours worked is a 9,9% improvement on the comparative prior period, with no serious injuries having been recorded during this time. Through alignment with the core values of its clients, Sentula remains proactive in making investments in systems and structures to support its efforts in the area of safety. Sentula acknowledges the right of its employees to return home without harm and that safety performance must be regarded as a prerequisite and not a competitive edge.

Transformation

During the period under review, Sentula has been independently re-verified as a "level 5" contributor, in terms of the DTI codes, measuring Broad Based Black Economic Empowerment. The Group, through its recently announced BBBEE transaction will elevate its status to that of a "level 4" contributor by the end of the 2012 financial year.
This will also enhance the Group's competitiveness, with respect to tendering and retaining contracts in the South African mining sector.

Environment

During the period under review, the Group established a baseline carbon footprint for several of its activities. Targets and initiatives to reduce the quantum and impact of emissions have been introduced across the Group.
Sentula Group companies continue to meet their objectives, with respect to international certification of their safety, environmental and training systems, for the current financial year.

Mining services

The provision of mining services remains the core of Sentula's business, with the four operating divisions and the six underlying subsidiaries continuing to trade satisfactorily, with an improved visibility of work being experienced in the sector.

Opencast mining operations

The period under review has been characterised by growing demand, but exacting trading conditions, as margins remained under pressure across the opencast contracting sector.
Megacube was marginally unprofitable, post elimination of abnormal expenses, during the period under review; however, further improvements in operational efficiencies and asset utilisation are still required before this company returns to profitability. Further restructuring, aimed primarily at tailoring overhead costs to be in line with turnover expectations and operational requirements, has resulted in personnel retrenchments at a cost of R5,1 million. The Company's results were also adversely impacted by the pre-tax impairment charge of R279,2 million, primarily on its non-operating assets and a write-off of obsolete and redundant inventory of R14,2 million. Many of these items of plant and equipment were acquired in the 2008 financial year at the peak of the commodity cycle and at a time when the exchange rate was materially weaker than the prevailing rates. The intention is to make these items of fleet available for disposal over the next 12 to 18 months and to utilise the sale proceeds in support of the Group's refurbishment programme and generic growth aspirations.
Benicon managed to negotiate improved mining rates for the 2012 financial year, and has seen sustained revenue growth, with improved overall margins during this period.
Despite a tough six months, CCT is well positioned to benefit from the resurgence in opencast mining opportunities along the Eastern limb of the Bushveld Igneous Complex, supported by demand for ferro-chrome and platinum group metals.

Overburden drilling and blasting

JEF Drill and Blast grew its revenue and profit base substantially during the past six months and remains well positioned to deliver sustainable real growth, at current margins, for the foreseeable future.

Exploration drilling

The more favourable exchange rate during the period under review impacted positively on Geosearch's revenue and margins. Political unrest in the Ivory Coast, that resulted in the suspension of operations in that jurisdiction during the second half of the 2010 calendar year, abated, and exploration recommenced during June 2011. The Company's revenue split for the 2012 financial year is more balanced between domestic and foreign contracts at approximately 35 to 65 percent, respectively.
The significant investment in the geographical diversification of the Company's offshore business continues to provide a sustainable platform for real growth and operational efficiencies during the current financial year.

Crane hire

Ritchie Crane Hire continued performing well, notwithstanding a reduction in demand for mobile craneage post the 2010 Soccer World Cup infrastructure development phase. The Company continues to maintain its profitability in the 2012 financial year supported by its mix of cranes, strong competitive position in the Witbank/Middelburg geographical area, and diversity of clientele in coal, mining, steel and power generation industries.

Coal mining investments

In line with the strategy to develop a diversified portfolio of coal assets, the Group has continued to undertake exploration activities across its various coal projects in Southern Africa. Sentula is currently invested in five projects (3 in South Africa, and 1 in each of Botswana and Zambia). The projects can be broadly described as mining operations, comprising an operating mine, near development properties (those projects which can be operational within 18 to 24 months) and exploration areas.

Mining operations

Nkomati Anthracite, was awarded a new order mining right during the previous financial year and the mine commenced opencast operations in September 2010 with the Madadeni pit achieving full production in December 2010. Operations at the Madadeni pit were however suspended in March 2011 due to regulatory and environmental issues. While these issues are being resolved, the underground operations have been placed on "care and maintenance" from the end of May 2011. Subsequent to the suspension of the opencast operation, the Department of Mineral Resources approved the amended environmental management programme. Management continues to work with the Department of Water Affairs, to deal with the outstanding issues that are required, in order to progress the award of the Mine's integrated water use license. Current indications are that this process could be finalised during the first quarter of 2012.

Near development properties

Sentula, through its joint venture investments has been granted new order prospecting rights over portions of the Bankfontein and Schoongezicht farms, in Mpumalanga. Exploration has been completed and mining right applications have been submitted for both of these properties.
Exploration drilling has been completed at the Mulungwa project in Southern Zambia. The third and final phase of the feasibility programme, which included resource estimation, completion of the environmental impact assessment, technical/mining investigations and financial modelling, has also been completed. A small scale mining license has been awarded and planning remains on target to commence development during the latter part of 2012 financial year.

Exploration areas

The Asenjo joint venture with Jonah Capital and Aquilla Resources, situated in Botswana, has continued exploration on its tenements. The value of the large resource base is expected to be unlocked through the construction of rail infrastructure to port facilities in Namibia or Mozambique, the provision of which is enjoying renewed interest in the region.
Exploration on the Mabapa coking coal project, remains in abeyance, pending the securing of an option on a neighbouring property, which will enhance the critical mass of the overall project.

PROGRESS ON LEGAL MATTERS

Following the announcement on 26 November 2010 of the civil judgment of R88 million against Casper Scharrighuisen, a second judgment for R171 million and interest thereon of R124 million was obtained in a civil action against Scharrighuisen on 6 May 2011, bringing the total civil judgments against him to R383 million. An order for the final sequestration of Scharrighuisen's estate was granted during July 2011 in the Western Cape High Court. Megacube lodged a claim of R393 million against Scharrighuisen's estate in early October 2011. The Company continues to work with the National Prosecuting Authority in the criminal actions against Scharrighuisen and Jason Holland as a consequence of the misappropriation of funds from Megacube Mining in the 2008 financial year.
With the granting of the final sequestration order against Scharrighuisen, the Company's legal and forensic fees should reduce materially in the future.

STRATEGIC REVIEW

The Group's strategic vision remains one of sustainable growth by being the mining services provider of choice across the African continent. Our strategy will be brought to fruition through the exploitation of opportunities identified in both mining services and proprietary mining investments in Southern Africa, and further enhanced through the proposed Broad Based Black Economic Empowerment transaction. The insights and experience, gleaned from Geosearch's broad geographic footprint, across Southern, Central, and more recently West Africa positions the Group to capitalise on the mining services offerings stemming from the development of new mineral resources in these regions.
In addition, through its access to the resources, expertise and experience base of the collective Group, Sentula is well positioned to nurture the development and unlock the value inherent in a growing portfolio of coal investments.
Sentula's foothold in the coal and energy sector, as a service provider and proprietary investor, coupled with its diversified service offering, client base, mineral exposure and geographical spread will continue to provide a solid platform for developing the business into the future.

SUBSEQUENT EVENTS

On 31 October 2011, shareholders of Sentula were advised that the Company had entered into discussions regarding a proposed Broad Based Black Economic Empowerment transaction which will involve Sentula employees, a community trust and a strategic empowerment partner. The proposed BBBEE transaction will be implemented by way of a vendor financed structure pursuant to which the BBBEE shareholders will acquire a direct equity interest in certain of Sentula's South African mining services businesses which do not already have empowerment equity ownership in place.
Following the implementation of the proposed BBBEE transaction the relevant South African mining services businesses will have an effective black ownership of over 25% as measured in terms of the DTI Codes of Good Practice on Broad Based Black Economic Empowerment. The Company remains under cautionary in this regard.
On 14 November 2011 a serious accident occurred at the Group's Benicon workshop which resulted in a fatality. The incident is under investigation both internally and by the Department of Labour. The Board expresses its condolences to the family and colleagues of Mr. Jannie Koekemoer.

CONTINGENT LIABILITY

During the 2009 financial year, Megacube instituted legal proceedings against Umcebo Mining Limited for the recovery of R29,8 million owing for work performed at its Middelkraal operation, following the termination of this contract. Subsequent to this claim, a counterclaim of R119,6 million, pertaining to alleged contractual breaches, has been instituted by Umcebo Mining, against Megacube.
Sentula has agreed to proceed to arbitration on this matter, with the Company and its attorneys believing that there is a strong defence against the alleged counterclaim. A date for the arbitration is expected to be set down for April 2012.

BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 September 2011 have been prepared in accordance with IAS 34, 'Interim Financial Reporting', the Companies Act No 71 of 2008 and the Listings Requirements of JSE Limited.
The accounting policies adopted are consistent with those applied in the annual financial statements for the year ended 31 March 2011, except for those standards that become effective during the reporting period. The adoption of these standards had no effect on the results. This report was compiled under the supervision of the financial director, GP Louw CA (SA). The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2011, which have been prepared in accordance with IFRS.
The directors are of the opinion that the Group has adequate resources to continue in operation for the foreseeable future and accordingly the condensed consolidated interim financial results have been prepared on a going concern basis.

INDEPENDENT REVIEW CONCLUSION

The condensed consolidated statement of financial position at 30 September 2011 and related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period have been reviewed by PricewaterhouseCoopers Inc. Their unmodified review report is available for inspection at the Company's registered office.

DIVIDENDS

The Board has decided not to declare an interim dividend for the period under review.

DIRECTORATE

A Kawa resigned on 2 June 2011.
There were no other changes to the Board, during the period under review.

On behalf of the Board

Jonathan Best	**Robin Berry**	**Woodmead**
Non-executive Chairman	Chief Executive Officer	18 November 2011

Statement of financial position

R'000	Reviewed as at 30 September 2011	Reviewed as at 30 September 2010	Audited as at 31 March 2011
ASSETS			
Property, plant and equipment	**2 289 047**	2 666 051	2 595 426
Mineral rights	**410 761**	411 642	410 761
Intangible assets	**27 590**	21 146	23 347
Goodwill	**413 906**	409 014	408 338
Restricted investment	**8 693**	4 322	8 693
Deferred tax assets	**19 576**	18 442	17 008
Total non-current assets	**3 169 573**	3 530 617	3 463 573
Inventories	**389 396**	377 007	361 827
Trade and other receivables	**519 018**	508 555	446 446
Assets classified as held-for-sale	**41 477**	15 559	37 779
Current tax receivable	**6 052**	—	14 016
Cash and cash equivalents	**138 580**	95 673	88 380
Total current assets	**1 094 523**	996 794	948 448
TOTAL ASSETS	**4 264 096**	4 527 411	4 412 021
EQUITY AND LIABILITIES			
Equity			
Share capital and premium	**1 994 406**	1 994 823	1 994 406
Reserves	**678 948**	886 336	863 128
Total equity attributable to equity holders of the Company	**2 673 354**	2 881 159	2 857 534
Non-controlling interest	**69 987**	75 799	75 301
TOTAL EQUITY	**2 743 341**	2 956 958	2 932 835
Liabilities			
Loans and borrowings	**491 685**	373 935	560 000
Rehabilitation provision	**66 900**	67 325	65 004
Deferred tax liabilities	**261 900**	231 128	243 631
Total non-current liabilities	**820 485**	672 388	868 635
Trade and other payables	**485 303**	458 227	439 905
Loans and borrowings	**180 901**	318 338	140 000
Bank overdraft	—	84 151	148
Current tax payable	**34 066**	37 349	30 498
Total current liabilities	**700 270**	898 065	610 551
TOTAL LIABILITIES	**1 520 755**	1 570 453	1 479 186
TOTAL EQUITY AND LIABILITIES	**4 264 096**	4 527 411	4 412 021
Net asset value per share – excluding treasury shares (cents)	**472**	509	505
Tangible net asset value per share – excluding treasury shares (cents)	**396**	435	430

Income statement

R'000	Reviewed six months ended 30 September 2011	Reviewed six months ended 30 September 2010	Audited year ended 31 March 2011
Revenue	**1 345 048**	1 218 949	2 402 375
Results from operating activities pre-impairment and inventory write-off	**149 844**	123 613	256 379
Inventory write-off	**(14 205)**	—	—
Impairment of plant and equipment	**(282 337)**	—	(71 476)
Results from operating activities	**(146 698)**	123 613	184 903
Net finance charges	**(33 959)**	(46 814)	(111 051)
Fair value adjustment on interest rate hedge	**(5 007)**	—	—
(Loss)/Profit before income tax	**(185 664)**	76 799	73 852
Income tax expense	**(44 593)**	(22 868)	(42 780)
(Loss)/Profit for the period	**(230 257)**	53 931	31 072
Attributable to:			
– Owners of the Company	**(224 943)**	57 488	35 127
– Non-controlling interest	**(5 314)**	(3 557)	(4 055)
(Loss)/Profit for the period	**(230 257)**	53 931	31 072
Basic and diluted (loss)/earnings per share (cents)	**(38,7)**	9,9	6,0
Headline earnings per share (cents)	**10,6**	10,6	16,1
Shares in issue at the end of the period excluding treasury shares ('000)	**581 005**	581 005	581 005

Statement of comprehensive (loss)/income

R'000	Reviewed six months ended 30 September 2011	Reviewed six months ended 30 September 2010	Audited year ended 31 March 2011
(Loss)/Profit for the period	**(230 257)**	53 931	31 072
Other comprehensive income/(loss)			
Foreign currency translation differences for foreign operations	**39 660**	(14 345)	(19 350)
Income tax effect on other comprehensive income	—	—	—
Other comprehensive income/(loss) for the period, net of tax	**39 660**	(14 345)	(19 350)
Total comprehensive (loss)/income for the period	**(190 597)**	39 586	11 722
Attributable to:			
– Owners of the Company	**(185 283)**	43 143	15 777
– Non-controlling interest	**(5 314)**	(3 557)	(4 055)
Total comprehensive (loss)/income for the period	**(190 597)**	39 586	11 722

Operational segment reporting

The Group is organised into four major operating segments, namely opencast mining services, exploration drilling, crane hire, and coal mining. JEF Drill & Blast is included in "Opencast mining services" as management views them as part of this segment and the majority of this company's services are rendered inter-segment. Equipment trading, spares and engineering and corporate services is included in "Other". Segment performance is measured based on the segment profit before interest and income tax. Inter-segment revenue is priced on an arms length basis. These segments are the basis on which the Group reports its primary segment information. Financial information about business segment is presented as follows:

R'000	Opencast mining services	Exploration drilling	Crane hire	Coal mining	Other	Consolidated
Reviewed six months ended 30 September 2011						
Total segment revenue	**933 838**	**468 898**	**25 914**	**12 982**	**33 663**	**1 475 295**
Inter-segment revenue	**102 333**	—	**132**	**458**	**27 324**	**130 247**
External revenues	**831 505**	**468 898**	**25 782**	**12 524**	**6 339**	**1 345 048**
Total segment results pre-impairment	**87 524**	**98 763**	**12 631**	**(6 833)**	**(56 446)**	**135 639**
Impairment of plant and equipment	**(282 337)**	—	—	—	—	**(282 337)**
Segment result	**(194 813)**	**98 763**	**12 631**	**(6 833)**	**(56 446)**	**(146 698)**
Reviewed six months ended 30 September 2010						
Total segment revenue	855 260	367 570	28 448	44 996	37 844	1 334 118
Inter-segment revenue	81 430	885	187	949	31 718	115 169
External revenues	773 830	366 685	28 261	44 047	6 126	1 218 949
Segment result	91 662	54 415	16 523	24 673	(63 660)	123 613

Statement of changes in equity

R'000	Share capital	Share premium	Employee share incentive reserve	Treasury shares	Foreign exchange translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 31 March 2010	5 866	2 014 438	37 702	(25 481)	(34 053)	836 786	2 835 258	79 356	2 914 614
Profit for the period	—	—	—	—	—	57 488	57 488	(3 557)	53 931
Other comprehensive (loss) for the period	—	—	—	—	(14 345)	—	(14 345)	—	(14 345)
Transactions with owners, recorded directly in equity									
Share-based payments	—	—	2 758	—	—	—	2 758	—	2 758
Balance at 30 September 2010	**5 866**	**2 014 438**	**40 460**	**(25 481)**	**(48 398)**	**894 274**	**2 881 159**	**75 799**	**2 956 958**
(Loss) for the period	—	—	—	—	—	(22 361)	(22 361)	(498)	(22 859)
Other comprehensive (loss) for the period	—	—	—	—	(5 005)	—	(5 005)	—	(5 005)
Transactions with owners, recorded directly in equity									
Own shares acquired	—	—	—	(417)	—	—	(417)	—	(417)
Share-based payments	—	—	2 359	—	—	1 799	4 158	—	4 158
Share options forfeited	—	—	(393)	—	—	393	—	—	—
Total contributions by and distributions to owners	—	—	1 966	(417)	—	2 192	3 741	—	3 741
Balance as at 31 March 2011	**5 866**	**2 014 438**	**42 426**	**(25 898)**	**(53 403)**	**874 105**	**2 857 534**	**75 301**	**2 932 835**
(Loss) for the period	—	—	—	—	—	(224 913)	(224 943)	(5 314)	(230 257)
Other comprehensive income for the period	—	—	—	—	39 660	—	39 660	—	39 660
Transactions with owners, recorded directly in equity									
Share-based payments	—	—	1 103	—	—	—	1 103	—	1 103
Share options forfeited	—	—	(6 284)	—	—	6 284	—	—	—
Total contributions by and distributions to owners	—	—	(5 181)	—	—	6 284	1 103	—	1 103
Balance as at 30 September 2011	**5 866**	**2 014 438**	**37 245**	**(25 898)**	**(13 743)**	**655 446**	**2 673 354**	**69 987**	**2 743 341**

Statement of cash flows

R'000	Reviewed six months ended 30 September 2011	Reviewed six months ended 30 September 2010	Audited year ended 31 March 2011
Cash flows from operating activities	**150 648**	749 975	239 277
Cash generated by operations	**201 056**	868 925	415 312
Interest paid	**(33 048)**	(48 295)	(80 360)
Income taxes paid	**(17 360)**	(70 655)	(95 674)
Cash flows from investing activities	**91 135**	(175 041)	399 110
Purchase of property, plant and equipment	**(98 847)**	(202 316)	(318 618)
Proceeds from disposal of property, plant and equipment	**12 197**	29 993	55 962
Capitalised exploration expenditure	**(1 772)**	(4 199)	(7 074)
Capitalised expenditure on held-for-sale assets	**(3 698)**	—	—
Proceeds from sale of investment in equity-accounted associate	—	—	670 000
Interest received	**985**	1 481	3 211
Increase in restricted investment	—	—	(4 371)
Cash flows from financing activities	**(31 829)**	(459 840)	(449 337)
Repurchase of shares	—	—	(417)
Loans raised	—	—	700 000
Loans repaid	**(31 829)**	(459 840)	(1 148 920)
Net increase in cash and cash equivalents	**27 684**	115 094	189 050
Effects of changes in foreign exchange rates	**22 664**	—	2 755
Cash and cash equivalents at beginning of the period	**88 232**	(103 573)	(103 573)
Cash and cash equivalents at end of the period	**138 580**	11 521	88 232

Reconciliation of headline earnings

R'000	Reviewed six months ended 30 September 2011	Reviewed six months ended 30 September 2010	Audited year ended 31 March 2011
Net (loss)/profit for the year attributable to owners of the Company	**(224 943)**	57 488	35 127
Adjust for:			
Loss on sale of plant and equipment	**2 303**	5 589	9 363
Impairment of plant and equipment	**282 337**	—	71 476
Scrapping of assets	**4 625**	—	—
Tax effect of above adjustment	**(2 806)**	(1 565)	(22 635)
Headline earnings attributable to ordinary shareholders	**61 516**	61 512	93 331

Directors: JG Best*(Chairman), RC Berry (Chief Executive Officer), GP Louw (Financial Director), PP Modisane, EHJ Stoyell*, C van Zyl*, DR Zihlangu*, K Mzondeki* * Independent Non-executive

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BASTION GRAPHICS