

## 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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## RE-CAPITALISATION OF NKOMATI ANTHRACITE PROPRIETARY LIMITED AND WAREHOUSING OF SHARES FOR THE BENEFIT OF THE COMMUNITY

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### 1. Recapitalisation of Nkomati

The board of directors of Sentula is pleased to advise shareholders that Nkomati Anthracite Proprietary Limited ("Nkomati"), in which Sentula currently holds 60% of the issued share capital, has successfully secured a loan in the amount of R151.6 million from the Industrial Development Corporation of South Africa Limited ("the IDC") ("the IDC Loan").

It is the intention of the Company that R141.6 million of the IDC Loan will be applied to fund the expansion of current plant capacity and the recommencement of the underground mining activities of Nkomati ("the Recapitalisation Loan"), whilst the balance of R10 million will be applied to fund the ongoing working capital of Nkomati ("the Working Capital Loan").

The Recapitalisation Loan shall bear interest at a rate of 5% above the prime overdraft rate, whilst the Working Capital Loan shall bear interest at a rate of 4% above the prime overdraft rate.

The IDC Loan will be repayable through a combination of a cash sweep and amortisation facility over a period of 48 months, with the first payment being due on the 13th month following the first draw-down.

The IDC Loan agreement contains certain covenants and security provisions that are standard for an agreement of this nature.

The advancement of the loan remains subject to various conditions precedent, including, *inter alia*, –

- the submission by Nkomati of copies of all relevant environmental management approvals to the IDC; and
- the warehousing by the shareholders in Nkomati of an aggregate 16.1% of the issued share capital of Nkomati on behalf of the local community.

### 2. Warehousing of shares in Nkomati

As noted above, as a condition precedent to the IDC Loan, the shareholders in Nkomati are required to agree to warehouse an aggregate 16.1% of the issued share capital of Nkomati for the benefit of the community on which the mine operates ("the Community") ("the Warehousing Arrangement").

A special purpose vehicle will be established to accommodate the Warehousing Arrangement ("the SPV"). Nkomati will issue new shares to the SPV, for nil consideration, such that the SPV shall, thereafter, hold 16.1% of the share capital of Nkomati. Following implementation of the Warehousing Arrangement, Sentula's shareholding in Nkomati will dilute by 9.66% to 50.34% and the shareholding of the Mpumalanga Economic Growth Agency ("MEGA") in Nkomati will dilute from 40% to 33.56%.

The salient terms of the Warehousing Arrangement will be contained in an amended shareholders' agreement which shall be entered into between Sentula, MEGA and the SPV in due course ("the Nkomati Shareholders' Agreement").

The conclusion of the Warehousing Arrangement remains subject to –

- the conclusion by the parties of the Nkomati Shareholders' Agreement; and
- approval by the Department of Mineral Resources.

Until such time as the abovementioned conditions precedent are fulfilled, Sentula's beneficial interest in Nkomati will remain 60%.

*Description of the business carried on by Nkomati*

Nkomati holds the mining rights in respect of an anthracite mine, located approximately 50 kilometres south of Komatipoort within the Mpumalanga Province of South Africa.

Sentula acquired its shareholding in Nkomati during March 2007. Opencast mining operations and underground mining operations commenced in 2009. All mining ceased during 2011 when the mine was put under care and maintenance. During November 2014, opencast mining operations recommenced at low levels of production with full plant capacity production achieved from June 2016 onwards.

As at 30 June 2016, Nkomati had a net equity deficit of R195 million, assets of R197 million and a loan owing to Sentula amounting to R301 million. Nkomati incurred a loss after tax of R32 million for the 15 months then ended.

Johannesburg  
24 February 2017

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