

## **Sentula Mining Limited**

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



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# **DISPOSAL BY SENTULA MINING SERVICES PROPRIETARY LIMITED OF A LETTING ENTERPRISE**

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## **1. Introduction**

- 1.1. Shareholders are advised that Sentula Mining Services Proprietary Limited ("SMS"), a wholly-owned subsidiary of Sentula, has entered into an agreement with Inala Mining Services Proprietary Limited ("Inala") in terms of which SMS will dispose of its property, situated in Witbank (portion 568 of the Farm Naauwpoort No. 335) ("the Property"), together with the letting enterprise conducted thereon (collectively, "the Letting Enterprise") to Inala ("the Disposal").
- 1.2. As part of the consideration for the Disposal (as further set out in paragraph 4 below), Inala will assume all Sentula's liabilities arising out of or in relation to the initial acquisition by Sentula of Nkomati Anthracite Proprietary Limited ("Nkomati Anthracite") in March 2007. As part of the Nkomati Anthracite purchase, Sentula incurred an obligation to Benicon SA Proprietary Limited for the payment of an amount of R4.69 per ton of anthracite sold by Nkomati Anthracite ("the Nkomati Obligation").

## **2. Rationale for the Disposal**

- 2.1. The Property was historically, predominantly, occupied by Benicon Opencast Mining Proprietary Limited ("BOMS").
- 2.2. Following the wind-down of BOMS as announced on SENS on 27 June 2016, the Property has been largely vacant, with the only remaining tenants being Close-Up Mining Proprietary Limited, Benicon Sales Proprietary Limited and Ritchie Crane Hire Proprietary Limited ("Ritchie").
- 2.3. The Property is of a specialised nature and requires significant ongoing management and maintenance. Accordingly, the board of directors of Sentula ("the Board") have taken the strategic decision to dispose of the Letting Enterprise as a going concern.
- 2.4. In addition, in terms of the Disposal, Sentula will be relieved of the Nkomati Obligation.

## **3. Leases**

- 3.1. In terms of the Disposal, Inala will acquire all contracts presently entered into in respect of the Letting Enterprise.
- 3.2. SMS has, concurrently with the Disposal agreement, entered into a lease agreement with Inala in terms of which SMS will lease the portion of the Property that is currently tenanted by Sentula subsidiary, Ritchie, for an aggregate rental of R10 for a period of nine years and eleven months ("Ritchie Lease"). The existing lease agreement entered into with Ritchie will lapse.

## **4. The Disposal consideration**

- 4.1. The Disposal consideration shall be an aggregate amount of R30 900 297 (before adjusting for time value of money), comprising:
  - 4.1.1. R2 000 000, 50% of which will be payable on the date the suspensive conditions in terms of the agreement are met with the remaining 50% payable on transfer of the Property to Inala;
  - 4.1.2. deferred consideration in the amount of R3 000 000, payable in 24 equal monthly instalments of R125 000 commencing on the date of transfer of the Property, which

amount includes interest calculated at 10.5% per annum with a present value of R 2 695 357;

- 4.1.3. the assumption by Inala of the Nkomati Obligation, which obligation is estimated to be an amount of R12 964 208;
- 4.1.4. the assumption by Inala of an amount of R7 338 420 owing and payable by BOMS to Inala in respect of services previously rendered by Inala to BOMS; and
- 4.1.5. through giving effect to the Ritchie Lease, which has an estimated fair value (in favour of SMS) of R5 597 669.

## **5. Financial information**

The net asset value of the Property was R40 901 406 as per the audited results for the period ended 30 June 2016. As the Property was owner-occupied, the Property did not generate any net income for the 15 month period ended 30 June 2016.

## **6. Application of proceeds**

SMS intends to apply the cash proceeds received in respect of the Disposal to fund its ongoing working capital requirements.

## **7. Suspensive conditions and effective date**

7.1. The Disposal remains conditional upon the fulfilment and/or waiver of a number of suspensive conditions, including:

- 7.1.1. the necessary board and/or shareholders' approvals (to the extent required) being obtained by SMS and Inala;
- 7.1.2. SMS, BOMS and Inala entering into a written agreement in terms of which Inala will assume the Nkomati Obligation and that such written agreement becomes unconditional;
- 7.1.3. a written cession in favour of SMS is concluded and has become unconditional in terms of which all rental income arising out of the Letting Enterprise is ceded to and in favour of SMS as security for the due performance by Inala of its obligations pursuant to the Disposal agreement.

7.2. The Disposal will become effective on the earlier of the date of transfer of the Property into the name of Inala and the date on which all suspensive conditions thereto are fulfilled or waived, which is expected to be on/about 31 March 2017.

## **8. Categorisation**

The Disposal is categorised as a Category 2 transaction in terms of the Listings Requirements of the JSE Limited and accordingly does not require approval by Sentula shareholders.

Johannesburg

13 February 2017

Sponsor



Questco Proprietary Limited