

Sentula

MINING

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

AUDITED SUMMARISED CONSOLIDATED FINANCIAL RESULTS FOR THE 15 MONTHS ENDED 30 JUNE 2016 AND NOTICE OF THE ANNUAL GENERAL MEETING

SUMMARY CONSOLIDATED INCOME STATEMENT

for the 15 months ended 30 June 2016

R'000	Audited June 2016 15 months	Audited March 2015 Restated
Revenue	1 535 689	1 374 753
Loss from operations	(179 619)	(153 880)
Net profit/(loss) on disposal of assets	9 662	(52 099)
Megacube arbitration award	(129 051)	–
Impairment of plant and equipment	(138 846)	(14 795)
Impairment of other receivable	(3 568)	–
Impairment of assets held-for-sale	–	(815)
Operating loss	(441 422)	(221 589)
Finance charges	(45 467)	(52 918)
Fair value adjustment on interest rate cap	–	(159)
Loss before taxation	(486 889)	(274 666)
Taxation	17 512	(16 244)
Loss for the period from continuing operations	(469 377)	(290 910)
Discontinued operations		
Loss for the period from discontinued operations (attributable to the owners of the parent)	–	(275)
Loss on disposal of discontinued operations	–	(3 727)
Total loss for the period	(469 377)	(294 912)
Loss attributable to:		
– Owners of the parent	(447 429)	(293 445)
– continuing operations	(447 429)	(289 443)
– discontinued operations	–	(4 002)
– Non-controlling interest	(21 948)	(1 467)
– continuing operations	(21 948)	(1 467)
– discontinued operations	–	–
Weighted basic and diluted loss per share (cents)	(61,27)	(49,18)
– continuing operations (cents)	(61,27)	(48,51)
– discontinued operations (cents)	–	(0,67)
Shares in issue at the end of the period ('000)	1 167 564	586 559
Shares in issue at the end of the period excluding treasury shares ('000)	1 162 010	581 005
Weighted average shares in issue at the end of the period excluding treasury shares ('000) (2015 restated for the rights issue)	730 200	590 708

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 15 months ended 30 June 2016

R'000	Audited June 2016 15 months	Audited March 2015 Restated
Loss for the period	(469 377)	(294 912)
Other comprehensive (loss)/income		
Items that may be subsequently reclassified to profit or loss		
Foreign currency translation differences for foreign operations	(21 843)	2 339
Other comprehensive (loss)/income for the period, net of income tax	(21 843)	2 339
Total comprehensive loss for the period	(491 220)	(292 573)
Loss attributable to:		
– Owners of the parent	(469 272)	(291 106)
– continuing operations	(469 272)	(287 104)
– discontinued operations	–	(4 002)
– Non-controlling interest	(21 948)	(1 467)
– continuing operations	(21 948)	(1 467)
– discontinued operations	–	–

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016

R'000	Audited June 2016	Audited March 2015
ASSETS		
Total non-current assets	654 052	801 617
Property, plant and equipment	586 014	749 942
Restricted cash	2 850	–
Intangible assets	–	672
Goodwill	37 427	37 427
Deferred income tax asset	27 761	13 576
Total current assets	283 737	403 328
Inventories	33 402	70 492
Trade and other receivables	213 792	312 947
Cash and cash equivalents	32 822	19 245
Current tax receivable	3 721	644
Assets of disposal group classified as held-for-sale	105 174	219 490
TOTAL ASSETS	1 042 963	1 424 435
EQUITY AND LIABILITIES		
Total equity attributable to equity holders of the parent	365 409	732 012
Share capital	2 122 973	2 020 304
Treasury shares	(25 898)	(25 898)
Reserves	86 294	110 689
Accumulated loss	(1 817 960)	(1 373 083)
Non-controlling interest	(21 948)	–
TOTAL EQUITY	343 461	732 012
LIABILITIES		
Total non-current liabilities	147 284	114 856
Loans and borrowings	–	2 354
Rehabilitation provision	69 889	–
Finance lease obligations	14 301	45 701
Deferred income tax liabilities	63 094	66 801
Total current liabilities	525 048	509 534
Trade and other payables	230 179	208 474
Megacube arbitration award	92 331	–
Deferred revenue	25 331	391
Loans and borrowings	33 500	132 752
Finance lease obligations	9 840	26 642
Bank overdraft	86 841	81 214
Current income tax liabilities	47 026	60 061
Liabilities of disposal group classified as held-for-sale	27 170	68 033
Total liabilities	699 502	692 423
TOTAL EQUITY AND LIABILITIES	1 042 963	1 424 435
Net asset value per share (excluding treasury shares) (cents) (2015 restated for the rights issue)	31	123
Tangible net asset value per share (excluding goodwill) – excluding treasury shares (cents) (2015 restated for the rights issue)	28	116

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

for the 15 months ended 30 June 2016

R'000	Audited June 2016 15 months	Audited March 2015
Cash flows from operating activities	53 475	47 138
Cash generated from operating activities	100 729	119 808
Income taxes paid	(9 719)	(20 622)
Interest paid	(37 535)	(52 048)
Cash flows from investing activities	6 485	(3 534)
Interest received	1 699	769
Purchase of property, plant and equipment	(56 888)	(103 959)
Proceeds from disposal of property, plant and equipment	61 733	42 021
Capitalised exploration expenditure	–	(1 187)
Additions to assets held-for-sale	–	(830)
Proceeds from disposal of assets held-for-sale	2 791	27 279
Proceeds from disposal of subsidiary	–	23 680
Movement in restricted cash	(2 850)	8 693
Cash flows from financing activities	(47 220)	(139 033)
Increase in borrowings	–	3 289
Decrease in borrowings	(101 606)	(199 827)
Finance lease advances	1 371	74 187
Finance lease payments	(49 654)	(16 682)
Proceeds from the rights issue	104 581	–
Payment of transaction costs related to rights issue	(1 912)	–
Net increase/(decrease) in cash and cash equivalents	12 740	(95 429)
Cash and cash equivalents at the beginning of the period	(60 569)	33 744
Exchange (losses)/gain on cash and cash equivalents	(1 291)	1 116
Cash and cash equivalents at the end of the period	(49 120)	(60 569)
Cash and cash equivalents per statement of financial position	(54 019)	(61 969)
Cash and cash equivalents classified as held-for-sale	4 899	–
Cash and cash equivalents classified as discontinued operations	–	1 400
Cash and cash equivalents at the end of the period	(49 120)	(60 569)

Directors: RB Patmore* (Chairman), JC Badenhorst (Chief Executive Officer), JC Lemmer (Financial Director), DR Zihlangu*, SP Naudé*, ME Gama*, T de Bruyn*
*Independent non-executive "Non-executive"

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INTRODUCTION

The 2016 financial period continued to be a very challenging one for Sentula. Since 2010, Sentula has been battling to keep head above water as the debt load, fraud, declining commodity prices, declining margins, rising labour costs, legal disputes and mining regulatory uncertainty continued to weigh on its performance. For Sentula it all culminated in the tipping point being reached during the past financial period. The new starting point was to install an executive team that was capable of focusing the business, identifying the issues and opportunities, and then to move forward despite the negative past.

Sentula is on track to complete an aggressive restructuring exercise, which included closing, merging and recapitalising affected businesses in its portfolio. Sentula's key qualities which are long-term contracts with blue-chip customers, a diversified revenue base, well established track records, good safety records and top quality and loyal staff with the technical expertise to deliver results, have kept Sentula alive against all odds.

These qualities, combined with a fresh approach from the new executive management, assisted in repositioning each business as a standalone and sustainable unit. There are more hurdles to cross but we are confident that Sentula is on track to turn the corner. The environment remains very challenging but the emphasis will be on focusing on those things that we can control rather than those that we cannot. In future the focus will be on businesses that have good investment characteristics and yield attractive returns on capital.

FINANCIAL OVERVIEW

The loss incurred during the financial period was mainly as a result of the following non-recurring events:

- The Megacube Mining Proprietary Limited ("Megacube")/Keaton Mining Proprietary Limited ("Keaton") arbitration award of R129 million;
- Impairment of property, plant and equipment amounting to R139 million in the opencast mining operations;
- Operating losses incurred by Benicon amounting to R157 million, including wind-down costs; and
- Nkomati production ramp up costs amounting to R25 million.

During the second half of the financial period, the operational management of Benicon was taken over by a new executive team. The rapidly escalating losses in Benicon Opencast Mining Proprietary Limited ("Benicon") dictated that drastic action be taken, which culminated in the winding down of Benicon as well as the proposed merger between Sentula Coal Proprietary Limited ("Sentula Coal") and Close-Up Mining Proprietary Limited ("Close-Up"). Shareholders are referred to the SENS announcement on 27 June 2016 in which the transaction was announced.

The Megacube/Keaton arbitration dispute has been provided for during the period, negatively impacting the Group's equity by R109 million. The arbitration award will not impact the rest of the Group's operations as there is no known recourse between Megacube and any other group company.

OPERATIONAL REVIEW

Mining services

Although Sentula currently provides a suite of diversified mining services to mainly blue-chip customers, it will in future focus on investment in good companies with good management, delivering attractive returns on capital to shareholders. The five businesses, constituting the current Sentula Group, operate in one of the four contracted mining-related service provision areas, broadly defined as opencast mining, overburden drilling and blasting, mobile crane hire and exploration drilling. In addition, Sentula is the majority shareholder in Nkomati Anthracite, which is an active anthracite mine.

Opencast mining services

Benicon, Sentula's largest bulk earthmoving business, suffered substantial losses during the fifteen month period as a result of old and expensive to maintain equipment as well as an inefficient and expensive operating structure. As a result, Benicon is in the process of winding down and the best elements are in the process of being merged with Close-Up. As part of the proposed transaction, Sentula will acquire a 40% equity stake in Close-Up, which continues to provide contract mining services to Anglo American Coal. Classic Challenge Trading Proprietary Limited ("CCT"), which provides contract mining services to Samanco, suffered losses due to a historically mispriced contract. Subsequent to the period end the contract price has been adjusted, which should enable CCT to operate profitably in future.

Overburden drilling and blasting

JEF Drill and Blast Proprietary Limited ("JEF") provides drilling and blasting services to Group companies as well as external clients. JEF's performance during the 15 months was negatively affected by the loss of key blasting contracts. Subsequent to the period-end JEF was able to obtain new drilling contracts, which should enable it to return to historical levels of profitability. The Group will continue to invest in JEF to grow the business on a sustainable basis.

Mobile crane hire

Ritchie Crane Hire Proprietary Limited ("Ritchie") suffered a slowdown in revenue growth during the early part of the financial period, mainly as a result of key customers postponing work due to tough market conditions. Since then, confidence appears to have returned, evident in a consistent and gradual increase in Ritchie's crane utilisation ratio. Ritchie's impeccable safety record combined with excellent customer service has enabled it to keep on winning new contracts against very tough competition. The Group will continue to invest in Ritchie to grow the business on a sustainable basis.

Exploration drilling

The ongoing reduction in exploration expenditure in the market necessitated further restructuring of Geosearch operations in South Africa, Mozambique and Botswana. The South African operation's key contract is with Anglo Platinum at their Mogolokwena mine while Botswana was recently awarded a drilling contract at Debswana's Orapa mine. Mozambique continues to be affected by challenging weather conditions and a very slow recovery in coal mining activities. Operations in all three jurisdictions have been rightsized to be able to operate profitably in the current challenging environment. The businesses are well-positioned to take advantage of new opportunities as the exploration drilling market recovers.

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 15 months ended 30 June 2016

R'000	Share capital	Share-based payment reserve	Treasury shares	Foreign currency translation reserve	Accumulated loss	Total	Non-controlling interest	Total ordinary shareholders' funds
Restated balance as at 31 March 2014	2 020 304	36 684	(25 898)	74 166	(1 080 639)	1 024 617	1 467	1 026 084
Loss for the year	–	–	–	–	(293 445)	(293 445)	(1 467)	(294 912)
Other comprehensive income	–	–	–	2 339	–	2 339	–	2 339
Transactions with owners, recorded directly in equity								
Disposal of subsidiary	–	(2 500)	–	–	1 001	(1 499)	–	(1 499)
Balance as at 31 March 2015	2 020 304	34 184	(25 898)	76 505	(1 373 083)	732 012	–	732 012
Loss for the 15 months	–	–	–	–	(447 429)	(447 429)	(21 948)	(469 377)
Other comprehensive loss	–	–	–	(21 843)	–	(21 843)	–	(21 843)
Transactions with owners, recorded directly in equity								
Shares issued for cash	104 581	–	–	–	–	104 581	–	104 581
Rights issue transaction costs	(1 912)	–	–	–	–	(1 912)	–	(1 912)
Share options forfeited	–	(2 552)	–	–	2 552	–	–	–
Total contributions by and distributions to owners	102 669	(2 552)	–	(21 843)	(444 877)	(366 603)	(21 948)	(388 551)
Balance as at 30 June 2016	2 122 973	31 632	(25 898)	54 662	(1 817 960)	365 409	(21 948)	343 461

INFORMATION ABOUT REPORTABLE SEGMENTS

The group is organised in five operating segments, namely opencast mining services, exploration drilling, overburden drilling and blasting, mobile crane hire and coal mining. Benicon, CCT, Sentula Coal, and Benicon Sales Proprietary Limited ("Benicon Sales") are included in the opencast mining services. Sentula Coal and Benicon Sales are now included in opencast mining services due to a change in the structure of the organisation, previously Sentula Coal was included in the coal mining segment and Benicon Sales was included in corporate and other services. Benicon Coal Proprietary Limited ("Benicon Coal") and Nkomati Anthracite Proprietary Limited ("Nkomati") are included in the coal mining operations. Benicon Coal and Nkomati Anthracite have been restated in the prior year as they are no longer classified as held-for-sale. Even though Megacube is no longer operational, it has been disclosed separately due to its materiality. Segment performance is measured based on the segment profit before interest and income tax. Inter-segment revenue is priced on an arm's length basis.

Audited 15 months ended 30 June 2016

R'000	Opencast mining services	Exploration drilling	Overburden drilling and blasting	Crane hire	Coal mining	Megacube	Corporate and other services	Total
Total segment revenue	983 738	223 269	385 414	89 852	169 017	–	550	1 851 840
Inter-segment revenue	118 964	8 118	154 649	3 511	30 359	–	550	316 151
External revenue	864 774	215 151	230 765	86 341	138 658	–	–	1 535 689
Total segment results pre-impairment	(167 271)	(14 046)	28 061	28 281	(24 930)	(3 806)	(25 908)	(179 619)
Impairment of plant and motor vehicles	(138 846)	–	–	–	–	–	–	(138 846)
Megacube arbitration award	–	–	–	–	–	(129 051)	–	(129 051)
Impairment of other receivable	–	–	–	–	–	–	(3 568)	(3 568)
Net gain on disposal of assets	7 834	1 648	192	(3)	(15)	–	6	9 662
Segment results	(298 283)	(12 398)	28 253	28 278	(24 945)	(132 857)	(29 470)	(441 422)
Segment assets	234 941	120 450	194 325	155 864	194 354	5 761	611	906 306
Assets classified as held-for-sale	105 174	–	–	–	–	–	–	105 174
Current and deferred tax assets	–	13 515	1 371	581	14 644	–	1 372	31 483
Total assets	340 115	133 965	195 696	156 445	208 998	5 761	1 983	1 042 963
Segment liabilities	148 244	16 713	59 649	11 152	90 209	98 422	137 823	562 212
Liabilities classified as held-for-sale	27 170	–	–	–	–	–	–	27 170
Current and deferred tax liabilities	37 615	36 368	15 405	–	–	16 802	3 930	110 120
Total liabilities	213 029	53 081	75 054	11 152	90 209	115 224	141 753	699 502
Audited								