

2011

Sentula Mining Limited
Sustainability Report



Sustainability Report 2011

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Message from the CEO

This, our second sustainability review, reinforces Sentula's commitment to sustainable business practice.

To be truly sustainable, we have to listen to each and every interested and affected party in order to gauge our impacts and contribution to society. This year we aim to expand and improve on last year's review as well as report on the progress made with regard to the targets set in the 2010 annual report.

Good reporting is essential to this process. Last year we introduced a sustainable development template that enabled us to start measuring ourselves. This year we are further expanding our template and strive to meet the reporting standards advocated by King III as well as the guidelines of the JSE.

We have also employed a dedicated Sustainability Coordinator to facilitate Sentula's journey into integrated sustainability reporting and sustainability management in all aspects of our business.

Furthermore, we believe that to be sustainable, we must add value – economically, socially, environmentally and by operating with integrity and with sound, ethical business practices. I invite you to read about the progress we have made – and continue to make – on our journey, and welcome your comments.

Report overview

Last year, Sentula embarked on the first annual review of its performance in the field of sustainable development.

This, our second review, represents the next step in the process to fully integrated reporting as advocated by King III as well as the requirements of the JSE. This report covers Sentula's 2011 financial year (April 2010 to March 2011) and aims to give our stakeholders a broad picture of our current activities and performance in the areas of governance, transformation, health, safety, environment and our interaction with local communities.

The review process is currently focused primarily on our activities in South Africa, where the majority of our operations are based, but does include limited coverage outside its borders. In addition to South Africa during the year under review, we operated in Botswana, Cameroon, the Central African Republic, Chad, the Democratic Republic of Congo, Ethiopia, Kenya, Malawi, Mozambique, Namibia, Zambia and Tanzania.

Operations in the Ivory Coast were suspended pending the resolution of political stability in that country. In the future, we hope to provide more information on our sustainable development performance in these geographical areas.

This review has been compiled using the principles for integrated sustainability reporting as outlined in King III, the Integrated Reporting Committee's discussion document of April 2011 and the Global Reporting.

In last year's report, we identified the key areas we wished to focus on in the short to medium term to demonstrate our journey towards sustainability. This year, we report on our progress and highlight new focus areas for the coming year. We also state the KPIs that give a high-level overview of our sustainable development performance. Last year, we set targets for these KPIs and in this review we report on our performance against these targets as well as set new targets for the next reporting period. We have also included a summary of the transformation of our business, as measured against the dti BEE scorecard.

Governance

Sentula is committed to building a clean reputation and credibility as the preferred mining services company on the African continent.

As a company listed on the JSE, we embrace King III which advocates integrity in all aspects of business. This means that we need to be able to account for and demonstrate ethical, credible and transparent business conduct in everything we do and in our relationships with all our stakeholders. Sentula strives to be acknowledged as a service provider with integrity.

We strive to meet all legal requirements to ensure our credibility and sustainability. We will not tolerate any form of bribery or unethical business conduct, especially as we commence exploration and mining in new areas throughout the continent. The Group philosophy of zero tolerance of any form of corruption, fraud, abuse or unethical business practice means that we will not hesitate to take disciplinary action against any employee believed to have transgressed these ethics.

As a responsible business entity, we seek to promote the observance of human rights in the countries in which we operate and support the principles set forth in the Universal Declaration of Human Rights. Sentula complies with the International Labour Organisation's Conventions and does not employ people below the age

of 18. No political donations or in-kind contributions were made during the reporting year.

Nkomati has experienced a number of environmental legislative challenges. The mine has been in operation since the 1980s and has changed hands a number of times during this time. In March 2011, following a directive from the DMR relating to the opencast section's Environmental Management Programme, production at this section was suspended. Both legacy and recently arising challenges exist, however, Sentula remains committed to legal compliance and ethical practices. In demonstration of this commitment, in May 2011 Nkomati was placed on care and maintenance pending the finalisation of all environmental applications.

Code of business conduct

Sentula's Code of Ethics is guided by our values and sets out the standards that direct our business activities. Our code of conduct has been rolled out to all subsidiaries, and employees are expected to be familiar with it.

Management is committed to ensuring these values and our Code of Ethics are properly understood and observed. A "Business Conduct Quick Test" is available to assist employees if they are in any doubt about what to do or when to speak up.

Whistle-blowing

Sentula makes use of a dedicated, independent whistle-blowing facility that is available 24 hours a day and 365 days a year to report workplace dishonesty and inappropriate behaviour. This is available by email (sentula@tip-offs.com) or on FreeCall (0800 21 31 33).

All reported incidents are fully investigated and employees or contractors implicated in irregular activities are dealt with appropriately.

Policies and principles

Group policies that our people need to be aware of and adhere to in their daily responsibilities have been rolled out. All subsidiaries are required to adopt and follow these policies or adapt them to their particular requirements.

Operating context

Issues and trends

"Sustainability is the primary moral and economic imperative of the 21st century. It is one of the most important sources of both opportunities and risks for

businesses. Nature, society, and business are interconnected in complex ways that should be understood by decision-makers. Most importantly, current incremental changes towards sustainability are not sufficient – we need a fundamental shift in the way companies and directors act and organise themselves." **King III – King Code of Governance for South Africa 2009**

Sentula operates throughout Africa but with the majority of operations based in South Africa. The South African context includes the historical legacy of the apartheid system. As such, Sentula uses legislation as a positive framework in which to facilitate transformation, black economic empowerment, preferential procurement, community social investment and enterprise development. We believe that transformation is not just a legal requirement but a strategic investment in South Africa.

The environmental impacts of mining are becoming increasingly highlighted as the effects of acid mine drainage become more apparent. There is increasing pressure on mining companies and contractors to ensure that the impacts of their operations are quantified and mitigated as far as possible. Sentula remains committed to responsible mining and we are currently reviewing all our environmental monitoring procedures to ensure compliance to environmental best practice.

South African legislation requires that a number of specialist studies and impact assessments are carried out before environmental management plans are approved. In addition, water resources are protected through the licensing of water uses, particularly in industries such as mining. These and other legislative requirements dictate the manner in which Sentula is able to operate in the South African context.

We are not yet required to reduce our emissions, however, as the effects of global warming become more apparent, pressure to do so will likely increase. Sentula has begun to monitor the carbon emissions of the entire organisation. This year a baseline carbon emission level was established and a target-based strategy for reducing our overall emission is being implemented.

Although there is a shift towards a low-carbon economy, in the South African context the coal industry remains solid on the back of local and global demand for the resource. Locally, national power utility Eskom remains one of the chief clients of the coal industry, with demand set to increase as new power stations come online.

Engaging with our stakeholders

Our relationships with our stakeholders define the way we conduct our business. Our stakeholders give us our licence to operate and without them we would not be able to build a sustainable future.

At Sentula our primary stakeholder groups include, among others, local communities, customers and host mines, shareholders and investors, suppliers, trade unions or organised labour, employees and contractors, business partners, local and national authorities, the media, non-governmental organisations, industry associations, our competitors and relevant mining and mineral authorities. Sentula remains involved in the local chamber of mines and various other mining associations in South Africa and across its borders.

We believe that open and transparent dialogue should form the basis of our interaction with our various stakeholder groups. From this solid basis we continue to involve them, wherever applicable, in all matters of our business, both at an everyday functional level and at a higher strategic level. Sentula realises that without constructive input from our stakeholders and commitment from them to uphold our business principles and values, we cannot build a sustainable business that can add value to society.

This holds particularly true at our Nkomati operation. Although there have been a number of challenges with regard to stakeholder engagement at this operation, Sentula remains committed to improving relationships at a community level. To this effect, Nkomati has appointed a stakeholder management consultant and has established a community forum to improve and encourage stakeholder engagement.

Relationships with governments

Sentula strives to establish good relationships with governments at national, regional and local levels in all the regions in which we operate. We are committed to meeting all the legal requirements of these countries to ensure the sustainability of our business in these areas.

Although Nkomati experienced a number of legislative challenges during the reporting period, including pre-compliance directives from the MDEDET, the DWA, as well as a directive from the DMR. We are committed to our legal obligations and will continue to seek compliance through transparency and cooperation with the relevant government departments.

Working together

We engage in transparent and constructive consultation with employees and their representatives. Our relationship with formalised trade unions is strong and regular meetings are held between union representatives and management to encourage mutually beneficial outcomes to labour relations issues.

Our employees are represented by a range of unions, including the National Union of Mineworkers, the Workers Equality Support Union of South Africa, the El Shadaai Workers Union of South Africa and the Association of Mineworkers and Construction Union.

Communicating with our stakeholders

Good corporate governance, as dictated by the Integrated Reporting Committee, promotes interactive communication processes to address the legitimate interests and expectations of stakeholders. As such,

Sentula remains committed to providing all stakeholders with relevant, transparent and timely communication through the most appropriate medium and in the most appropriate manner.

Communication mediums include the press (local and national newspapers), corporate reports and publications, formal meetings and forums, informal information sharing, marketing channels and the internet. Our Group website (www.sentula.co.za) provides relevant news and information about Sentula. Our formal business language is English but, where applicable, communication may be provided in other languages. We aim to explore the role of the social media platform in our business during the coming year.

Strategic objectives

Overview

Sentula aspires to be recognised as a responsible, ethical organisation. Our sustainable development goals are in line with this aspiration and through this ongoing process of review we aim to consistently improve our performance in the areas of sustainability and responsible mining.

We have identified the following focus areas for improvement going forward:

- Stakeholder engagement
- Environmental licensing
- Monitoring procedures

By means of monthly sustainability reports, we aim to improve the quality of our sustainable development data. We have also started monitoring carbon emissions with the goal of reducing our overall emissions.

Organisational competencies

To reach our sustainable development goals, a dedicated Group Sustainability Coordinator has been appointed with effect January 2011. In addition, a range of consultants are used throughout the business to supplement the skills of Sentula employees. These consultants not only assist with the more specialized aspects of projects, including specific environmental work, civil engineering and safety systems, but provide us with an independent viewpoint.

Nkomati has engaged the services of a specialized social and community consultant in order to assist with stakeholder engagement at the operation.

Our performance

Key performance indicators

To monitor our progress in the field of sustainable development, KPIs are used to highlight our annual performance. During the last review, targets were set for those KPIs identified and in the following table we reflect our performance against these targets.

SUSTAINABLE DEVELOPMENT – KEY PERFORMANCE INDICATORS

Key performance indicator	Measure	Target set for 2011	Quick measure	Obtained in 2011
Safety	CIFR	1,75	✓	1,17
	TIFR	9,5	✓	7,16
	Fatalities	Zero	✗	1
Health	New cases of occupational disease	Zero	✗	5
	Percentage of employees undergoing HCT	30%	±	23,8%
Environment	Obtaining or retaining ISO 14001 certification	Subsidiaries obtain or retain	±	Benicon and Geosearch certified to date
	Number of monetary fines or sanctions related to non-compliance with environmental legislation	Zero	✗	1 sanction
	Number of environmental incidents	Zero	✓	Zero
Procurement	Percentage procurement spend with South African Department of Trade and Industry compliant suppliers	50%	±	46,7%
Employment equity	Number of HDSAs in management	55%	✓	60%
	Female participation in management	12%	±	10%
	Percentage female employees in Sentula	8%	±	6%

* Per one million man-hours worked.

✓ Achieved.

✗ Not achieved.

± Partially achieved.

Safety first

The safety of our people is non-negotiable and we have implemented a range of systems and standards to drive progress in this central aspect of our business.

Sentula set targets of 1,75 and 9,5 (per million manhours worked) for the CIFR and TIFR respectively. We are pleased to report an achieved CIFR of 1,17 and TIFR of 7,16 during the reporting period.

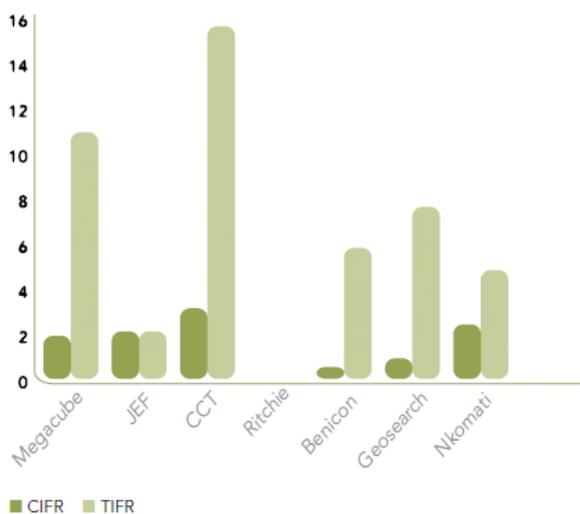
We regret that one fatality occurred within our organisation during the period under review. CCT employee Glence Mohlala was fatally injured at Samancor’s Tweefontein chrome mine. He had been employed at CCT as an operator with several years of experience. In addition to an internal investigation, an official inquiry was conducted by the DMR. All learnings from this incident have been incorporated into our safety strategy and a number of improvements have been instituted at the mine.

professional manner. Safety is quite literally our licence to operate.

Over the past year, an enormous amount of effort has been invested in a drive to develop our own safety standards and to address the historical reliance on those set by corporate clients. By doing so, we are developing our own set of best practices which not only include input from our clients but draw heavily on our own operational experience. These practices can only be developed and supported through the maintenance of a strict reporting discipline that records all incidents and near misses and communicates these in a way that involves all levels of the Company. Through a process of dissemination and discussion, not just on the incident itself but on how to eliminate the causes and implement the appropriate strategies, we have gained valuable learnings, which are shared to prevent repeats.

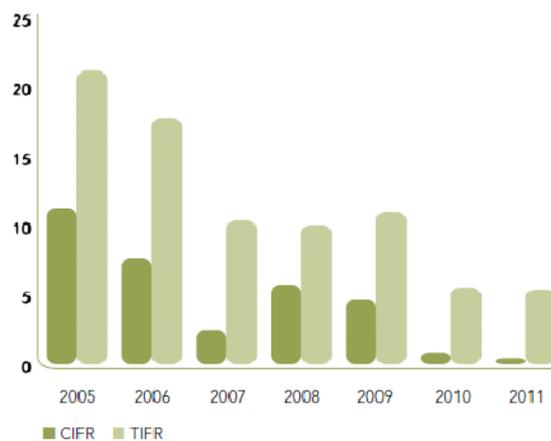
Safety

Per million man-hours



Benicon safety history

Per million man-hours



A fatal accident or severe injury in the workplace is a source of considerable distress, not only to employees and their families, but to Sentula as a responsible employer. Apart from the human considerations, an unacceptable history of safety-related incidents brings with it a destruction of confidence held by clients and regulatory authorities in a contract mining company’s ability to conduct its operations in a safe and

Benicon and Geosearch have both achieved OHSAS 18001 certification. Although in last year’s review we had set a target to be certified across the Group in this reporting period, not all subsidiaries achieved this goal. The ISO certification process can be a lengthy one and we continue to work towards obtaining certification at each subsidiary. Both Megacube and JEF are on track for certification during 2012.

We are proud to note that Ritchie once again achieved a zero incident rate. Ritchie attributes this success to a zero tolerance approach, solid training and the successful management of fatigue and associated risks.

Megacube safety history

Per million man-hours



Safety improvement initiatives

We firmly believe that our drive towards safety and ultimately zero harm is a realistic and achievable goal that cannot unfortunately be accomplished in a single giant leap, but rather a succession of small steps, each one taking us closer to our objective.

Many of these steps take the form of safety initiatives our individual companies stage which, in many instances, relate directly to their own sphere of operations. Not only are they effective in encouraging and improving safe working practices within their own organisations, but the cross-pollination gained from their learnings is added to the collective safety wisdom of our Group.

Many of these initiatives involve training, particularly increasing the capacity of supervisors to manage safety through the use of risk assessments and standard operating procedures. A great deal of attention is given to increasing occupational skills that will have a direct benefit on safety outcomes. These include courses on collision avoidance, working with hazardous substances, working at heights and building knowledge on mine standards and procedures.

Our research has shown that the majority of injuries occur in lifting and materials handling activities, especially when specifications are not adhered to.

This year, Benicon introduced fatal risk standard equipment to all its vehicles. This includes rollover protection, GPS systems, cameras, railings and lights. In addition, Benicon ran a competition for safety

representatives in which adherence to and knowledge of safety legislation was rewarded.

Megacube has instituted a programme of “visible felt” leadership involving walkabout audits and inspections conducted regularly on site by management, often at unusual hours. In addition, Megacube continues to encourage innovation within its ranks. One such innovation involves the development of a safety bracket which can be fitted to certain vehicles as a lifting support device. The bracket, which was developed following an incident, has been certified and is manufactured for use not only by Megacube but also by its host mines. Megacube has launched an individualised learning matrix for each employee to ensure that training objectives remain learner-specific.

At Geosearch, a target was set for 2011 to encourage sites to report all incidents, no matter how minor. Going forward, the objective is to reduce these incidents by conducting site inspections and increasing the number of SHE officers to assist with the implementation of the SHE programme. The Company has placed this programme on its website to make it more accessible to drill sites and to provide employees with updated procedures, no matter how remote their locations.

The safety of our people remains fundamental to our business, and we will continue to strive for improvements and achieve our safety goals through collective responsibility, commitment and ongoing focus.

Health

The health of our employees has a direct bearing on their ability to perform safely and productively in the workplace.

We maintain strict adherence to the provisions of the Occupational Health and Safety and Compensation for Occupational Injuries and Diseases acts. The prevention and monitoring of occupational illnesses is accomplished through the ongoing assessment of workplace risks, strict adherence to the use of personal protective equipment and regular medical surveillance.

Risks include exposure to dust and noise as well as diseases such as malaria and access to clean drinking water at some of our more remote exploration sites.

At our Nkomati operation, we follow the DMR guidelines relating to dust and noise. Opencast operational dust is monitored throughout the mining area by means of dust buckets. Monitoring of

underground dust also takes place daily. Noise is also monitored on an ongoing basis and a proper maintenance programme is followed on all equipment to ensure that levels do not increase unnecessarily.

Working in remote areas

Drill crews operating away from home in other African countries are provided with proper camp facilities which are well-planned and maintained by sufficient numbers of support staff.

Drinking water is sourced and tested as part of the camp establishment and employees receive training on the prevention of malaria. They are also provided with mosquito repellents and medication. Pre- and post-medical check-ups are conducted, and inspections and audits are regularly undertaken.

In addition to taking the necessary precautions to prevent accidents and illness, Geosearch also purchases comprehensive medical insurance for all employees working in remote areas. This insurance not only covers standard medical procedures and care but also includes 24 hour emergency evacuation to the nearest appropriate facility and return to country of origin for employees who require in-hospital treatment. In the case of emergency evacuations, hotel and travelling costs of one other person to accompany the patient are included.

Wellness

We acknowledge our responsibility to provide a safe and healthy working environment and to nurture the wellness of our employees who undergo an annual medical fitness examination. Apart from ensuring fitness for work, these medical assessments assist with the early identification and treatment of chronic illnesses such as diabetes, hypertension and tuberculosis, and give employees an additional opportunity to undergo HCT. During these examinations, advice on healthy eating, fitness and weight management is provided. We are currently engaging with our employees on the introduction of a medical benefit scheme.

HIV/Aids

As a company whose sphere of operations is entirely based on the African continent, we cannot ignore the effects of HIV/Aids on our employees, clients and the communities that surround our own and our clients' operations. Where it is practically possible, we aim to minimise the social, economic and developmental consequences of the disease by taking considered

measures to prevent the spread of the virus. These measures include education, the provision of condoms and HCT.

One of the keys to restricting the spread of the disease and its consequences is the creation of awareness – awareness of how it is transmitted, the damage it can cause to those infected and their families and, most importantly, the fact that it can be treated with a significant degree of success. This flow and interchange of information is supported with the distribution of print material, including banners, posters, flyers and brochures not only to promote HIV/Aids awareness, but to encourage our employees to embrace a healthy lifestyle.

An HCT campaign has been launched across the business with the aim of reaching all subsidiaries and sites by the end of the next review period. Testing has for the most part been facilitated and supported by local municipal medical facilities. Early results show that testing uptake varies markedly across businesses and the areas in which we operate. In general, we have had a positive response to testing. A more detailed report of the status of our workforce will be included in next year's review.

Benicon has formalised its own HIV/Aids policy which was signed in August 2010. This policy was developed with the aim of balancing the needs of infected and sick employees with those of the Company. In addition, a memorandum of understanding has been signed with the local health department to facilitate relationship building and support.

Minimising our environmental footprint

We are committed to sound environmental practice and aim to minimise our impact in the areas in which we operate. We recognise the importance of lessening our consumption of natural resources and reducing the generation of waste.

While we strictly adhere to the environmental policies and standards our host mines have in place, we are developing our own more stringent environmental framework and are working towards ISO 14001 certification at all our sites. Our original intention was to achieve this goal by 2011; however, we now aim to obtain certification by March 2012. Benicon and Geosearch have already been awarded certification and a number of our other subsidiaries are well on the way to achieving this goal. It is our responsibility to comply with all environmental legislation to build a clean and

credible reputation as the mining services provider of choice. We therefore cooperate with and support local, regional and national authorities in achieving their own environmental goals. We are currently developing operating policies to include the integration of pollution control, waste management and rehabilitation activities into our operating procedures.

Nkomati was issued with pre-compliance notices from the DWA and the MDEDET as well as a compliance notice from the DMR. The compliance notice from the DMR was accompanied with an order to stop mining at the Madadeni opencast section. This was subsequently lifted following the approval of an Environmental Management Programme amendment for the site. Sentula took the decision to place Nkomati Anthracite on care and maintenance pending the resolution of all legislative requirements at the operation.

Nkomati has been in close communication with government departments and independent consultants regarding environmental licensing at the operation. A number of applications are in progress. These include an Integrated Water Use Licence Application and a Section 24G rectification for activities around the opencast section.

We have a comprehensive SHE policy and intend reporting more regularly on our SHE performance. Regular audits are conducted to ensure compliance to the environmental standards we have in place and, where applicable, our subsidiaries make use of the "Red Card Incident Identification System". Employees are issued with a red card which they are encouraged to use to indicate situations contrary to proper environmental practice. Site supervisors are responsible for the recording of these occurrences.

Resource management

We fully recognise the importance of responsible water usage and are committed to protecting, managing and conserving water resources, both at our own mines and at our client sites.

This year, we are able to report on our water usage from municipal sources across the Group. A consumption figure of 40 263,6 kL was measured during this reporting period and this will be used as our baseline going forward. Although not all of our boreholes are currently being measured, we aim to install flow meters on these sources during this coming year to facilitate reporting and resource conservation efforts going forward.

It is an undeniable fact that we are operating in an energy-challenged era that is unlikely to change in the foreseeable future. In recognition of this, we have committed ourselves to identifying new ways of optimising our energy consumption and reducing our greenhouse gas emissions.

Our carbon emissions are now being monitored through the measurement of power and diesel consumption. This financial year, we have measured our electricity usage across the Group at 6 208 452,7 kWh. This figure will be used as our baseline against which we will measure energy consumption going forward. Although much of our diesel usage takes place on our host sites and is therefore not material to this review, we are mindful of the impact of our activities in all aspects of business and the environment.

CASE STUDY

Geosearch – Environmentally responsible drilling

Geosearch uses biodegradable chemicals for its exploration drilling projects. However, the disposal of contaminated soil poses an environmental challenge for any exploration business and drilling contractor. As long as contaminated soil is untreated, it remains the exploration company's liability.

Geosearch has a programme of good housekeeping, which focuses on protecting the environment at the contamination source. Measures taken include the placement of plastic sheeting and oil absorbent mats at strategic positions to trap undesirable materials where leakages are most likely to occur.

Conventional practice for dealing with drilling waste is to dispose of it at an approved hazardous waste facility to prevent environmental contamination. This method of disposal is inherent with problems such as transport costs and dump site availability. In accordance with the good housekeeping programme, a new method of handling contaminated drilling waste has been implemented. This methodology involves the in-situ treatment of waste at the drilling site.

In-situ waste treatment process

On completion of exploration drilling, the borehole is capped and the drill rig removed from the site. The sumps are treated with a solution which facilitates the removal of the petro-hydrocarbon footprint from the ground. This reduces the chemical oxygen demand, demulsifies polymers and oxidises petrohydrocarbons. The mixture poured into the sump begins to work

immediately, oxygenating and lifting suspended solids to the surface. Oxidised oil and polymers are then drawn off the abandoned sump ready for disposal at a waste disposal site.

The sump lining and drill fines are then removed before a dual-purpose oil absorbent and biodegrader is added to the contaminated soil. This product uses natural, non-pathogenic bacteria and enzymes to biodegrade the contaminants to harmless by-products. Once the process is completed, the soils are returned to the sump, levelled off and watered.

The rehabilitation of contaminated soil takes approximately 30 days. Finally, the site is inspected by Geosearch management and the client before rehabilitation is signed off.

Transformation

Sentula recognises the importance of broad-based black economic empowerment, not only for historically disadvantaged South Africans, but for the development of sustainable growth in all our countries and regions of operation.

In South Africa, we fully support the principles of transformation and use the dti scorecard as the main mechanism with which to measure our progress. As our clients are required to meet the various requirements of the Mining Charter, we endeavour to uphold similar standards in the way we run our business.

As a level 5 BBBEE contributor, we aim to consistently improve our performance in this arena. Our transformation planning is an ongoing process and considerable energy is invested into this aspect of our business. Sentula is on track to reach level 4 status in 2012. In addition, we embrace a balanced approach to the dti scorecard, in that all the pillars of transformation are considered.

Procurement

In accordance with Sentula's preferential procurement policy and strategy, the Group has implemented a preferential approach with particular emphasis on small and medium-sized enterprises and we actively seek out new black empowered businesses that can be linked into our supply chain.

In addition, we consider enterprise development and job creation opportunities for qualifying small enterprises in the delivery of support services such as

security, wash bays, accommodation, transport and catering.

Of our discretionary spend during the past financial year, 5,6% was spent with black-owned suppliers, of which 0,9% are black women-owned. This is a marked improvement from the 3,2% spend on black-owned suppliers in the last reporting period.

This year, our discretionary spend with level 4 BBBEE contributors declined from 18% to 16%. As the majority of the capital equipment and machinery we use to carry out our business is not manufactured in South Africa, preferential procurement can present a challenge. Wherever possible though, we make a determined effort to source goods and services from accredited BBBEE suppliers and service providers.

At our operations, both in and outside South Africa, we make every effort to uplift local communities by supporting surrounding businesses and hiring local people.

Management control and employment equity

For us, employment equity is a strategic business imperative and we believe that its implementation is central to good human resource management and excellent customer service to a broad and diverse stakeholder base.

Sentula is an equal opportunity employer and does not tolerate any form of discrimination. We seek to instill a genuine culture of transformation within our organization and are committed to increasing the number of HDSAs in management positions. Management control in the day-to-day running of the Group is conducted by executive directors with a minimum of 30% black representation.

At 31 March 2011, four of our nine Board members were HDSAs, two of whom are women. Our management structure comprises 56% HDSAs and 6% of our organisation is made up of women¹. To sustain and support this trend, preference is given to women and HDSA candidates in our recruitment process.

Employment equity committees meet regularly to discuss employment equity policy, vacancies, promotions, training and skills development. To better reflect the demographics of the areas in which we operate, we make every effort to promote black employees, particularly females, from junior to middle and senior management positions. We have also

increased the number of learnerships for black employees.

Skills development and training

Learning and development forms an integral part of our employment strategy and to assist in the transformation of our business, we have compiled a skills development expenditure and learnership matrix at subsidiary level.

A total of 63 002 hours of training took place across the Group during the review period, and emphasis was placed on the training of HDSAs.

We retain the services of several training and skills development institutions and meet our succession planning objectives by facilitating the advancement of employees within the organisation through formal training initiatives developed to provide the feedstock for future management. In future, Sentula hopes to create a centralised in-house training facility.

The Benicon in-house training academy was launched during the reporting period, with two groups of a total of 20 employees training as bulldozer operators.

Further education is encouraged at Sentula and to support employees, subsidies for further higher education are made available. We encourage employees to attend courses that will improve their competencies at work in the immediate and mid-term future.

Enterprise and socio-economic development

The Sentula Transformation Trust was set up to regulate and coordinate our approach to socio-economic and enterprise development and to allocate funding for approved projects in these areas. This is conducted in line with the dti's Codes of Good Practice.

The trust supports local development projects in close proximity to the Group's operations, preferably within communities where Sentula employees and their families reside. It aims to aid the development of projects that are complementary to existing institutions or initiatives by government agencies, private investors, community based and non-governmental organisations. In line with good corporate governance, the trust differentiates between community activities that are largely philanthropic in nature and those that have a more direct business benefit.

During the reporting period, the trust invested 4% of Sentula's net profit after tax into community development projects, including donations to the Raise

the Bar Sports Academy and a small, medium and micro-enterprise training academy run by Deloitte.

In addition to the trust's activities, Benicon developed a number of small enterprises around its business. This included the purchase and donation of a vending machine to a local orphanage. The vending machine is placed at the Benicon offices and is serviced by the orphanage. All proceeds go directly to the home. Benicon has also developed an association with the Witbank Society for the Physically Disabled. Shredded waste paper is donated to the organisation which benefits from the proceeds of recycling. A local enterprise which delivers parts to Benicon premises has been developed. This venture makes use of a Benicon vehicle, free of charge, and invoices the Company for deliveries made.

In last year's report, it was stated that a goal of the trust was to establish a coal briquette-making enterprise, to be situated close to one of Benicon's mining sites. Subsequently, a decision was taken to transfer this project to the care of Nkomati Anthracite. Preliminary work is currently under way to implement this project.

Our people

Sentula has an organisational culture that is built on the foundations of diversity, equality and dignity for all its employees. Our South African workforce comprises approximately 3 500 people who work at our head office in Johannesburg and at our eight subsidiaries located primarily in the Mpumalanga and Limpopo provinces of South Africa².

Employee statistics

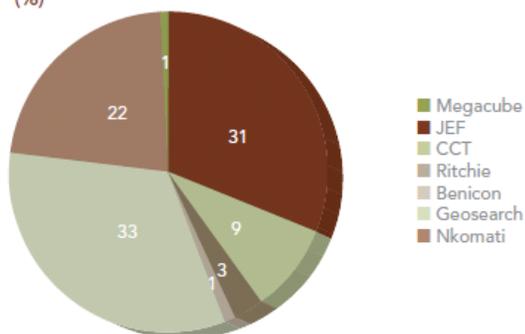
As of 31 March	2011	2010
Number of employees	3 585	4 367
Number of trainees and apprentices	119	89
Employee turnover (%)	22%	15%

Note: These figures apply to South African operations.

The total number of employees has been reduced from last year as a result of consolidation in the Megacube and Geosearch businesses.

Our people

(%)



Staff retention

To maintain consistently high working and safety standards, we aim to attract and retain the best in the industry, and make every effort to employ people from the communities that surround our operations.

Staff retention in our organisation, particularly in scarce technical skills such as crane operators, artisans and drill assistants, remains a challenge. Large skills shortages in these areas lead to intense competition. To ensure staff is retained, competitive market-related salaries are offered and some of our subsidiaries provide bonuses for those employees in possession of scarce skills.

Our vision is to become an employer of choice and we strive to achieve this by providing a creative, challenging and dynamic working environment. Training opportunities are offered to assist in the development of our people, and salaries are reviewed annually to ensure that they remain competitive.

In 2010, an organisational development intervention was launched at two of our subsidiaries, Jef Drill and Blast, and Ritchie Crane Hire. The aim of this intervention was to investigate role profiling, job evaluation and remuneration, a performance management system and the talent management framework. The effectiveness of this intervention will be assessed in 2011 and, if successful, may be rolled out across all subsidiaries.

Women in mining

Our workforce currently comprises 6% female employees, and 10% of management positions are occupied by women. We seek to improve this by actively engaging women in our recruitment processes and setting targets for our subsidiaries. We also

prioritise women in our training initiatives and ensure that they gain the exposure they need to play an increasingly important role in our business.

To attract and retain female employees, it is our responsibility to provide a working culture that ensures women are treated with respect. We have a policy in place to ensure that all our employees can work together in an atmosphere free of all forms of harassment and intimidation, including those of a sexual nature. There is also no discrimination or unequal treatment in matters of remuneration and benefits.

Our female employees also benefit from the Women in Mining initiatives of our host mines and at our own operations we continue to make considerable progress in the provision of a working environment that is suitable for women. These include the introduction of mobile toilets in opencast mines as well as improved change-house facilities.

Learning and development

Learning and development is seen as an integral part of our business. It not only increases the skills of our workforce and empowers employees; it allows us to plan for the future skills needs of our organisation.

To create a diverse, safe and highly productive workforce, we enlist the services of several accredited skills development and training providers. Benicon has an in-house training division to develop new operators and we are currently investigating the feasibility of establishing a Group in-house academy that would cater for the learning and development needs of all our subsidiaries.

We provide a range of formal learnerships – with particular emphasis on historically disadvantaged men and women – to ensure that as an organisation, we present a true reflection of the diverse populations of the countries in which we operate.

At Sentula, our focus is to develop our people internally, and only to advertise posts externally if we do not have the necessary skills and expertise within our organisation. We encourage employees to develop themselves and subsidise their attendance of courses that will improve their competencies at work in the immediate and medium term.

We meet our succession planning objectives by facilitating the advancement of all employees through formal training initiatives to create the feedstock

required for a developing organisation. Our employees also participate in company-specific induction training at our operational sites.

Performance management

A performance management policy is in place to develop a results-driven organisational culture, to recognise and reward good and excellent performance and to establish a sound basis for identifying employees' developmental needs. In line with this policy, we have developed and rolled out a performance management system within the Group. Phase one of this system was rolled out to business heads during the previous financial year and in this reporting period it has been expanded to include senior managers. The long-term goal is to include middle and junior management and finally all employees.

Employee relations

In South Africa, our employees have the right to freedom of association in terms of the South African Constitution and the Labour Relations Act. Approximately 50% of our South African workforce is affiliated to a recognised trade union, with the majority belonging to the National Union of Mineworkers and smaller numbers belonging to other unions.

Through ongoing consultation, we enjoy a sound relationship with these unions and in 2011 we successfully concluded wage negotiations at Ritchie, Jef, and Megacube. There was no industrial action relating to wage negotiations during the reporting period.

A total of 27 people were retrenched as a result of the cessation of operations at Nkomati Anthracite's opencast section during this reporting period. Section 189 of the South African Labour Relations Act was strictly adhered to throughout this process.

Disciplinary and grievance procedures

In compliance with the Labour Relations Act, we have a disciplinary code and procedures that detail the corrective actions to be followed. These procedures were reviewed during the reporting period and the changes have been embraced by our unions. During

the period under review, there were 52 Commission for Conciliation, Mediation and Arbitration referrals resulting in 10 monetary settlements, amounting to R41 894. No labour court cases were instituted.

Housing

Our policy is to encourage sustainable accommodation and homeownership for all employees in the areas in which we operate. Hostel accommodation continues to be phased out and replaced with a housing allowance.

To facilitate this changeover, Benicon offered its employees an interest-free loan to facilitate the purchase of building materials. This loan is paid back monthly by way of a housing allowance allocated to employees.

Community

BBBEE enterprise development and the creation of sustainable employment are the focus areas of Sentula's community development programme, which seeks to uplift the people who reside in all our areas of operation.

Our social footprint in South Africa includes the communities of eMalahleni, Middelburg and Komatipoort region in Mpumalanga as well as Steelpoort in the Limpopo province. In addition, through Geosearch, our footprint is extended across 12 countries on the African continent.

Corporate social investment

Many of the communities that reside around our operations are faced with a multitude of socio-economic challenges, including poverty, unemployment and HIV/Aids. Apart from the Sentula Transformation Trust's contribution to socio-economic development, the Group invests financial and human capital into various charitable causes as well as into awareness creation on HIV/Aids.

Benicon supports the non-profit organisation Faith at Work, which provides employees, their families and members of the Witbank community with counseling and support for a range of social issues. In addition, it invested approximately R308 000 in community social investment, including donations to Witbank for Christ, Life Abundance Church and Rotary.

Ritchie has a policy of assisting local schools. In accordance with this policy, it has assisted Greendale

School on a number of occasions, both financially and by providing the school with coal. Jef donates monthly to the Middelburg Hospice and other charities.

Nkomati assists the local community on an *ad hoc* basis. This includes the grading of roads and the provision of bursaries for local people. It is in constant communication with the local municipality regarding community investment.

Community engagement

Our Nkomati mine is situated in close proximity to the Kwa-Lungelane, Mawewe and Motsamu traditional authorities and we employ almost exclusively from these communities. We also make a concerted effort to ensure that our activities do not negatively impact the people living in this area.

Nkomati is in the process of applying for various environmental authorisations. As part of the application process, a number of meetings were held with the various communities in order to facilitate information sharing. The majority of meetings held were successful; however, gatherings in certain areas continue to be a challenge due to community violence.

In its processing activities, the mine produces around 2 000 tonnes of slurry per month. As there is a limited market for this by-product, roughly half of it is placed in a designated area for the exclusive use of the community which uses it for heating and cooking purposes. Once operations resume, a portion of the slurry will be donated for the purpose of making briquettes. These briquettes will be sold as part of an enterprise development programme.

Environmental and social complaints

A number of complaints regarding our blasting activities within South Africa were received during the period under review. Although they occurred on host mines' sites, we view them in a very serious light and appropriate action is taken to mitigate these effects.

At Nkomati, a complaint regarding blasting damage to houses was received. An independent investigation was conducted and it was concluded that the damage to the houses resulted from poor construction rather than blasting effects.

Complaints received with regard to Nkomati Anthracite have been responded to and, where appropriate, action taken. Complaints regarding environmental issues such as blasting effects, access, and communication were all recorded. We continue to engage the community and the relevant authorities to resolve these issues.

Community relocations

No grave or community relocations took place in this review period.

Looking forward

To monitor our progress in the field of sustainable development going forward, additional KPIs have been introduced including water and electricity usage, training hours and stakeholder complaints. For certain KPIs, where targets were not set in the previous review, a baseline measure was recorded.

SUSTAINABLE DEVELOPMENT – KEY PERFORMANCE INDICATORS

Key performance indicator	Measure	Obtained in 2011	Target 2012
Safety	CIFR*	1,17	1,1
	TIFR*	7,16	7,0
	Fatalities	1	Zero
Health	New cases of occupational disease	5	Zero
	Percentage of employees undergoing HCT	23,8%	50%
Environment	Total energy use	6 208 452,7 kWh	5% reduction
	Obtaining or retention of ISO 14001 certification	Benicon and Geosearch certified to date	Retention at Benicon and Geosearch. JEF and Megacube to be certified
	Number of monetary fines or sanctions related to non-compliance with environmental legislation	1 sanction	Zero
	Number of environmental incidents	Zero	Zero
	Total water use	40 263,6 kl**	5% reduction
Black economic empowerment	Percentage procurement spend with South African Department of Trade and Industry compliant suppliers	46,7%	50%
Employment	Number of HDSAs in management	60%	62%
	Female participation in management	10%	12%
	Percentage female employees in Sentula	6%	8%
Training	Number of training hours undergone by employees and contractors	63 002 hours	70 000 hours
Stakeholders' complaints	Number of issues raised by stakeholders	19	30% reduction

* Per one million man-hours worked.

** From municipal sources, excludes borehole water.

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